

US Banks

Stress test scenario only half the story

Price Objective Change

Results always have the potential to surprise

The 2024 severely adverse scenario for the Fed's annual stress test appears moderately better vs. 2023 (see [Exhibit 1](#)). This suggests to us that stress capital buffers (SCBs) may remain fairly stable YoY, possibly paving the way for accelerated buybacks, which could be particularly positive for Citigroup. However, we note that these tests are not always about the scenario but how the Fed goes about it, and results have the potential to surprise (and were a positive surprise last year). For now, it's a positive that the industry does not have to deal with a much worse hypothetical scenario as banks navigate real life challenges posed by the current macroeconomic backdrop and changing regulatory attitudes.

Macro scenario little changed

The slightly smaller increase in the unemployment rate (+630bp vs. +640bp in 2023) should bode well for overall loan losses, especially for those banks with larger residential mortgage and credit card loan portfolios (recall: projected loan loss rates increased by 140bp and 180bp YoY, respectively, in 2023). Although the 10Y UST rate is expected to decline 340bp at the start of the scenario (370bp start-to-trough), implying a more inverted yield curve initially vs. last year, we note the curve rebounds more quickly to positive and steepens over the remainder of the scenario. Meanwhile, stress on CRE prices and the focus on lower-rated borrowers appears largely consistent YoY.

CRE stress significant, but same as prior years

We wondered if the Fed would inject a much steeper fall in CRE prices given the heightened focus on this asset class. However, CRE prices are expected to decline by 40% start-to-trough, consistent with prior years ('18, '21 and '23, see [Exhibit 4](#)). Again, this doesn't necessarily mean same or lower loss rates vs. last year. We note that during our recent meeting, M&T Bank-MTB management flagged the higher level of criticized assets as a potential headwind (+11% YoY). However, some of this should be mitigated by a higher level of loan loss reserves (+12bp YoY). Relevant research: [M&T Bank: Consistent execution should pay off: CFO meeting takeaways](#).

Balance sheet positioning suggests increased buffers

On average, participating US banks within our coverage (18 in total) increased CET1 ratios by 54bp YoY as of 4Q23 (see [Exhibit 6](#)), implying +270bp in excess capital above regulatory minimums (see [Exhibit 7](#)). Loan loss reserve ratios were +10bp YoY (see [Exh. 10](#)). Lastly, we estimate banks have ~5% more PPNR heading into this year's test to absorb projected loan losses. (Note: DFAST '23 projected PPNR implied ~50% hit vs. consensus 1Q23-1Q25 forecasts this time last year). We raise our PO on Wells Fargo-WFC to \$60 from \$54 as we assign a higher P/TBV multiple on increased confidence on ROTCE improvement. Relevant research: [WFC: This is where it all began: End of OCC consent order significant](#).

Exploratory analysis: four scenarios vs. two last year

This year's exploratory analysis, intended to provide the Fed with insight into the resiliency of the US banking system, focuses on funding stress and the failure of five large hedge funds in four different scenarios. We note that the exploratory analysis will not impact bank capital requirements.

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Relevant research

[US Banks: Previewing BofA Securities 32nd Annual Financial Services Conference 15 February 2024](#)

Abbreviations:

CET1 - common equity tier 1
CRE - commercial real estate
DFAST - Dodd-Frank Act Stress Tests
PPNR - pre-provision net revenue
P/TBV - price/tangible book value
ROTCE - return on average tangible common shareholders' equity
UST - U.S. Treasury bond

Exhibit 1: Fed's hypothetical severely adverse stress scenario largely consistent YoY

