

US Banks

Earnings & beyond: Stock re-rating should resume

Industry Overview

Bank stock re-rating to continue

4Q results delivered exactly what the bulls (including us) needed. Resilient EPS outlooks (Exhibits [1-6](#)); net interest income more resilient to rate-cuts than we expected (Exhibit [7](#)); credit quality in-check (Exhibit [18](#)-Exhibit [23](#)). Growing confidence for a US economic soft-landing should drive bank stocks higher, trading at 9.8x 2025 P/E vs 13.7x pre-pandemic median and -54% discount to the S&P vs -38% historical. Relevant research: [US Banks: 2024 Year Ahead: Top ten questions asked \(and answered\)](#)

No room for negative nellies

In a reversal from 2023 a backdrop of gradual rate-cuts (direction > timing), potential for positive regulatory headlines (Basel III Endgame), an election cycle that could create optimism on regulations/M&A, 4-5% dividend yields – are all likely to make it harder for investors to take a negative view on the group. Price action coming out of 4Q prints indicates investor appetite to add exposure on pullbacks (evidenced in the rebound in Wells Fargo, KeyCorp, US Bancorp shares).

JPMorgan: the clock is ticking

JPMorgan-JPM's recent mgmt reshuffle further firms-up Jennifer Piepszak (now co-CEO of the Commercial & Investment Bank) and Marianne Lake (now sole CEO of the Consumer & Community Bank) as the front runners for the CEO role. Chairman & CEO Jamie Dimon widely seen as transitioning out of the CEO role by 2026. Elevation of Troy Rohrbaugh notable, who likely will continue to assume senior C-level roles within the bank's top ranks, in our opinion. Relevant research: [JPM: 2024 Year Ahead: An elephant with the agility of a tiger](#)

Citi consolidating, Wells turnaround progresses

Citigroup-C outperformance vs peers to continue as mgmt's turnaround takes hold. We look forward to mgmt update during BofA's annual financial services conference. Wells Fargo-WFC has fully reversed the sell-off in the immediate aftermath of 4Q results. Fewer rate-cuts will be viewed positively, while potential for asset-cap removal (likely 2025 event) to serve as potential catalyst for a re-rating higher in the stock.

Goldman, Morgan need IB pick-up

Goldman Sachs-GS at an inflection point as consumer issues in rear view. Sharpened execution, investors revisiting the potential return profile of the two core businesses (Goldman market leader in both) combined with a pick-up in investment banking (seasonally strong 1Q for trading) recipe for outperformance. Morgan Stanley-MS reset the bar, but execution hurdle high given a premium stock valuation and an intensely competitive backdrop for wealth assets. Exhibits [48-59](#) for capital markets trends.

Links to 4Q23 review notes: **Large-caps:** [BK](#), [C](#), [CFG](#), [FITB](#), [GS](#), [HBAN](#), [JPM](#), [KEY](#), [MS](#), [MTB](#), [NTRS](#), [PNC](#), [RF](#), [STT](#), [TFC](#), [USB](#), [WFC](#). **Mid-caps:** [US Mid-cap Banks: 4Q23 Earnings recap: Week 1](#), [BOH & ZION](#), [CFR](#), [EWBC](#), [FBP](#), [FHN](#), [PB](#), [SNV](#), [WBS](#)

Trust banks likely to lag retail peers...continued page 2

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See Acronym list on pages 25 - 26

Trust banks likely to lag retail peers

As we noted in our year-ahead report, an economic soft-landing likely to favor outperformance for the credit sensitive regional bank peers. Additionally, potential for regulatory relief and/or a stronger markets backdrop may also drive stronger performance among the money centers or investment banks. This is a reversal from last year when the balance sheet defensibility and capital positioning of the trust banks were a distinct advantage. In our view, the group lacks idiosyncratic catalysts as efficiency focus (Northern-NTRS has room to surprise here) and capital return well understood. Net interest income outlooks a bit of a wildcard depending on the path of interest rates, customer behavior. BNY Mellon-BK our favored long, where we believe that the turnaround story is less appreciated.

Regionals best positioned to generate alpha

Regional banks best positioned to generate alpha as pressure points fade driven by lower interest rates, building capital levels and potential for a stabilization in credit costs later in the year. Moreover, macro themes around regulations/M&A/elections also have the potential to serve as a tailwind for these stocks. Mid-cap regionals saw greater volatility coming out of 4Q prints, with updates from First Horizon-FHN, Synovus-SNV, First BanCorp/Puerto Rico-FBP, and East West-EWBC well received. In certain instances markets looked past incremental negative updates on net interest income outlooks – reflecting the overarching mood within the investment community to add exposure to bank stocks. Heightened uncertainty on outlook for interest rates makes it tougher to position based on balance sheet positioning alone (asset vs. liability sensitivity). Among the super-regional banks we remain constructive on Truist-TFC, US Bancorp-USB, Fifth Third-FITB, KeyCorp-KEY and M&T Bank-MTB. Relevant research: [US Banks: 2024 Stock Picks: Prepare for an overshoot](#)

Catalyst watch

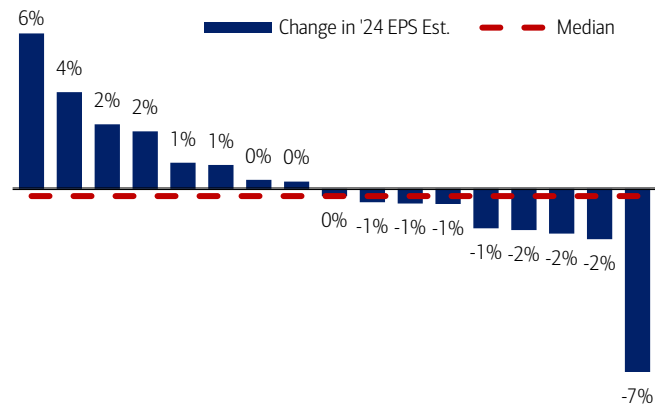
Upcoming catalysts to watch: FOMC (01/31) could inform stock selection asset vs. liability sensitive banks, update on pace of QT or end to be supportive of a re-rating higher in bank stocks; management intra-quarter updates at BofA Financial Services Conference (Feb 20-22); Fed stress test scenarios (1H-Feb) could inform 2H24 capital return outlooks.

4Q23 recap & 2024 outlook in charts

On average consensus EPS outlooks relatively unchanged vs. pre-4Q levels...a positive when it comes to driving a re-rating higher in stocks.

Exhibit 1: Large cap pre-4Q 2024e EPS revision: -0.3%

Pre-4Q 2024e EPS revisions

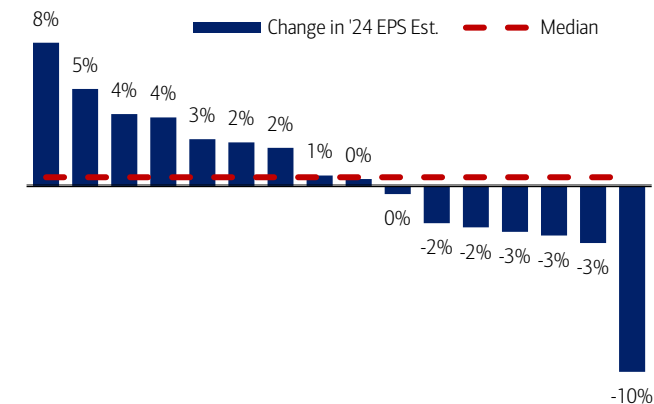


Source: BofA Global Research, Visible Alpha

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Exhibit 2: Mid cap 2024e 2024e EPS revision: +0.5%

Pre-4Q 2024e EPS revisions

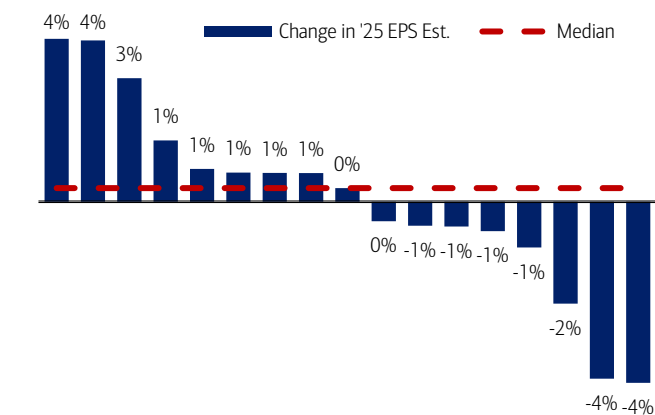


Source: BofA Global Research, Visible Alpha

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Exhibit 3: Large cap pre-4Q 2025e EPS revision: +0.3%

Pre-4Q 2025e EPS revisions

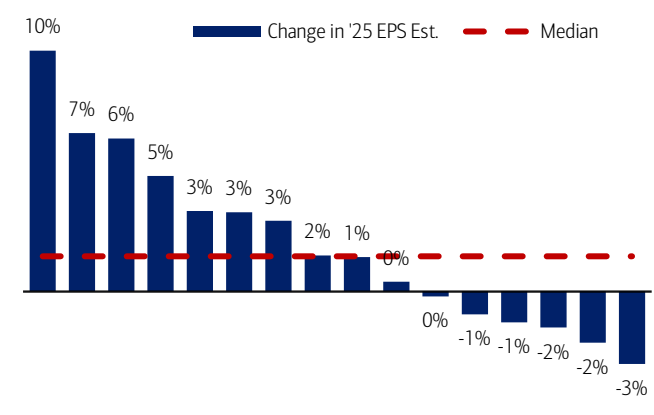


Source: BofA Global Research, Visible Alpha

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Exhibit 4: Mid cap pre-4Q 2025e EPS revision: +1.5%

Pre-4Q 2025e EPS revisions



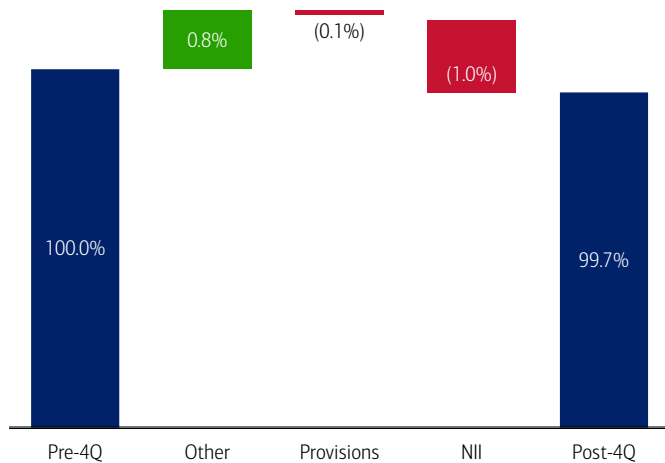
Source: BofA Global Research, Visible Alpha

