US Banks: Reading the Tea Leaves

Fed pivot = FOMO rises

Price Objective Change

14 December 2023

Equity
United States
Banks

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Soft landing prospects get another boost…

We believe that the increased expectations for Fed rate cuts (~140bp in cuts priced by the markets for 2024; 10yr yield < 4% vs. ~5% less than two months ago; BofA Macro forecast for first rate cut in 2Q24) should drive bank stocks higher. The pressure points on the sector have mostly stemmed from the risk of higher for longer interest rates. The possibility that the Fed could cut interest rates without a US economic recession (= a potential 1995 scenario) reduces the risk of a deep credit cycle (= higher stock valuation multiples). Relevant research: US Banks: Reading the Tea Leaves: Peak rates solve a lot (not all) of problems

…but are we setting-up for a 2024 disappointment?

We recognize that a reversal in cooling inflation (that causes the market to re-evaluate rate-cut outlook) or lagged negative effects of Fed rate hikes on asset quality (damage from 500bp+ of rate hikes) have the potential to play spoilsport next year. For now, however, the fundamental EPS outlook suggests gradual normalization in credit quality (not a spike), stabilizing net interest income (a handful of rate-cuts unlikely to serve as a significant drag on margins) and well-controlled expenses. Lower rates also alleviate capital pressure for regional banks given collapsing unrealized losses on bond books (= accelerated TBV growth/capital build).

Bank stocks still trading at a 50% discount vs. 30% avg.

Despite the 1400bp of outperformance vs the S&P since its Oct lows, the bank index (BKX) is trading at an ~50% P/E discount to the S&P vs ~30% average for the 5yrs pre-pandemic (Exhibit 1 Exhibit 2). On a P/TBV basis the group is trading at 1.2x-1.3x adjusted for AOCI (a metric that we expect will be increasingly used in a declining rate environment). Our investor conversations over the last few weeks suggest that institutional investors have been revisiting their exposure (or the lack of) to bank stocks. We believe the move in rates yesterday on the back of Fed messaging has the potential to drive further FOMO. Relevant research: US Banks: Reading the Tea Leaves: FONO, not FOMO

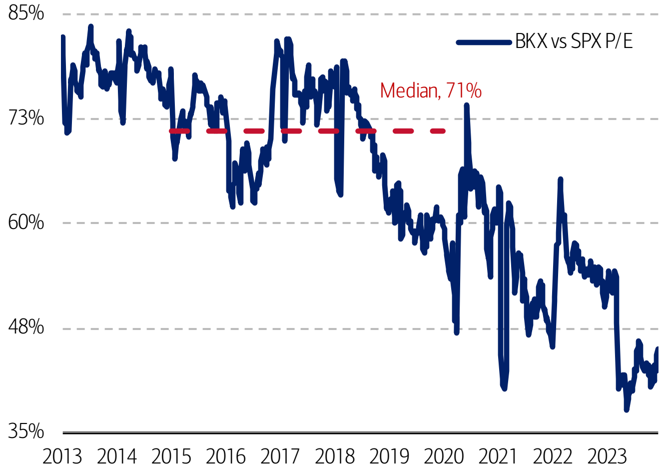
What to own? A little bit of everything

Lower rates should benefit all types of banks, across the market-cap spectrum given the potential to unlock investment banking (and to a certain extent mortgage) activity, reduce funding cost pressures and alleviate repricing risk for commercial real estate borrowers. Stocks that we see as well positioned to outperform on firming outlook for a soft-landing include: Goldman Sachs-GS, Morgan Stanley-MS, Wells Fargo-WFC, Citigroup-C, US Bancorp-USB, Fifth Third-FITB, M&T Bank-MTB, KeyCorp-KEY, East West-EWBC, Western Alliance-WAL, First Horizon-FHN, New York Community-NYCB, Synovus-SNV. We update our POs to reflect the re-rating in market multiples on reduced probability for an economic hard landing (Exhibit 3).