Select domestic and international variables

	Starting Point	Stressed Level	Ending Point	2020	Sep-20	2021	2022	2023	2024	Δ	More/less Severe
Domestic											
Dow Jones Index	38,521	21,186	38,521	-50%	-50%	-55%	-55%	-45%	-55%	(1,039bp)	More
Real GDP growth	1.72%	(12.55%)	4.72%	(1,190bp)	(2,990bp)	(920bp)	(1,210bp)	(1,427bp)	(1,310bp)	117bp	Less
Unemployment rate	3.60%	10.00%	7.50%	(650bp)	300bp	(400bp)	(580bp)	(640bp)	(630bp)	10bp	Similar
10-year Treasury yield	3.92%	0.75%	1.53%	(110bp)	120bp	(60bp)	(90bp)	(317bp)	(370bp)	(53bp)	More
Mortgage rate	6.66%	6.66%	3.12%	70bp	70bp	100bp	70bp	0bp	0bp	0bp	Similar
Market Volatility Index (VIX)	34	75	32	240%	108%	74%	141%	123%	223%	9,957bp	Similar
CRE Price Index	358	215	228	-35%	-30%	-40%	-39%	-40%	-40%	(11bp)	Similar
House Price Index	300	186	216	-28%	-27%	-24%	-29%	-38%	-36%	193bp	Less
BBB corporate yield	6.08%	6.60%	3.78%	330bp	330bp	370bp	390bp	52bp	40bp	(12bp)	Similar
International											
Euro area real GDP growth	(0.70%)	(5.81%)	9.45%	(910bp)	0bp	0bp	(850bp)	(511bp)	(470bp)	41bp	Less
USD/euro exchange rate	1.07	1.01	1.06	-12%	-7%	-4%	-12%	-6%	-9%	(361bp)	More
Developing Asia real GDP growth	4.02%	(1.68%)	8.45%	(690bp)	(3,510bp)	(1,300bp)	(830bp)	(570bp)	(700bp)	(130bp)	More
Japan real GDP growth	2.71%	(8.85%)	8.50%	(960bp)	0bp	(1,110bp)	(1,050bp)	(1,156bp)	(840bp)	316bp	Less
Yen/USD exchange rate	131.81	126.33	128.03	-3%	-2%	-2%	-9%	-4%	-2%	188bp	Less
U.K. real GDP growth	(0.17%)	(4.57%)	7.92%	(730bp)	0bp	0bp	(680bp)	(440bp)	(530bp)	(90bp)	More
USD/pound exchange rate	1.21	1.14	1.20	0%	0%	0%	-12%	-6%	-9%	(362bp)	More

Source: BofA Global Research, Federal Reserve

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Exhibit 2: 2024 Global Market Shock Component stable/more severe YoY

Comparison of the 2024 Global Market Shock Component vs. 2023

	2024	2023	More/less Severe
Economic outlook	Stagflation	Severe US recession	More
Equity prices	Declining	Declining	Similar
Equity volatility	Rising	Rising	Similar
Private equity values	Declining	Declining	Similar
Inflation	Increasing	Decreasing	More
Yield curve	Inverted	Uninverts	More

Source: BofA Global Research, Federal Reserve

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Elements of exploratory analysis

1. Funding stress that causes a rapid repricing of a large proportion of deposits at large banks, under a moderate global recession, combined with increasing inflationary pressures and rising interest rates;
2. The same funding stress under a severe global recession combined with high and persistent inflation and rising interest rates;
3. A market shock featuring a sudden dislocation to financial markets stemming from expectations of reduced global economic activity; and
4. A market shock featuring a sudden dislocation to financial markets stemming from expectations of severe recessions in the United States and other countries.