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Exhibit 5: Large cap 2024e EPS revision: -30bp

Walk of EPS revisions vs. pre 4Q23 results



Source: BofA Global Research, Visible Alpha

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Exhibit 6: Mid cap 2024e EPS revision: +40bp

Walk of EPS revisions vs. pre 4Q23 results



Source: BofA Global Research, Visible Alpha

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Exhibit 7: Management teams see mixed impacts to NII from rate cuts in 2024

Management commentary on impact of rate cuts on NII/NIM outlooks

As of 4Q23 Base Rate Cut Assumption		Commentary
JPM	6	We just always use the forward curve for our outlook, and that's what's in there. We're positioned such that, with 100 basis point move, parallel shift in rate across the curve, the US dollar impact would only be a couple hundred million dollars, all right, and so – to the negative, obviously. But it's a couple hundred million dollars. And so as we think about that forecast, and as I mentioned, NII being down a bit, that covers kind of three to six cuts over the course of 2024, likely back-loaded, but that's what's in there.
C	3-6	This expectation is anchored on the forward rate curve and a series of business assumptions, including: lower rates in the recent forward rate curve, which, given our modestly asset-sensitive position, would be a headwind to net interest income
WFC	6	I would say that if there's a slight bias, if the cuts came in a little fewer this year, that would – it would probably – it'd be okay. But nevertheless, that first cut is key. And a general normalization and an orderly fashion over time is what we think is very good for our balance sheet. Again, staying around neutral, but maybe a slight benefit if rates come in a tiny bit higher in 2024.
CFG	5	So, I would say, the theoretical answer to that is, you're higher for longer, and so therefore people will continue to optimize their deposits into higher yielding assets. So, you could see the base case, you could see balances run off more. But we've kind of analyzed this top-down, bottom-up, left to right. And so the best guidance we give you is 10%. But if it transpired to be a different number, obviously, the NII number would be different.
BK	6	So we make more money with increases in rates. And we actually – NII will trim down with decreases in rates. And that's where we're most -- that's our interest rate sensitivity today.
STT	5	The higher scenario assumes rates stay higher for longer and tracks closely with the Fed's dot plot from year end. This scenario assumes three cuts in 2024. We continue to be focused on managing net interest margin in a tight corridor. Should the lower rate scenario play out, and we see rate cuts as early as March, that will likely result in a margin over the course of the year within a range near the level we saw in the fourth quarter. This would equate to a net interest margin between 3% and 3.1% for each quarter of 2024. If the higher for longer scenario comes to pass, we expect the margin to expand and at a level that is up to 10 basis points above that.
HBAN	5	I would say with our three 25 basis point cut would be at the higher end of that range, stand closer to \$6.8 billion, I think, from that perspective. If rates go maybe 5 cuts or 6 cuts maybe... lower end of that range. We've decided that over the next couple of quarters, we're going to try to move as close as you can to a neutral position.
MTB	3	Given mostly neutral position, more or less fed funds cuts will not be a material driver of NII variability within the range. From Presentation: stable rates will lead to lower end of the NII guide range while easing rates will lead to the upper end.
RF	4	If rates remain at current levels, we could see the DDA mix dip below 25% by the fourth quarter of 2024. However, we would expect to show a more stable composition if the more aggressive rate cut forecasts were to be realized
FITB	6	Yeah, the short answer is it's relatively neutral because, as you know, we've worked hard to get our balance sheet into a neutral sensitivity position. So not a lot of variance in terms of the forwards and our own expectations in terms of the impact on NII. The big question, obviously, is going to be on deposit pricing and how that behaves as the year plays out, but we don't expect a lot of variance.
PNC	3	I think, we mentioned we're relatively neutral versus our base case on the five cuts. So whether there are three or four, maybe six or seven cuts, I think we have less sensitivity there. That being said, I think a scenario where there are no cuts that would be – or significantly delayed cuts, that would be a headwind for us
TFC	5	I think, look, I think an upward sloping yield curve benefits the business broadly. I am not as concerned at the moment about four cuts or six cuts. As we move through the year, while we're liability-sensitive today, as we move through the year and, swaps and treasury portfolios burn off, we're going to slightly become more asset-sensitive naturally.
KEY	4	

Exhibit 7: Management teams see mixed impacts to NII from rate cuts in 2024

Management commentary on impact of rate cuts on NII/NIM outlooks

As of 4Q23 Base Rate Cut Assumption		Commentary
USB	4	So, in terms of our current projections, we have four interest rate cuts by the Fed starting in the second quarter of this year. Now, whether or not that's two cuts or six cuts, it's not going to be a material driver to our outlook. We have worked hard to get our net interest income sensitivity to be more or less in a neutral position. And so, we feel like whether the cuts are – how they're positioned are not going to be a material driver to the change – the outlook.
CMA	6	You can see that we do benefit from falling rates, assuming that we can reprice as expected without too much of a lag. So I would say if we get fewer cuts than that, that will put a little pressure on that outlook. But we are benefiting from the 12/31 curve if we really do get those six cuts.
ZION	6	But the point of the interest sensitivity analysis that we present is to show that we're pretty balanced. And if rates were to remain flat or down a little or maybe even up a little, which doesn't look as likely here on the near term, we believe that we're going to be able to carve a good path for net interest income, a predictable path in that it should be relatively stable based on all these other things.
EWBC	6	So, yes, if there are not as many rate cuts as were projected at year end, NII will do better. Yes, if rate cuts start later, NII will do better. And yes, we are proactively taking a number of steps to make sure we manage our sensitivity to rates.
FBP	4-5	We're assuming that there is going to be a pickup on the margin going up. With those assumptions on the way, the market rates move.
TCBI	5	So I mean, bifurcating between interest-bearing deposit betas and then the cost of funding within the mortgage finance business, so the model down rate scenario for interest-bearing deposit betas and the static balance sheet is 60%. You're not going to hit 60% over the first five cuts.
WAL	4	The preponderance of our ECR-priced deposits are of the type that you initially talked about, i.e., those that are really tied to effective Fed Funds and we think the beta with those is going to be very near 100%. The second piece where rates are significantly lower, we probably have maybe a depth of first rate increase. We're not necessarily going to be able to kind of fully kind of pass through, but after that, I think we put them on a trajectory as well. But that those betas will be significantly lower. Maybe we can get to 50% on that piece of it, but the larger piece, I think it's going to be at or near 100%.
SNV	0	But if you assume a steady 25 basis points cuts per meeting, I would just assume that the margin contracts somewhere between 2% and 4% in the fourth quarter.
BOH	3	Higher-for-longer would work, could be okay; would kind of leave our margins stable, up modestly. Fed cutting rates, let's just call it, conservatively over time would, obviously, hurt the floating portion of our earning assets, but then over time results in lower funding cost, right? Because as soon as the Fed drops rates, that will contractually drop certain margins on our earning assets and will take us a period of time to bring down those rates within our deposit book. So there could be that intermediary period, but we do think that over reasonable short order, we should be able to kind of get margin expansion out of lower interest rates.
ASB	6	I think the easiest – the only way we've modeled this probably most recently to developing sensitivities is what if you don't get the first cut. So, you get five cuts and that pulls through, you don't get the March cut. That's probably worth about 2 or 3 basis points to us for the year. We are still asset sensitive. You can get into a longer discussion about what – do you – does the front end of the curve get cut, or do you have a parallel shift? But the most likely scenario is we've tried to plan conservatively with the six rate cuts and then thought about what if you don't get all six, and that does reflect asset sensitivity.
PB	0	So if you look at long-term, I mean, our balance sheet is very neutrally positioned. So we benefit in rate cut or increases, in this situation in rate cut. And like I said, in 24 months, if we're looking at our model, our margin, yeah, it drops a little bit, but not significantly from what the guidance we gave you over 24 months because the power of our repricing of the assets continues.
FHB	5	So, when we look at the way that the Fed or the forward curve looks in terms of Fed cuts, it's also kind of laid out later in the year. So, we think generally speaking the dynamics of the balance sheet allow for the NIM to continue to grind higher over the course of the year, even with that -- even with the way that the forward.
CFR	5	I think we said earlier, when we went up, we went up pretty fast. We reacted very quickly. Thought that, that was the right thing to do for our customers. We'll just really look at, I said earlier, I'd expect that the betas that we utilize going up will be kind of the first reaction that we have on a down cycle. But at the same time, we're not going to have our head in the sand.
ALLY	0	All that being said, as we think about our deposit pricing and rates, we look at – our expectation is that we don't see our deposit pricing adjusting immediately, but it does adjust. And to the extent that there are further rate cuts in 2024, we'll see that in our deposit pricing, but we'll see it in a delayed way.
FHN	4	Less than 4 cuts would lead to higher end of the range for FY24 NII.
BPOP	2	I think it's not unreasonable to assume that the rate of increase in beta should subside with stable rates and more so if rates start to drop.
CBSH	3-6	But we have not given details on the forward looking beta.
FNB	3	The sensitivity whether we get additional cuts beyond that the three, as you know, there's lot of moving parts to this question and there's actions we may take depending on the economic environment. So, but as you described the timeframe is key. Right in the short run, we have a negative impact, particularly from the customer and additional, then I think the deposit lags will catch up over time.
WBS	4	So I think if we got six cuts and we have four cuts in there now, it would probably – it's not really that significant to us. We do have some hedges that would kick in, but I think it's probably in the range, just to give you a ballpark, of \$15 million to \$20 million downside.