Timestamp: 14 December 2023 06:14AM EST

Exhibit 1: Bank index trading at a ~50% discount to the S&P vs. 30% historical

BKX Index relative P/E vs. SPX Index

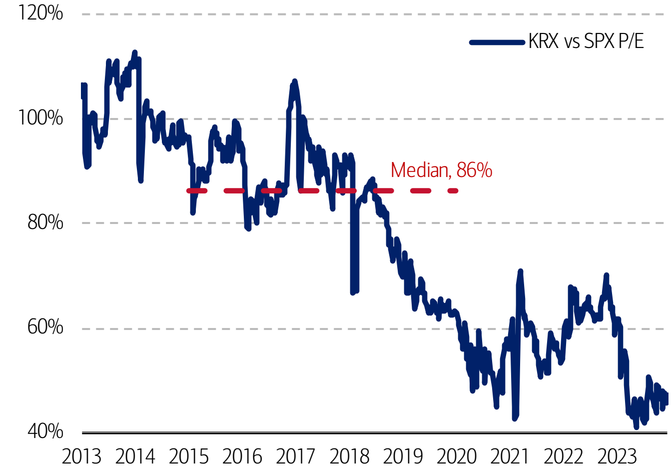


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 2: KRX (smaller regionals) trading at ~50% discount vs. 15% average

KRX Index relative P/E vs. SPX Index



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 3: PO changes for U.S. banks coverage

Old vs. New price objectives

	Old PO	New PO
ALLY	$28	$33
BK	$53	$56
BOH	$38	$44
CFG	$28	$33
CMA	$44	$52
EWBC	$74	$82
FBP	$16.5	$18.6
FHB	$17	$19
FHN	$13	$15
FITB	$33	$37
GS	$388	$412
HBAN	$11	$13
JPM	$175	$177
KEY	$12	$14
MS	$90	$95
MTB	$141	$157
NTRS	$85	$91
PB	$57	$60
PNC	$121	$144
RF	$16	$19
SNV	$34	$40
STT	$72	$81
TCBI	$49	$50
TFC	$32	$37
USB	$44	$49
WAL	$60	$68
WFC	$50	$54
ZION	$34	$38

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 4: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ALLY	ALLY US	Ally Financial	US$ 32.5	B-2-7
BOH	BOH US	Bank of Hawaii	US$ 70.54	B-3-7
BK	BK US	BNY Mellon	US$ 50.95	B-1-7
C	C US	Citigroup	US$ 49.34	B-1-7
CFG	CFG US	Citizens Financial	US$ 31.54	B-2-7
CMA	CMA US	Comerica	US$ 53.05	C-2-7
EWBC	EWBC US	East-West	US$ 70.47	B-1-7
FITB	FITB US	Fifth Third Bank	US$ 32.35	B-1-7
FBP	FBP US	First Bancorp PR	US$ 16.57	B-1-7
FHB	FHB US	First Hawaiian Inc.	US$ 21.87	B-3-7
FHN	FHN US	First Horizon Corp.	US$ 13.95	C-1-7
GS	GS US	Goldman Sachs	US$ 362.73	B-1-7
HBAN	HBAN US	Huntington	US$ 12.33	B-2-7
JPM	JPM US	JP Morgan Chase	US$ 161.06	B-1-7
KEY	KEY US	KeyCorp	US$ 13.96	C-1-8
MTB	MTB US	M&T Bank	US$ 138.51	B-1-7
MS	MS US	Morgan Stanley	US$ 85.63	B-1-7
NYCB	NYCB US	New York Community	US$ 10.59	B-1-7
NTRS	NTRS US	Northern Trust	US$ 82.85	B-1-7
PB	PB US	Prosperity Bncsh	US$ 64.89	B-3-7
RF	RF US	Regions Financial	US$ 18.1	B-2-7
STT	STT US	State Street	US$ 76.61	B-2-7
SNV	SNV US	Synovus	US$ 37.63	B-1-7
TCBI	TCBI US	Texas Capital Bancsh	US$ 59.93	B-3-9
PNC	PNC US	The PNC Financial	US$ 146.32	B-2-7
TFC	TFC US	Truist Financial	US$ 35.49	B-2-7
USB	USB US	U.S. Bancorp	US$ 42.49	B-1-7
WFC	WFC US	Wells Fargo	US$ 47.76	B-1-7
WAL	WAL US	Western Alliance	US$ 60.63	C-1-7
ZION	ZION US	Zions	US$ 41.82	C-3-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Ally Financial (ALLY)

Our $33 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 8.0x/0.9x multiples, respectively. Discount vs. mid-cap peers (11.5x/1.2x) reflect banks higher credit profile and risks to EPS defensibility.