Exhibit 3: Evolution of SCBs

Stress capital buffers by bank

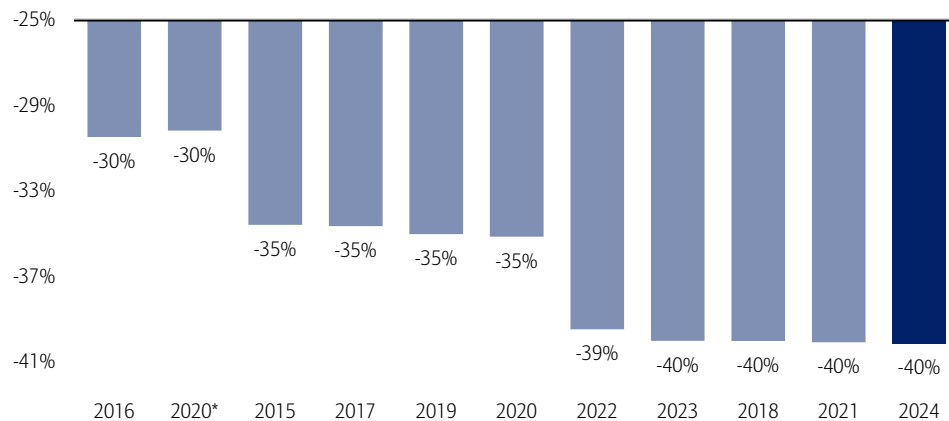
	2020	2021	2022	2023
ALLY	3.5%		2.5%	
BAC	2.5%	2.5%	3.4%	2.5%
BK	2.5%	2.5%	2.5%	2.5%
COF	5.6%	2.5%	3.1%	4.8%
C	2.5%	3.0%	4.0%	4.3%
CFG	3.4%		3.4%	4.0%
FITB	2.5%		2.5%	
GS	6.6%	6.4%	6.3%	5.5%
HBAN	2.5%		3.3%	
JPM	3.3%	3.2%	4.0%	2.9%
KEY	2.5%		2.5%	
MTB	2.5%		4.7%	4.0%
MS	5.7%	5.7%	5.8%	5.4%
NTRS	2.5%	2.5%	2.5%	2.5%
PNC	2.5%	2.5%	2.9%	2.5%
RF	3.0%	2.5%	2.5%	
STT	2.5%	2.5%	2.5%	2.5%
TFC	2.7%	2.5%	2.5%	2.9%
USB	2.5%	2.5%	2.5%	2.5%
WFC	2.5%	3.1%	3.2%	2.9%
Median	2.5%	2.5%	3.0%	2.9%

Source: Federal Reserve

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Exhibit 4: Hypothetical declines in CRE prices largely consistent with recent years*

Change in CRE price index under severely adverse scenario (start to trough)



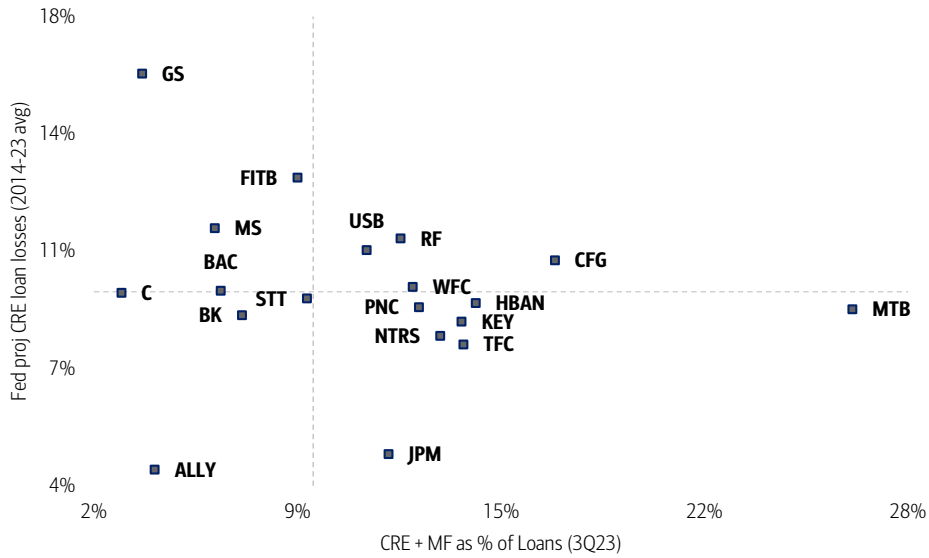
Source: Federal Reserve

Note: Asterisk denotes the additional stress test in late-2020 given the uncertainty related to the pandemic

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Exhibit 5: Despite higher CRE exposure, MTB typically exhibits lower loan losses