Source: BofA Global Research, company filings

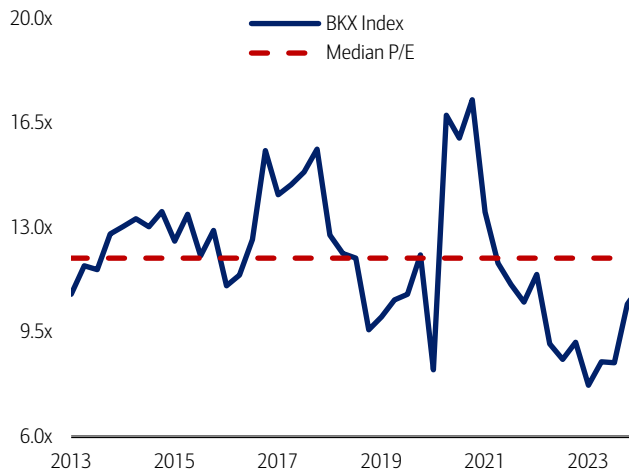
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Significant room to re-rate on improving EPS visibility

Bank stocks trading at -54% discount to S&P 500 on P/E, -76% discount on P/B, below -38%/-65% historically. Valuations recovering from October selloff as results better than feared, BKX/KRX trading at 10.6x/11.1x P/E vs 12x/14.3x historically, 1.6x/1.7x P/TBV vs 1.6x/1.8x historically. Group +90bp YTD signals investors cautiously adding exposure to the group as macro headwinds show signs of clearing.

Exhibit 8: BKX trading at 10.6x, below its historical median of 12x

BKX Index P/E ratio over the last decade



Source: BofA Global Research, Bloomberg

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Exhibit 9: KRX trading at 11.1x, below its historical median of 14.3x

KRX Index P/E ratio over the last decade

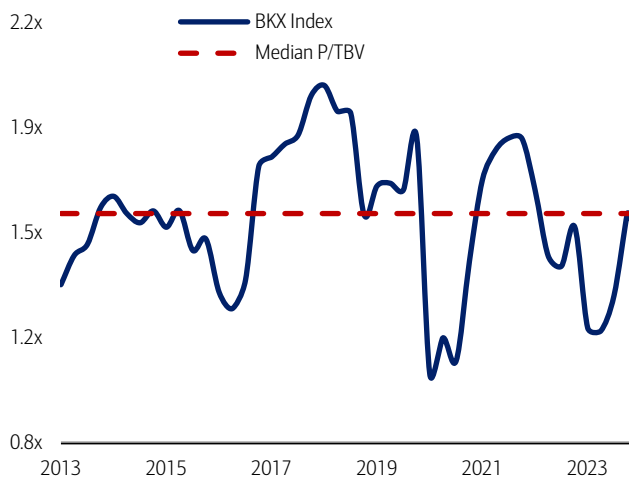


Source: BofA Global Research, Bloomberg

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Exhibit 10: BKX trading at 1.6x, in line with historical median

BKX Index P/TBV ratio over the last decade

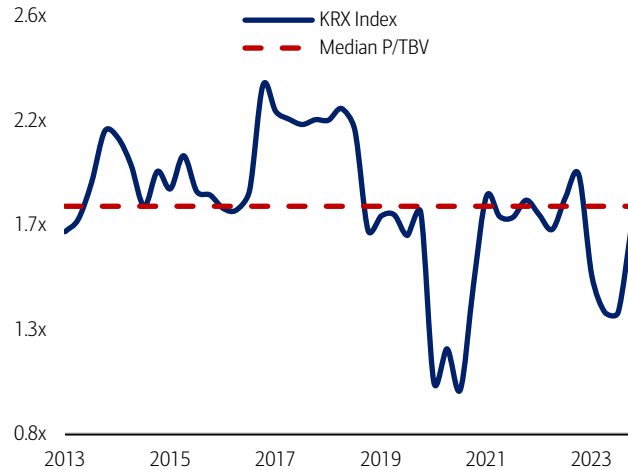


Source: BofA Global Research, Bloomberg

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Exhibit 11: KRX trading at 1.7x, below its historical median of 1.8x

KRX Index P/TBV ratio over the last decade

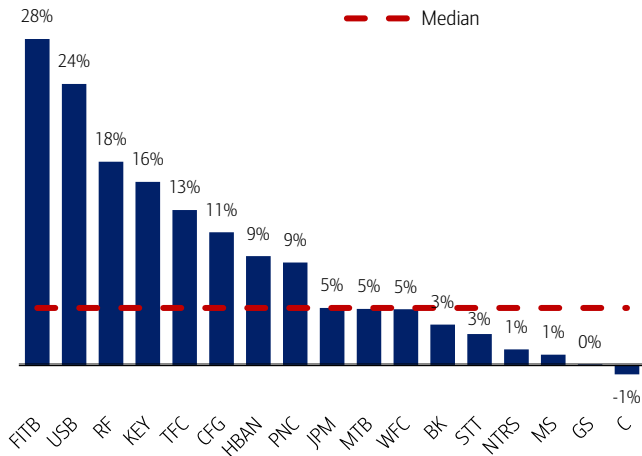


Source: BofA Global Research, Bloomberg

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Exhibit 12: Large-cap banks: QoQ chg in TBV/sh: +5%

Large cap change in TBV/sh 4Q23 vs. 3Q23

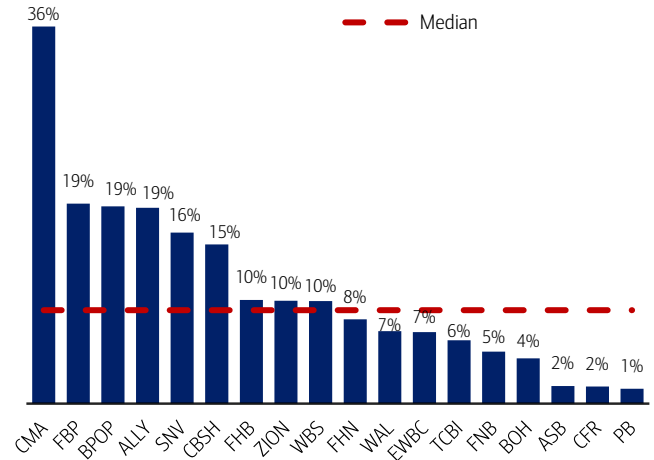


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 13: Mid-cap banks: QoQ chg in TBV/sh: +9%

Mid cap change in TBV/sh 4Q23 vs. 3Q23

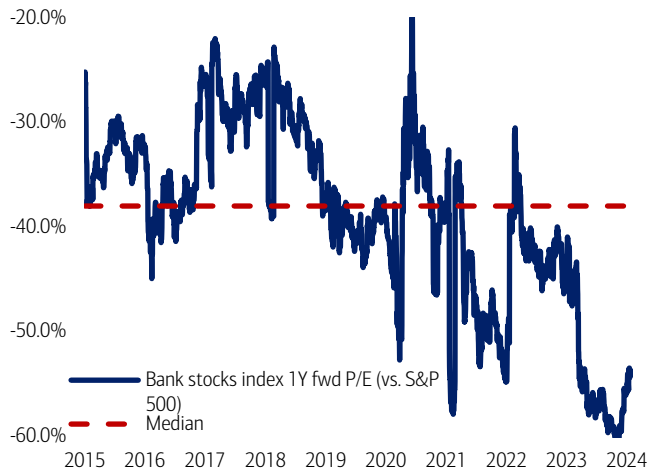


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 14: Bank stocks below relative P/E historical median of -38%

Bank stock index P/E relative to S&P 500



Source: BofA Global Research, Bloomberg

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Exhibit 15: Bank stocks below relative P/B historical median of -65%

Bank stock index P/B relative to S&P 500



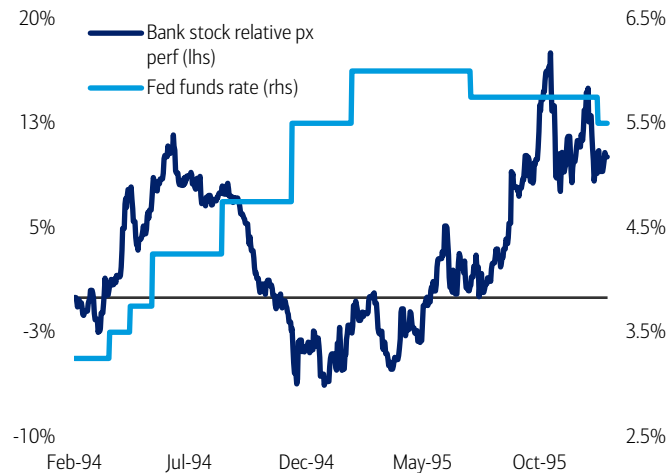
Source: BofA Global Research, Bloomberg

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1995 redux? We revisited the last time the Fed had to tighten aggressively...what happened? Fed Funds rate from 3% to 5.5% starting 1994. GDP growth 4% to 2.7% in 1995. What did bank stocks do? After underperforming the S&P by ~700bp in 1994 (Bank index was -9% for the year), banks outperformed in 1995, rising 54% vs. +34% S&P.

Exhibit 16: Bank stocks rebounded sharply in 95 after u/p in '94...

Bank stock px perf. vs fed funds rate

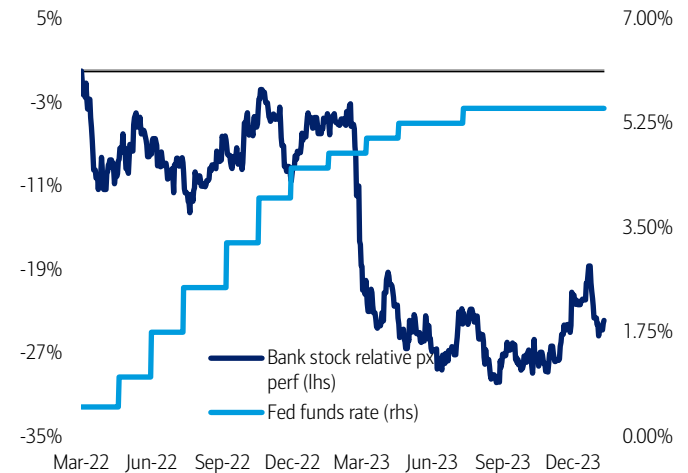


Source: BofA Global Research, Bloomberg

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Exhibit 17: ...and continues to await a rebound this cycle

Bank stock px perf. vs fed funds rate



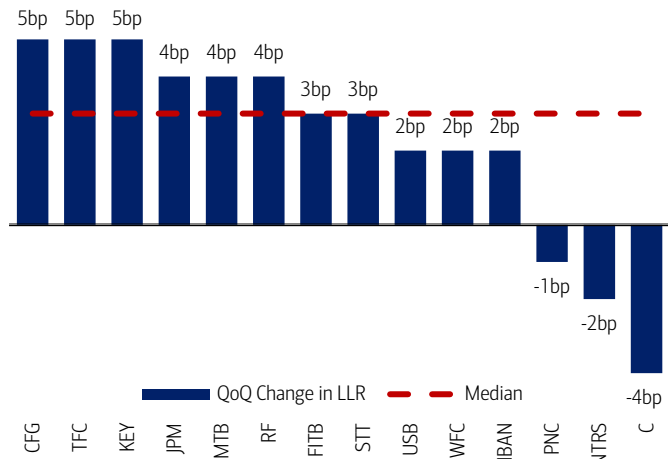
Source: BofA Global Research, Bloomberg

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Credit trends normalizing: nonperforming loans +4bp QoQ to 0.51% vs. 0.57% YE19; net charge-offs +3bp QoQ to 0.27% vs. 0.22% 4Q19. Allowances +2bp QoQ to 1.32% vs. 1.69% peak-Covid; 1.00% YE19.