Upside risks: a better-than-expected improvement in the macro environment and credit performance, and stronger growth in complementary businesses. Downside risks: slower-than-expected vehicle origination growth amid weaker economic activity, a deterioration in credit quality and/or disruption in dealership ecosystem.

Bank of Hawaii Corp. (BOH)

Our $44 PO is based on applying a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 15x/0.9x multiples respectively, in-line/above the bank's 5 year pre-pandemic median of 16.5x/2.8x due to a lower return profile.

Downside risks to our price objective are a longer-than-anticipated low rate environment and a reversal of local economic improvement. Upside risks are a stronger-than-expected economic rebound, better-than-expected capital distribution and a shorter-than-anticipated low rate environment.

Citigroup Inc. (C)

Our $60 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 8.2x/0.7x multiples respectively, vs. large-cap peers (9.5x/1.4x) due to the bank's lower return metrics and risks to EPS defensibility.

Downside risks to our PO are execution risk tied to mgmt's franchise transformation efforts, an economic downturn or a macro-economic shock, increased costs tied to the regulatory consent orders, regulatory changes. Faster pace of share buybacks, better than expected operating leverage.

Citizens Financial Group (CFG)
Our $33 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.0x/1.0x multiples respectively, below the bank's 5 year pre pandemic median of 13.2x/1.2x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, less than expected synergies from acquisition of First Republic private bankers, JMP, HSBC New York branches and ISBC.

Comerica Incorporated (CMA)
Our $52 PO is based on applying a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 10.5x/1.2x multiples respectively, in-line/above the bank's 5 year pre-pandemic median of 14.8x/1.6x given the bank's lack of idiosyncratic catalysts in the current environment.

Upside risks to our PO are stable-to-rising interest rates, continued improvement in credit quality, and/or higher-than-expected capital return. Downside risks to our PO are Fed rate cuts and/or higher-than-expected expenses.

East West Bancorp, Incorporated (EWBC)
Our $82 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.5x/1.5x multiples respectively, below the bank's 5 year pre pandemic median of 14.3x/2.4x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO are: worse than expected credit losses, greater than expected net interest margin compression, and slower than expected economic growth. Upside risks to our PO are: credit resilience, better than expected margin performance, and stronger than expected economic growth.

Fifth Third Bank (FITB)
Our $37 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/2.0x multiples, respectively, above the bank's 5 year pre pandemic median of 12.0x/1.4x given favorable EPS/ROTCE outlooks.

Downside risks to our PO: slower-than-guided loan growth on weaker economic activity, and/or a deterioration in credit quality.

Upside risks to our PO are a better-than-expected improvement in the macro environment, stronger-than-anticipated balance sheet growth, and/or better expense management.

First Bancorp Puerto Rico (FBP)
Our $18.60 PO is based on applying a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13x/1.8x multiples respectively, in-line/above the bank's 5 year pre-pandemic median of 13.9x/0.8x due to a higher return profile.

Downside risks to our price objective are a worse-than-expected restructuring of PR government debt and a deterioration in the Puerto Rican economy that could hurt the ongoing credit and earnings recovery at FBP. Upside risks to our price objective are a much stronger economic improvement in Puerto Rico, deployment of excess capital into share purchase agreement and a better-than-expected improvement in asset quality trends at FBP.

First Hawaiian Inc. (FHB)

Our $19 PO is based on applying a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.4x multiples respectively, below the bank's 5 year pre-pandemic median of 14.3x/2.5x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks are 1) FHB's reliance on the Hawaiian economy, with 80% of the franchise spread across Hawaii, Guam, and Saipan, poses downside risk to EPS from a severe economic downturn in this region. 2) While FHB has a history of conservative underwriting, its exposure to auto loans could serve as an overhang if investor concerns around the health of the auto sector and consumer increase. Upside risk to our PO is a quick economic recovery in Hawaii and better-than-expected NIM expansion.