CRE loan exposure vs. proj. CRE loan losses under severely adverse scenario

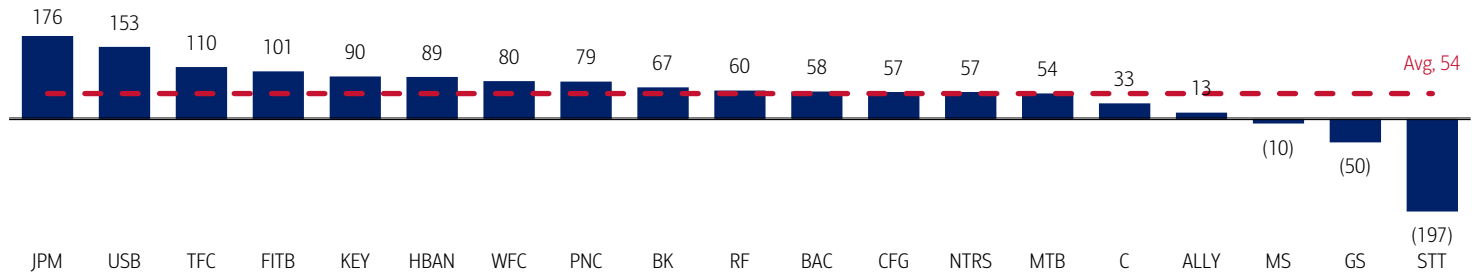


Source: BofA Global Research, company filings, Federal Reserve, S&P Capital IQ (regulatory disclosure)

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Exhibit 6: Participating banks have seen CET1 ratios increase by more than 50bp YoY, on avg., in 2023

YoY change in standardized CET1 ratio

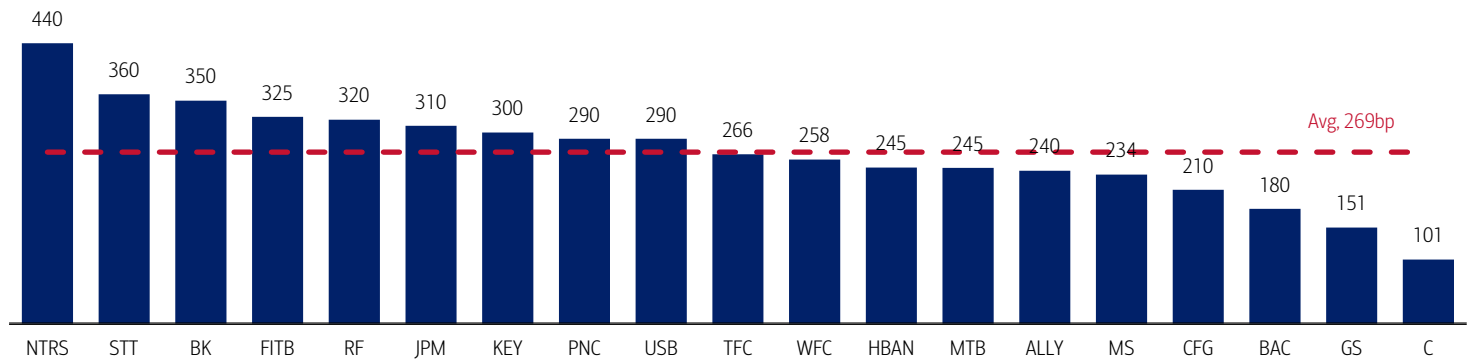


Source: company filings, S&P Capital IQ

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Exhibit 7: Participating banks have ~270bp of excess CET1 capital

4Q23 CET1 ratio vs. current regulatory minimum (in bps)