Exhibit 18: Large-cap banks: Change in loan loss reserves: +3bp*

Large cap change in LLR 4Q23 vs. 3Q23



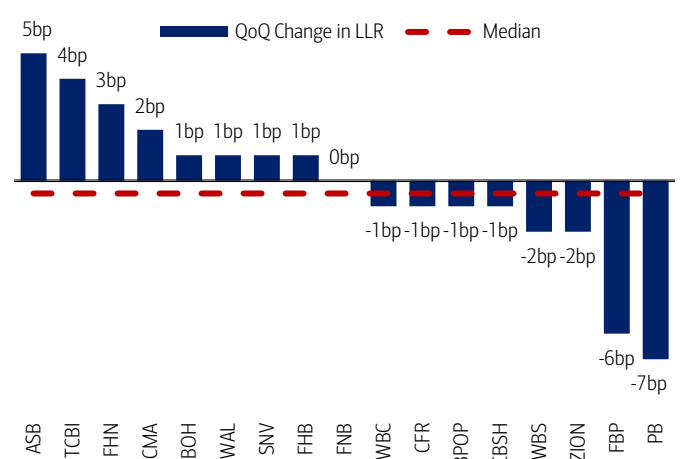
Source: BofA Global Research, company filings

*Excluding BK, +13bp QoQ

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Exhibit 19: Mid-cap banks: Change in loan loss reserves: -0.5bp*

Mid cap change in LLR 4Q23 vs. 3Q23



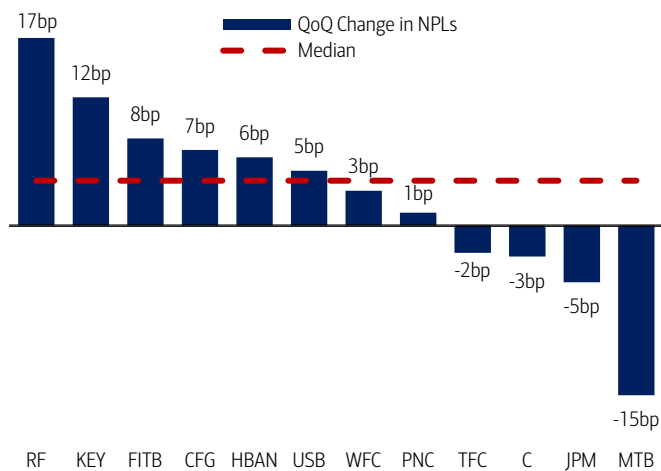
Source: BofA Global Research, company filings

*Excluding ALLY, -17bp QoQ

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Exhibit 20: Large-cap banks: QoQ chg in non-performing loans: +4bp

Large cap change in NPLs 4Q23 vs. 3Q23

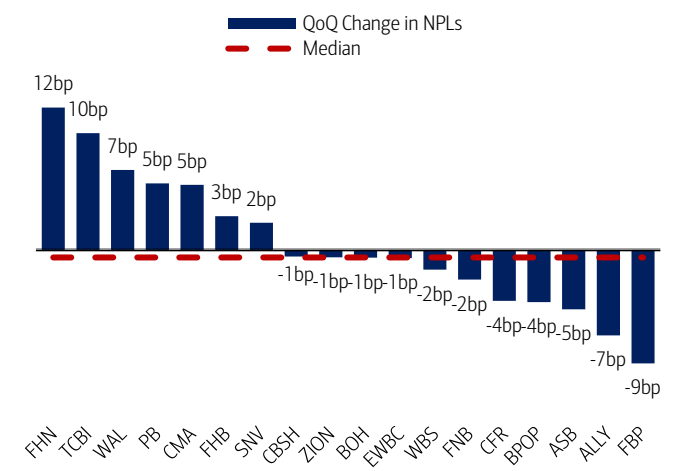


Source: BofA Global Research, company filings

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Exhibit 21: Mid-cap banks: QoQ chg in non-performing loans: -1bp

Mid cap change in NPLs 4Q23 vs. 3Q23

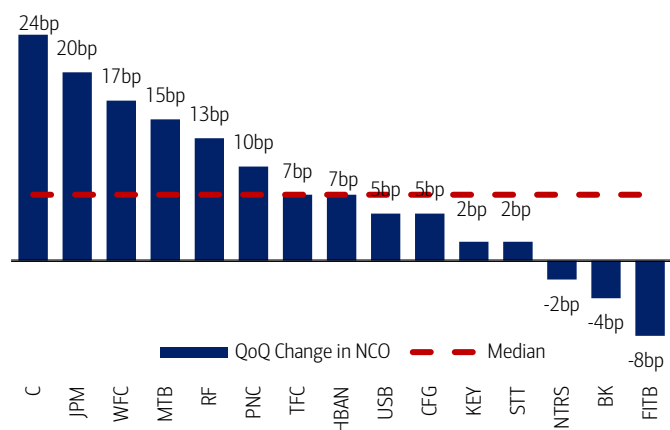


Source: BofA Global Research, company filings

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Exhibit 22: Large-cap banks: QoQ chg in net charge-offs: +7bp

Large cap change in NCOs 4Q23 vs. 3Q23

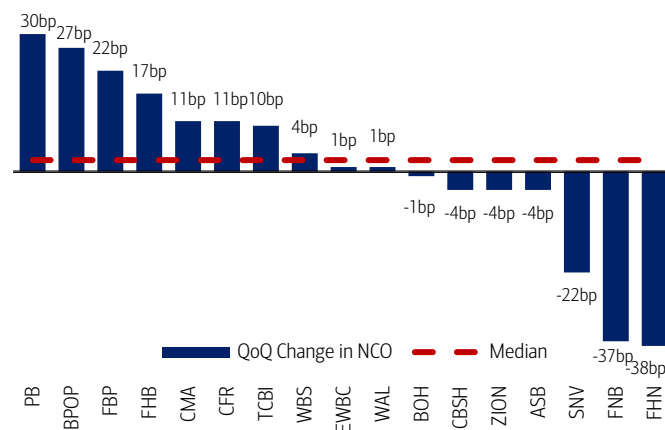


Source: BofA Global Research, company filings

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Exhibit 23: Mid-cap banks: QoQ chg in net charge-offs: +2.5bp*

Mid cap change in NCOs 4Q23 vs. 3Q23



Source: BofA Global Research, company filings

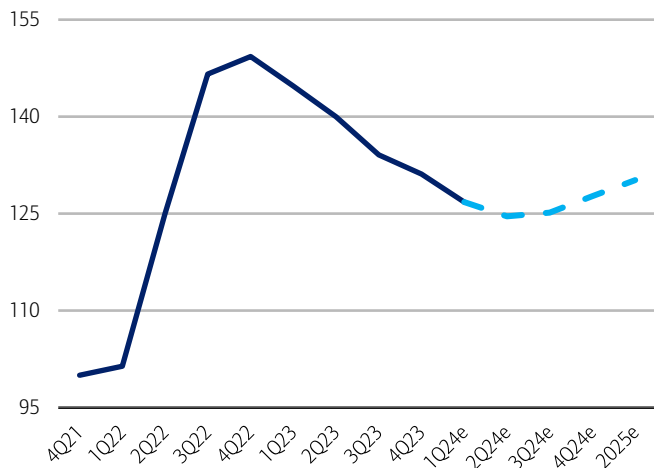
*Excluding ALLY, +46bp QoQ

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Margin stabilization in sight: net interest margins -2bp QoQ, net interest income -1.3%, interest-bearing deposits costs +24bp QoQ (vs. +32bp 3Q23), NIB mix -95bp. TBV/shr +7% QoQ large-caps, +10% QoQ mid-caps.

Exhibit 24: Large cap NII to see improvement in 2H24

Large cap NII growth indexed to 100 (2025 estimate quarterized)

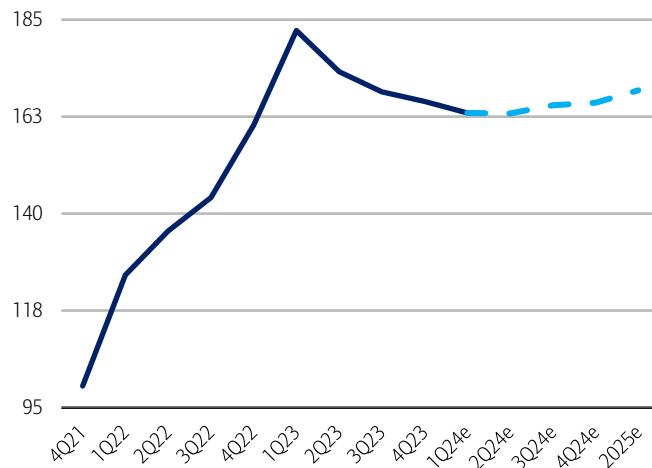


Source: BofA Global Research, company filings

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Exhibit 25: Mid cap NII to stabilize after midyear, rebound into 2025

Mid cap NII growth indexed to 100 (2025 estimate quarterized)