First Horizon Corporation (FHN)

Our $15 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.2x multiples respectively, below the bank's 5 year pre pandemic median of 15.4x/1.7x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Risks to the upside are stronger-than-expected loan/deposit growth and better-than-expected mgmt. execution post-TD acquisition termination. Risks to the downside are: greater than expected expense growth as mgmt plays catch-up on tech spend, a deterioration in the funding backdrop that drives higher than expected deposit pricing, worse than expected credit losses.

Goldman Sachs (GS)

Our $412 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.4x multiples, respectively, above the bank's 5 year pre pandemic median of 10.6x/1.2x given lower credit risk into a potential recession. Downside risks to our PO: weaker economy/capital markets, macro or geo-political issues, competition, structural pressures, tougher global regulation, and litigation. Upside risks: stronger capital markets activity.

Huntington Bancshares Inc. (HBAN)

Our $13 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.4x multiples, respectively, in-line with/below the bank's 5 year pre pandemic median of 12.5x/1.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Downside risks to our PO: higher for longer interest rate environment increasing deposit costs, greater than expected expenses. Upside risks: better than expected PPNR growth.

JPMorgan Chase & Co. (JPM)

Our $177 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.8x/1.9x multiples, respectively, in-line with/above 5Y pre-pandemic average (11.8x/1.7x, respectively) due to the bank's best-in-class revenue generation and better EPS defensibility.

Downside risks to our price objective are macro risks, such as slower-than-expected rate increases, additional regulatory requirements, and scrutiny of the financials industry. Upside risks are better-than-expected credit quality (i.e., lower loan losses) and better interest rate defensibility

KeyCorp (KEY)
Our $14 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.9x/1.5x multiples, respectively, in-line with the bank's 5 year pre pandemic median of 11.9x/1.4x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Downside risks to our PO: higher for longer interest rate environment increasing deposit costs, greater than expected expenses, inability to maximize balance sheet efficiency, and the announcement of expensive deals. Upside risks: lower than expected credit losses and better than expected PPNR growth.

M&T Bank (MTB)
Our $157 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.5x/1.5x multiples, respectively, below the bank's 5 year pre pandemic median of 14.7x/2.2x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Downside risks to our PO: a significant deterioration in the CRE market beyond office that would weigh on credit quality, higher funding costs that would squeeze the net interest margin, and rising regulatory burden. Upside risks: stronger growth, lower funding costs, opportunistic M&A.

Morgan Stanley (MS)
Our $95 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 18.6x/1.8x multiples respectively, above the bank's 5 year pre pandemic median of 11.7x/1.3x given an improved (stickier) revenue mix driven by its wealth and asset management segments.

Risks to the upside is stronger wealth/asset management trends and capital markets activity and higher rates. Risks to the downside are a weak economy/capital markets, increased macro issues, tougher regulation, and litigation.

New York Community Bancorp (NYCB)
Our $13 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 10.5x/1.0x multiples, respectively, below the bank's 5 year pre pandemic median of 15.1x/1.7x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Upside risks to our price objective are: better than expected growth, steepening in the yield curve, and better than expected deal synergies. Downside risks to our price objective are: worse than expected growth, significantly higher than (market) expected Fed Funds rate, severe downturn in the NYC economy and the NYC commercial real estate market.

Northern Trust Corporation (NTRS)
Our $91 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 17.0x/1.6x multiples respectively, in-line with/below the bank's 5 year pre pandemic median of 16.9x/2.3x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to uncertainty surrounding the outlook for interest rates and equity/bond prices.

Risks to the downside are a selloff in equity/bond markets that would put downward pressure on fee growth, rising deposit costs that would put downward pressure on net interest income, management's inability to execute on efficiency/profitability goals. Risk to the upside driven stronger equity/bond markets, sooner than expected achievement of mgmt's profitability/strategic targets.

Prosperity Bancshares Inc (PB)
Our $60 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.5x/1.4x multiples respectively, below the bank's 5 year pre pandemic median of 14.6x/2.4x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO are: worse than expected credit losses, greater than expected net interest margin compression, and slower than expected economic growth. Upside risks to our PO are: better than expected margin performance, and stronger than expected economic growth.