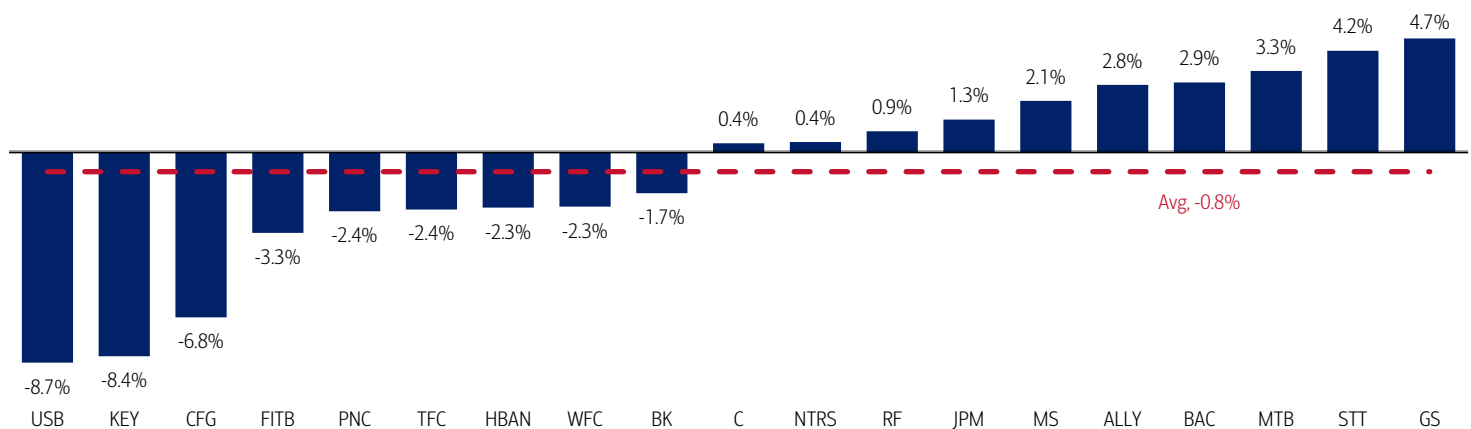


Source: company filings, S&P Capital IQ

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Exhibit 8: Standardized RWAs among participating banks declined <1%, on avg., in 2023

YoY change (2023 vs. 2022) in Standardized RWAs



Source: company filings, S&P Capital IQ

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Exhibit 9: Projected loan losses by type under the severely adverse scenario

Coverage average

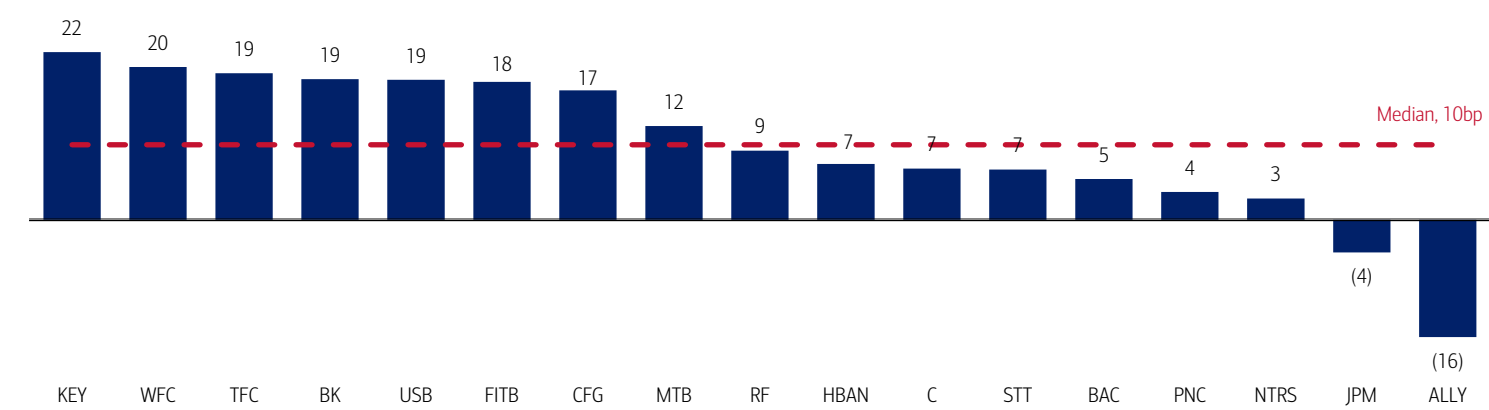
Avg. proj. loan losses (% of avg loans)	Fed's results: DFAST										
	2014	2015	2016	2017	2018	2019	2020	2020*	2021	2022	2023
First lien mortgages	4.7	6.5	3.1	2.0	2.5	1.4	1.5	1.9	1.5	1.3	2.7
Junior liens and HELOCs	8.8	7.2	7.6	4.4	4.7	2.8	3.2	3.2	3.8	4.3	6.2
Commercial and industrial	5.7	5.8	6.7	6.4	7.0	6.1	6.8	7.1	7.4	7.4	6.3
Commercial real estate	8.8	8.5	7.8	7.0	8.5	6.9	6.1	12.8	10.6	9.6	8.8
Credit cards	15.0	13.2	13.2	13.4	14.1	15.8	17.6	22.3	15.8	16.1	16.6
Other consumer	6.0	5.4	5.4	5.5	5.0	4.8	5.2	4.9	4.5	5.0	6.8
Other loans	2.7	2.8	3.4	3.5	4.1	3.5	3.6	4.0	4.0	4.2	3.6