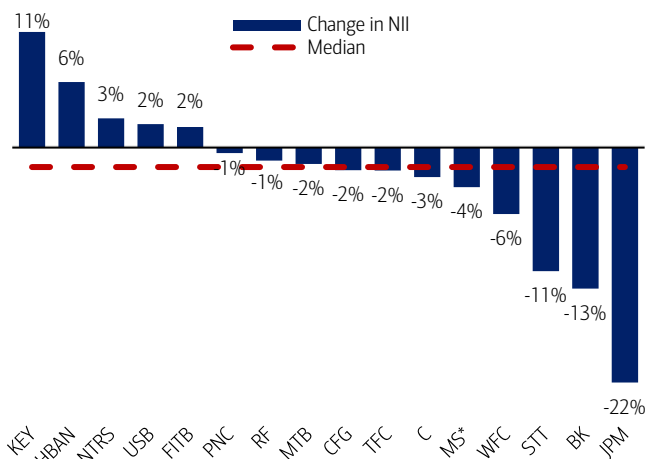


Source: BofA Global Research, company filings

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Exhibit 26: Large-cap banks: Median YoY NII forecast -2%*

Consensus implied large cap YoY change in NII 4Q24e/4Q23



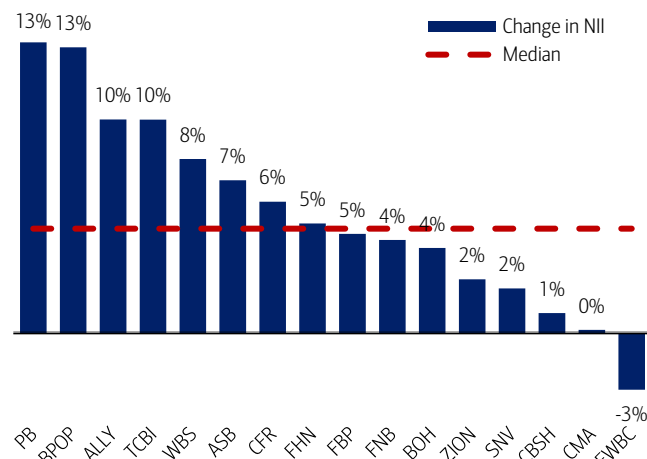
Source: BofA Global Research, company filings, Visible Alpha

* MS denotes Wealth Management NII

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Exhibit 27: Mid-cap banks: Median YoY NII forecast: +5%

Consensus implied mid cap YoY change in NII 4Q24e/4Q23

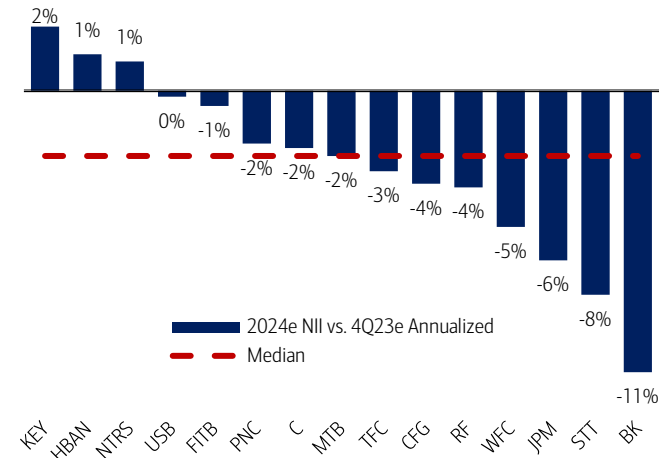


Source: BofA Global Research, company filings, Visible Alpha

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Exhibit 28: Large-cap banks: 2024e NII vs. 4Q23 NII annualized: -2.5%

Consensus difference between 2024e NII vs. 4Q23 NII annualized

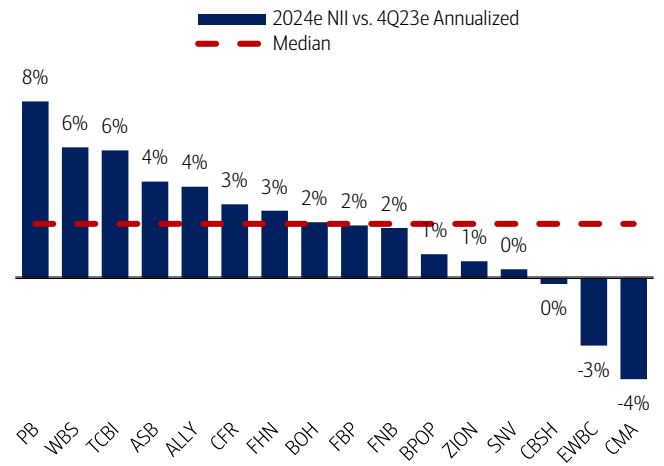


Source: BofA Global Research, Visible Alpha

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Exhibit 29: Mid-cap banks: 2024e NII vs. 4Q23 NII annualized: +2%

Consensus difference between 2024e NII vs. 4Q23 NII annualized

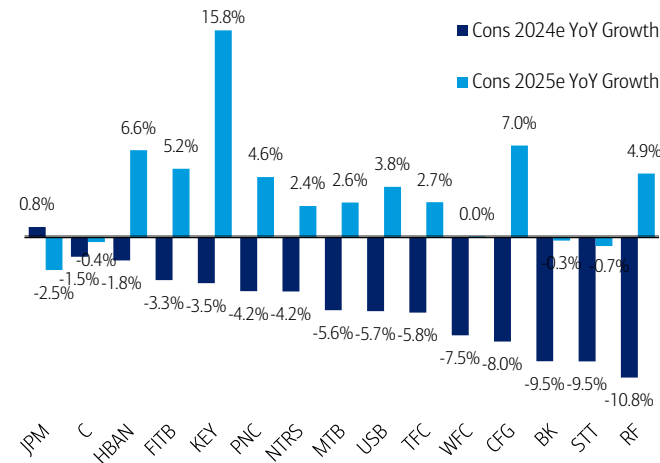


Source: BofA Global Research, Visible Alpha

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Exhibit 30: Large cap 2024e/2025e YoY NII growth: -6%/+3%

Consensus 2024e/2025e YoY NII growth

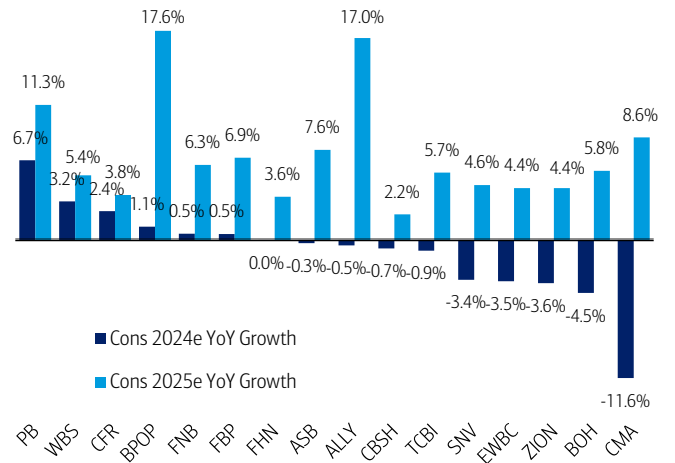


Source: BofA Global Research, Visible Alpha

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Exhibit 31: Mid cap 2024e YoY NII growth: -0.4%/+6%

Consensus 2024e/2025e YoY NII growth

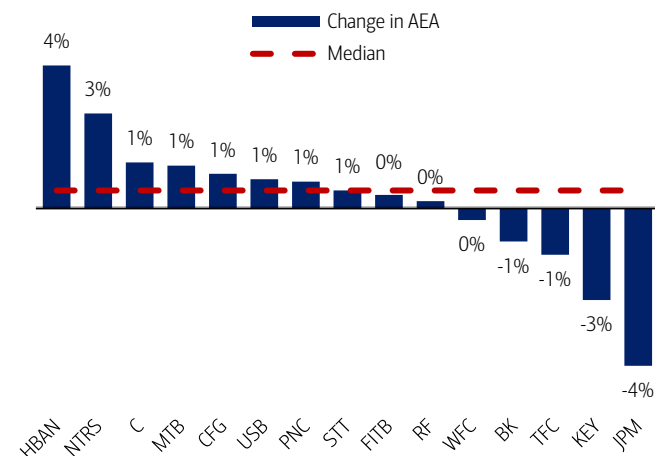


Source: BofA Global Research, Visible Alpha

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Exhibit 32: Large-cap banks: Median YoY AEA growth: +0.5%

Consensus implied YoY change in AEA 4Q24e/4Q23

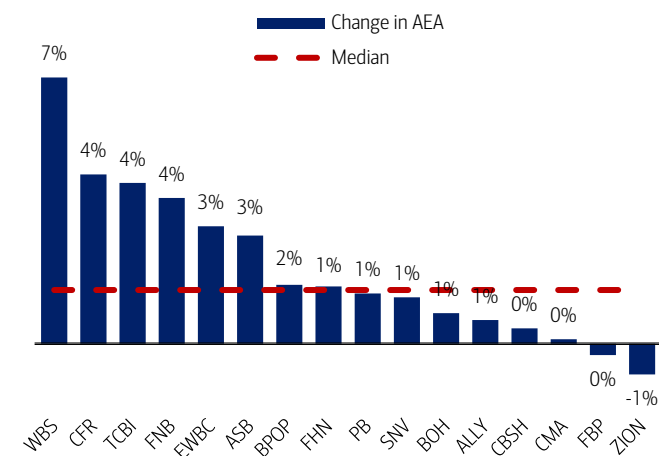


Source: BofA Global Research, company filings, Visible Alpha

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Exhibit 33: Mid-cap banks: Median YoY AEA growth: +1.4%

Consensus implied YoY change in AEA 4Q24e/4Q23

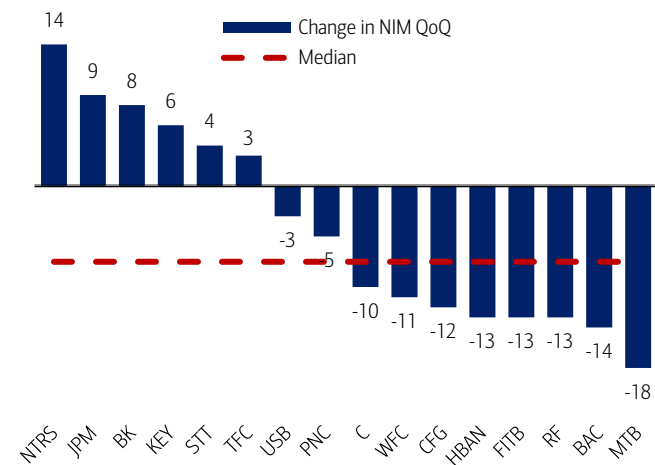


Source: BofA Global Research, company filings, Visible Alpha

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Exhibit 34: Large cap change in net interest margin: -8bp