Regions Financial (RF)
Our $19 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.0x/1.4x multiples respectively, below the bank's 5 year pre pandemic median of 12.3x/1.5x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, greater than anticipated operating losses due to check fraud.

State Street Corporation (STT)
Our $81 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.2x/1.4x multiples, respectively, below the bank's 5 year pre pandemic median of 13.5x/2.6x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Downside risks to our PO: severe selloff in equity/bond markets that that could put downward pressure on fee growth and M&A that could temper capital return. Upside risks: stronger equity/bond markets.

Synovus Financial Corp. (SNV)
Our $40 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.3x multiples respectively, below the bank's 5 year pre pandemic median of 16.0x/1.5x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks: worse than expected margin compression, greater than expected deterioration in credit quality. Upside risks: better than expected margin performance, credit quality resilience.

Texas Capital Bancshares Inc. (TCBI)
Our $50 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e tangible book value (TBV). We assigned 10.8x/0.9x multiples, respectively, below relative history (16.3x/1.7x) due to limited EPS visibility.

Upside risk: stronger than expected balance sheet growth, quicker return to profitability and greater NIM expansion relative to peers Downside risk: higher than expected expense growth, accelerated credit migration, slower balance sheet growth.

The Bank of New York Mellon Corporation (BK)
Our $56 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.8x/1.6x multiples respectively, below the bank's 5 year pre pandemic median of 13.4x/3.1x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to uncertainty surrounding the outlook for interest rates and equity/bond prices.

Risk to the upside is stronger equity/bond markets. Risks to the downside are a severe selloff in equity/bond markets that that could put downward pressure on fee growth and M&A that could temper capital return.

The PNC Financial Services Group, Inc. (PNC)
Our $144 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.8x/1.6x multiples respectively, below the bank's 5 year pre pandemic median of 13.1x/1.7x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, an acquisition that is not well received by the markets.

Truist Financial (TFC)
Our $37 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.2x/1.4x multiples respectively, in-line with/below the bank's 5 year pre pandemic median of 13.2x/2.2x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, execution risk tied to STI/BBT merger of equals that completed in December 2019.

U.S. Bancorp (USB)
Our $49 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.0x/2.2x multiples respectively, below the bank's 5 year pre pandemic median of 13.3x/2.5x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, not fully realizing synergies expected with the acquisition of Union Bank.

Wells Fargo & Company (WFC)
Our $54 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.2x/1.3x multiples, respectively, below the bank's 5 year pre pandemic median of 12.4x/1.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: worse-than-expected economic downturn that leads to significantly higher-than-expected credit losses, elevated expense trajectory, slower-than-expected resolution of its consent orders. Upside risks: better-than-expected credit quality (i.e., lower loan losses) and material expense management that improve visibility on future earnings.

Western Alliance Bancorp (WAL)
Our $68 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 10.0x/1.1x multiples respectively, below the bank's 5 year pre pandemic median of 14.8x/2.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO are: worse than expected credit losses, greater than expected net interest margin compression, and slower than expected economic growth. Upside risks to our PO are: credit resilience, better than expected margin performance, and stronger than expected economic growth.

Zions Bancorp (ZION)
Our $38 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e tangible book value (TBV). We assign 11.5x and 0.9x multiples, respectively, below the bank's 5 year pre-pandemic median (15.2x and 1.4x) given the lack of idiosyncratic growth catalysts and risks to EPS visibility.

Upside risks to our PO are better-than-expected expense management and/or continued benign credit.

Downside risks are a deterioration in energy prices and/or an interest rate shock that drives higher debt service costs, potentially creating a credit issue.

Analyst Certification

We, Ebrahim H. Poonawala and Brandon Berman, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Ebrahim H. Poonawala
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Ebrahim H. Poonawala

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Important Disclosures

Equity Investment Rating Distribution: Banks Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	98	50.78%	Buy	81	82.65%
Hold	47	24.35%	Hold	35	74.47%
Sell	48	24.87%	Sell	36	75.00%

Equity Investment Rating Distribution: Financial Services Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	156	53.24%	Buy	94	60.26%
Hold	79	26.96%	Hold	52	65.82%
Sell	58	19.80%	Sell	32	55.17%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

R1 Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster R2
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

R2 Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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