Source: Federal Reserve

Note: Asterisk denotes the additional stress test in late-2020 given the uncertainty related to the pandemic

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Exhibit 10: ACL ratios among participating banks increased 10bp YoY, on avg., in 2023
YoY change (2023 vs. 2022) in loan loss reserve ratios



Source: BofA Global Research, company filings, S&P Capital IQ

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Exhibit 11: 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\$ 36.81	B-2-7
C	C US	Citigroup	US\$ 55.21	B-1-7
CFG	CFG US	Citizens Financial	US\$ 31.74	B-2-7
FITB	FITB US	Fifth Third Bank	US\$ 33.9	B-1-7
GS	GS US	Goldman Sachs	US\$ 385.42	B-1-7
HBAN	HBAN US	Huntington	US\$ 12.84	B-2-7
JPM	JPM US	JP Morgan Chase	US\$ 179.87	B-1-7
KEY	KEY US	KeyCorp	US\$ 14.2	C-1-8
MS	MS US	Morgan Stanley	US\$ 85.67	B-1-7
MTB	MTB US	M&T Bank	US\$ 137.71	B-1-7
NTRS	NTRS US	Northern Trust	US\$ 80.8	B-1-7
RF	RF US	Regions Financial	US\$ 18.55	B-2-7
STT	STT US	State Street	US\$ 73.03	B-3-7
BK	BK US	BNY Mellon	US\$ 55.29	C-1-7
PNC	PNC US	The PNC Financial	US\$ 149.63	B-2-7
TFC	TFC US	Truist Financial	US\$ 36.33	B-1-7
USB	USB US	U.S. Bancorp	US\$ 41.55	B-1-7
WFC	WFC US	Wells Fargo	US\$ 52.04	B-1-7

Source: BofA Global Research

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Price objective basis & risk**Ally Financial (ALLY)**

Our \$42 PO is based on a 50%/50% weighting between our 2025e EPS and 2024e TBV. We assign 6.2x/1.0x multiples, respectively. Discount vs. mid-cap peers (10x/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.

Citigroup Inc. (C)

Our \$65 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 9.5x/0.8x multiples respectively, vs. large-cap peers (13.2x/1.6x) due to the bank's lower return metrics.

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 \$37 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.0x/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.



Fifth Third Bank (FITB)

Our \$40 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.

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 \$14 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.5x 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 \$188 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.9x/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 \$16 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 15.0x/1.5x multiples, respectively, above the bank's 5 year pre pandemic median of 11.9x/1.4x given expected tailwinds from asset repricing, 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 \$100 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 19.5x/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.

Northern Trust Corporation (NTRS)

Our \$93 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.

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/1.3x 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.

The Bank of New York Mellon Corporation (BK)

Our \$64 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.8x/2.0x multiples respectively, in-line/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 \$165 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.3x/1.7x multiples respectively, above the bank's 5 year pre pandemic median of 13.1x/1.7x given reduced uncertainty surrounding EPS/ROTCE outlooks, owing to the improving 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 \$45 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.8x multiples respectively, in-line with the bank's 5 year pre pandemic median of 13.2x/2.2x given reduced 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 \$60 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/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.

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.

Special Disclosures

BofA Securities is currently acting as a financial advisor to Guardian Capital Group LTD, in connection with its proposed acquisition of Sterling Capital Management, which was announced on February 2, 2024.

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
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	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
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	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
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TS LX	TS LX 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
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	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 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
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	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
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Palmer Square Capital BDC	PSBD	PSBD 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
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett

UNDERPERFORM

	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	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
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

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Important Disclosures

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{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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