QoQ change in NIM for large cap banks, 4Q23 vs 3Q23 (bp)

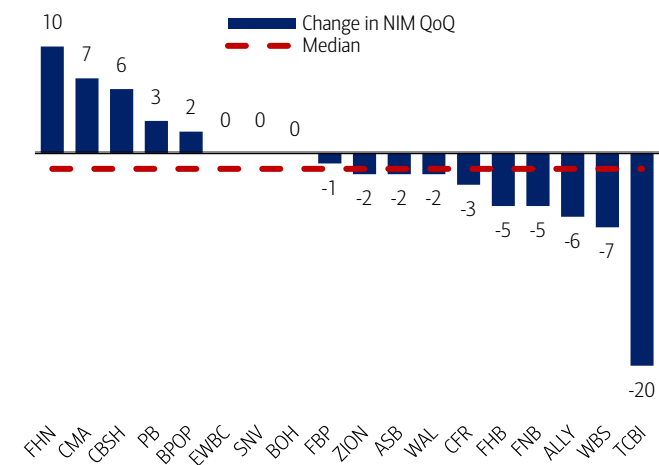


Source: BofA Global Research, company filings

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Exhibit 35: Mid cap change in net interest margin: -2bp

QoQ change in NIM for mid cap banks, 4Q23 vs 3Q23 (bp)

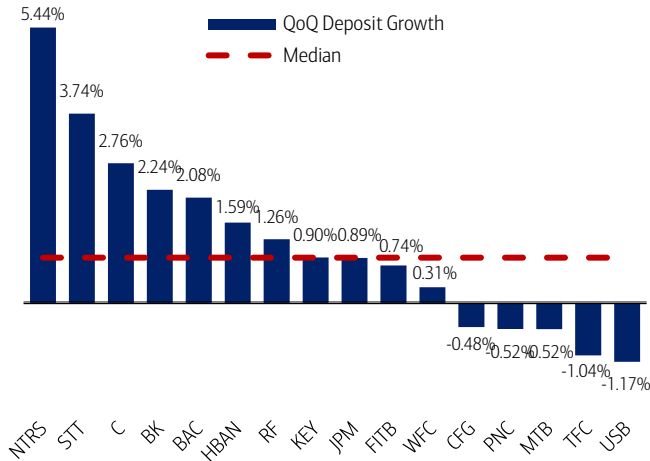


Source: BofA Global Research, company filings

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Exhibit 36: Large-cap change in deposits: +0.89%

QoQ growth in deposits for large cap banks, 4Q23 vs 3Q23

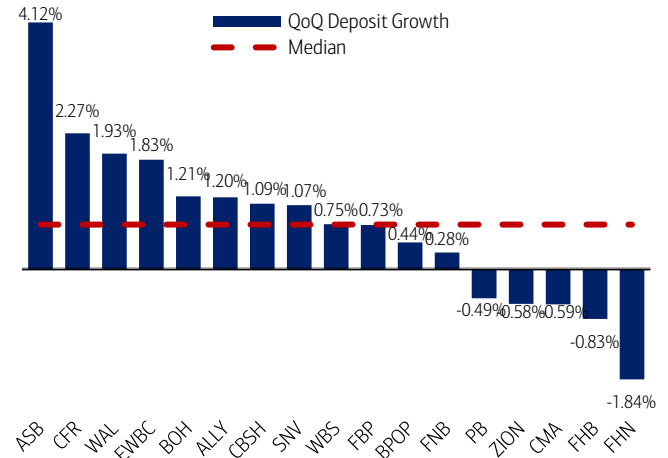


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 37: Mid-cap change in deposits: +0.74%*

QoQ growth in deposits for mid cap banks, 4Q23 vs 3Q23 (bp)



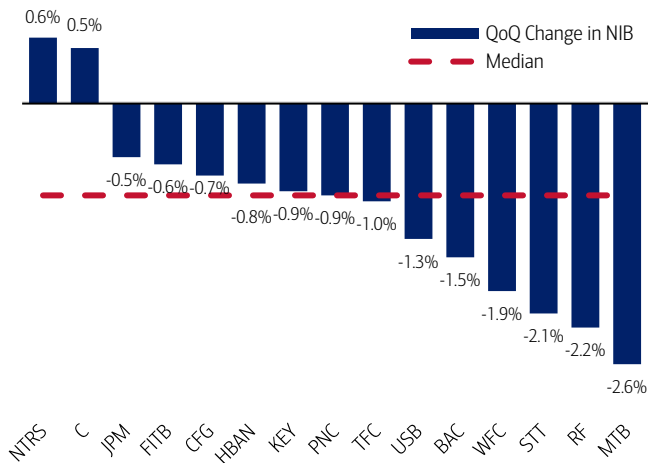
Source: BofA Global Research, company filings, SNL Financial

*Excluding TCBI, -6.31% QoQ

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Exhibit 38: Large cap change in NIB deposit mix: -0.91%

QoQ change in NIB deposit mix for large cap banks, 4Q23 vs 3Q23 (bp)

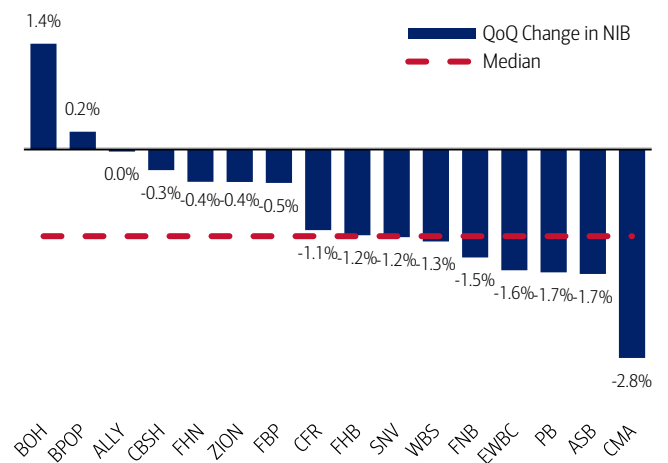


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 39: Mid cap change in NIB deposit mix: -1.18%*

QoQ change in NIB deposit mix for mid cap banks, 4Q23 vs 3Q23 (bp)



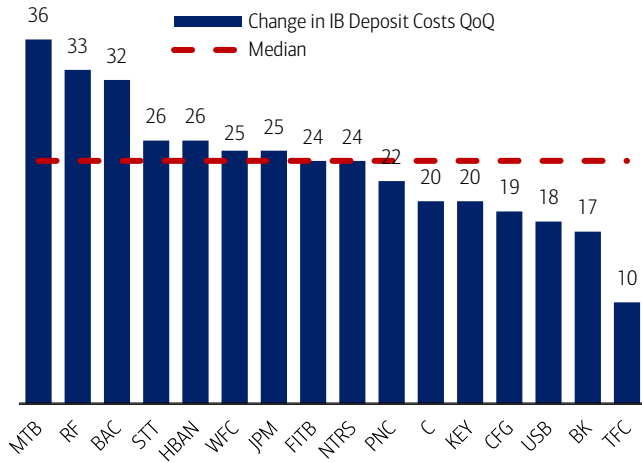
Source: BofA Global Research, company filings, SNL Financial

*Excluding TCBI, -6.41% QoQ, WAL -6.90%

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Exhibit 40: Large cap change in IB deposit costs: +24bp

QoQ change in IB deposit costs for large cap banks, 4Q23 vs 3Q23 (bp)

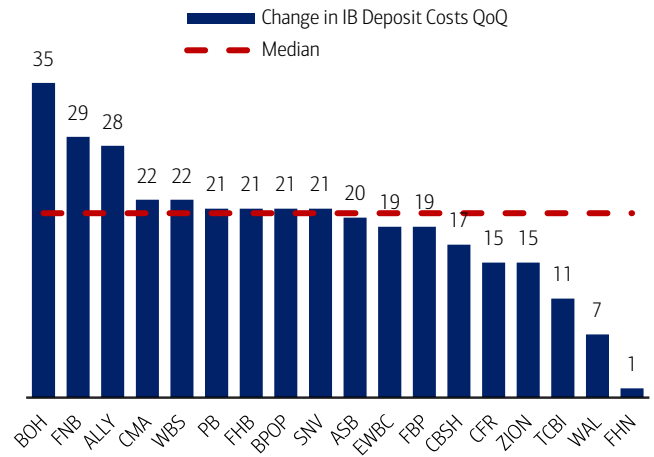


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 41: Mid cap change in IB deposit costs: +21bp

QoQ change in IB deposit costs for mid cap banks, 4Q23 vs 3Q23 (bp)

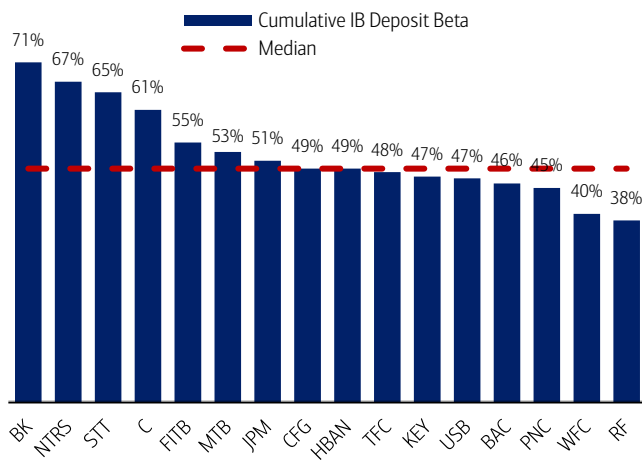


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 42: Large cap interest-bearing-deposit beta: 49%

Cumulative interest-bearing deposit beta for large cap banks, as of 4Q23

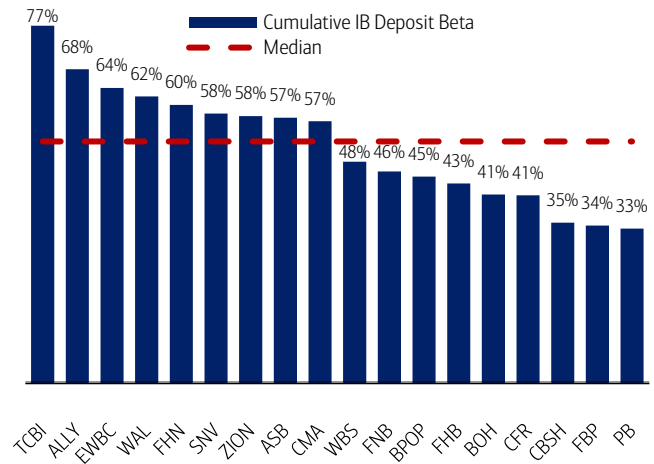


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 43: Mid cap interest-bearing-deposit beta: 52%

Cumulative interest-bearing deposit beta for mid cap banks, as of 4Q23

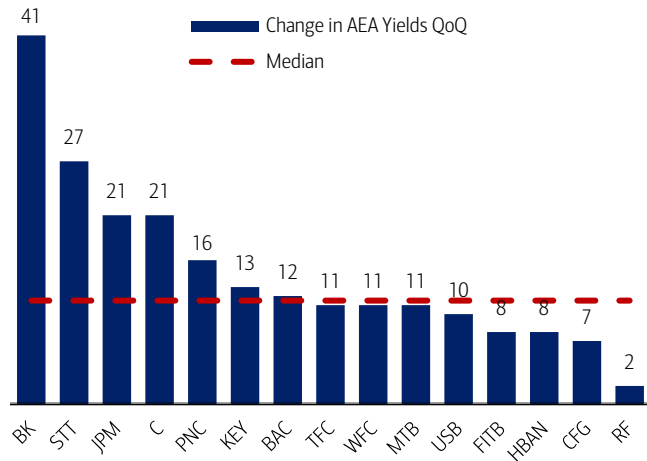


Source: BofA Global Research, company filings, SNL Financial

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Exhibit 44: Large cap change in AEA yields: 12bp*

QoQ change in AEA yields for large cap banks, 4Q23 vs 3Q23 (bp)



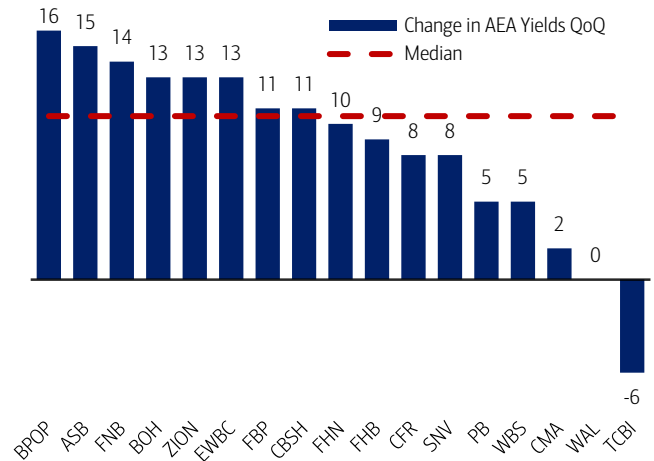
Source: BofA Global Research, company filings, SNL Financial

*Excludes NTRS, +101bp QoQ

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Exhibit 45: Mid cap change in AEA yields: +11bp*

QoQ change in AEA yields for mid cap banks, 4Q23 vs 3Q23 (bp)



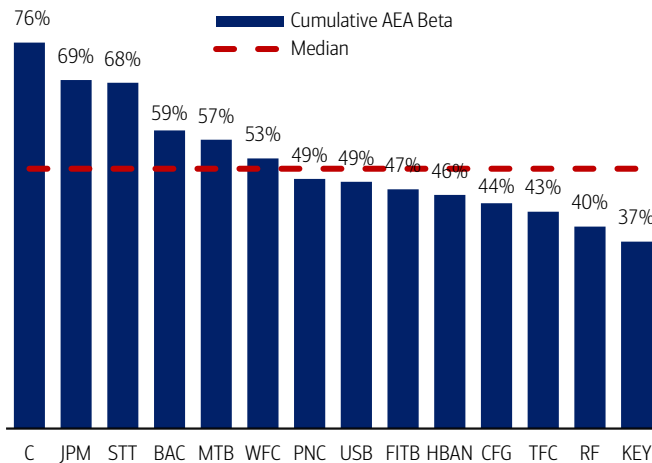
Source: BofA Global Research, company filings, SNL Financial

*Excludes ALLY, +51bp QoQ

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Exhibit 46: Large cap earning asset beta: 51%*

Cumulative average earning asset beta for large cap banks, as of 4Q23



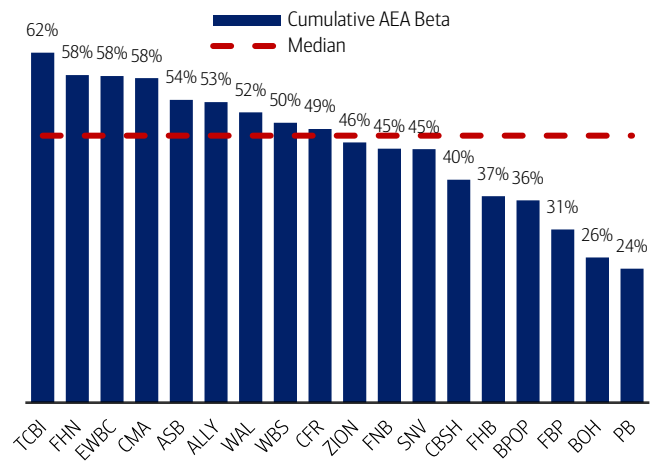
Source: BofA Global Research, company filings, SNL Financial

*Excludes BK/NTRS, 113%/112% respectively

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Exhibit 47: Mid cap earning asset beta: 48%

Cumulative average earning asset beta for mid cap banks, as of 4Q23



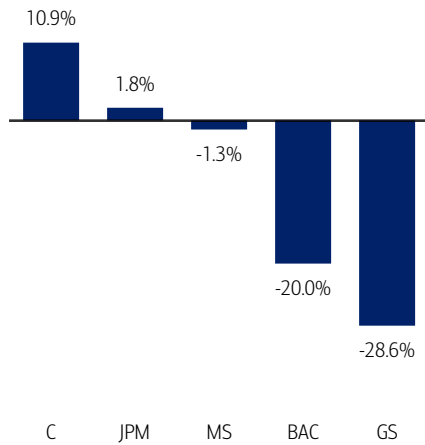
Source: BofA Global Research, company filings, SNL Financial

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Capital markets rebound debated: Investment banking fees +4% YoY, -17% vs 4Q19, trading -3% YoY, +18% vs 4Q19 levels.

Exhibit 48: 4Q23 M&A revenue

YoY change

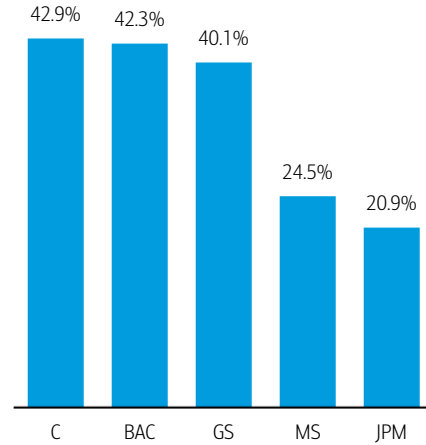


Source: BofA Global Research, company filings

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Exhibit 49: 4Q23 DCM revenue

YoY change

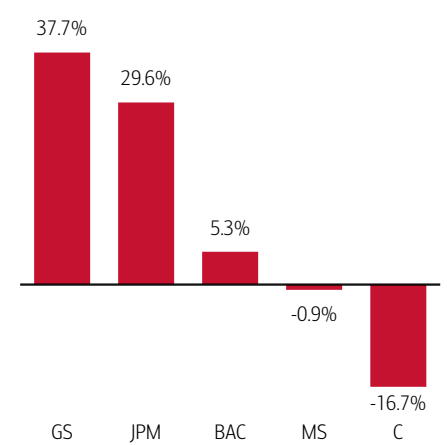


Source: BofA Global Research, company filings

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Exhibit 50: 4Q23 ECM revenue

YoY change

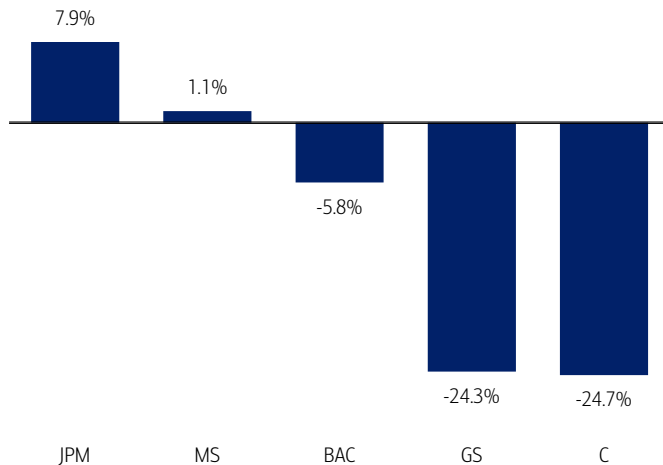


Source: BofA Global Research, company filings

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Exhibit 51: 4Q23 FICC trading revenue

YoY change

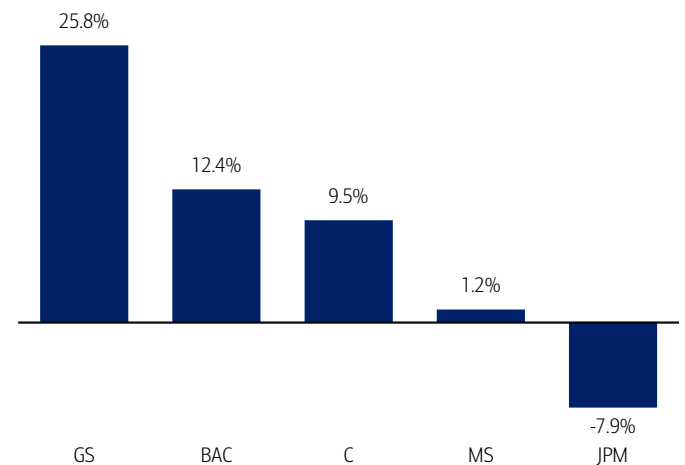


Source: BofA Global Research, company filings

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Exhibit 52: 4Q23 equities trading revenue

YoY change

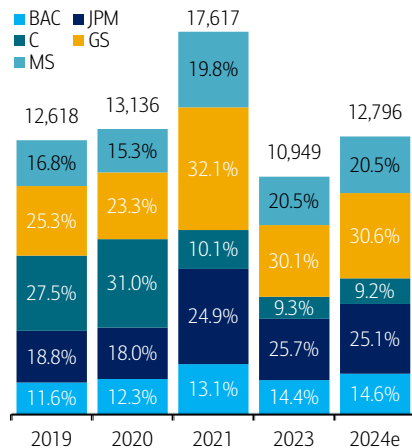


Source: BofA Global Research, company filings

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Exhibit 53: M&A revenues +17% YoY in 2024

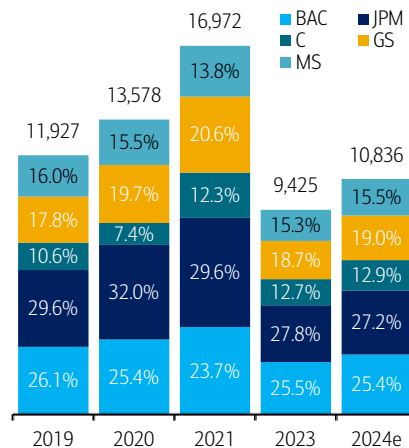
M&A market share, reported/cons (\$bn)



Source: BofA Global Research, company filings, Visible Alpha
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Exhibit 54: DCM revenues +15% YoY in 2024

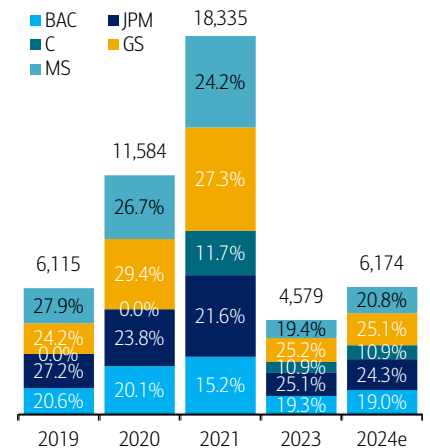
DCM market share, reported/cons (\$bn)



Source: BofA Global Research, company filings, Visible Alpha
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Exhibit 55: ECM revenues +35% YoY in 2024

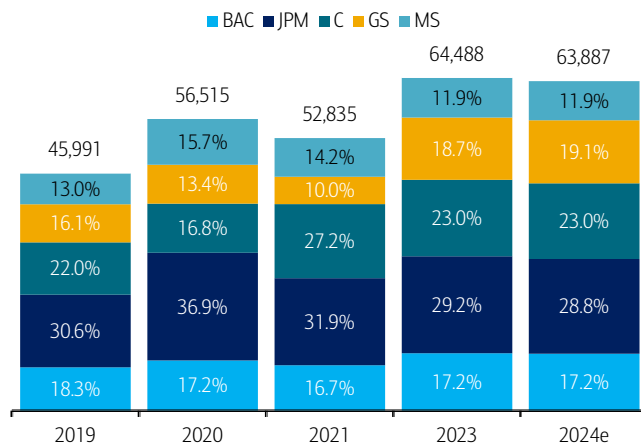
ECM market share, reported/cons (\$bn)



Source: BofA Global Research, company filings, Visible Alpha
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Exhibit 56: FICC trading revenues -1% YoY in 2024

FICC trading market share, reported/cons (\$bn)

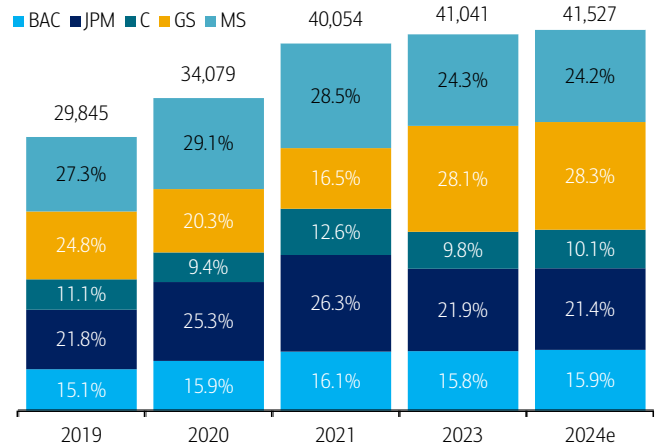


Source: BofA Global Research, company filings, Visible Alpha

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Exhibit 57: Equities trading +1% YoY in 2024

Equities trading market share, reported/cons (\$bn)

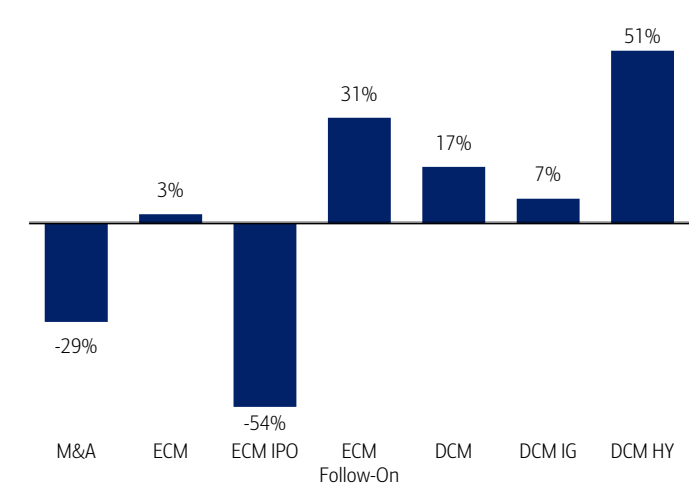


Source: BofA Global Research, company filings, Visible Alpha

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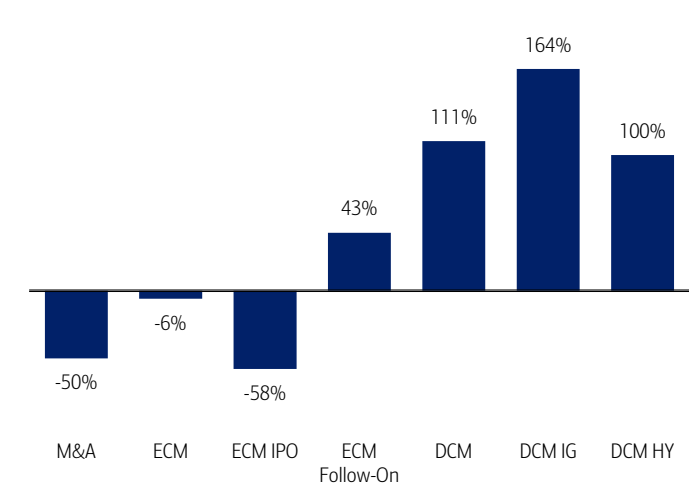
Exhibit 58: ECM and DCM seeing signs of life in 1Q24
1Q24 QTD investment banking revenue growth YoY



Source: Dealogic, BofA Global Research

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Exhibit 59: Investment banking activity seeing improvement QoQ
1Q24 QTD investment banking revenue growth QoQ



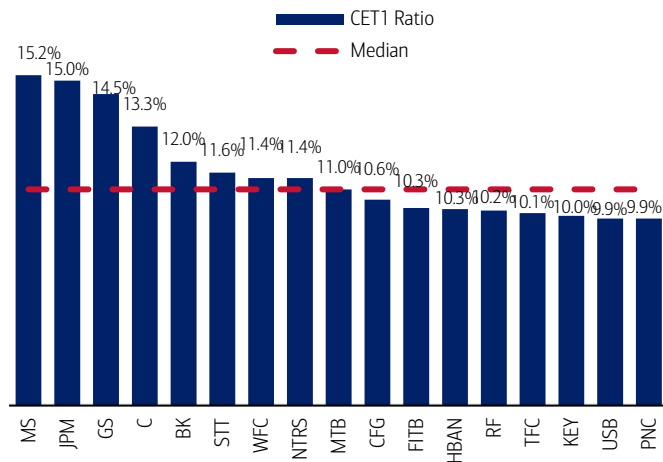
Source: Dealogic, BofA Global Research

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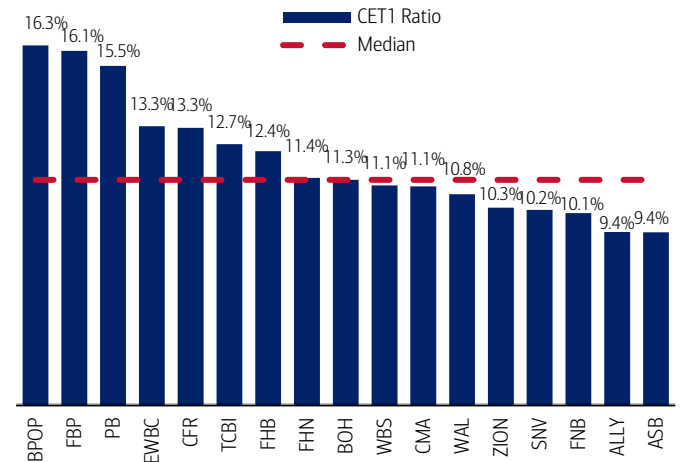
Capital

Exhibit 60: Large cap banks median CET1 ratio: +10bp QoQ to 11%
Large cap banks CET1 ratios as of 4Q23



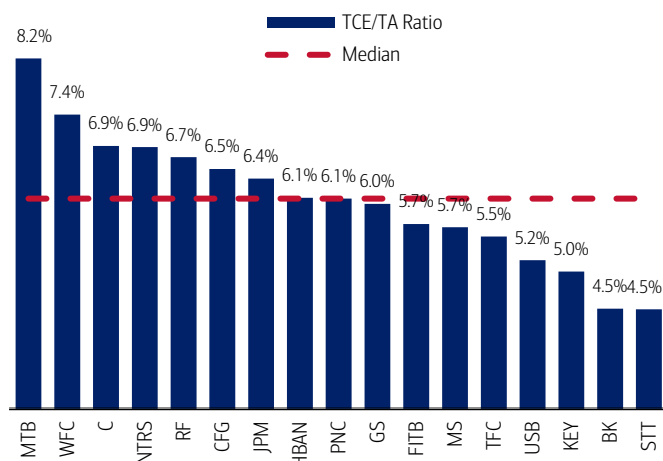
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Exhibit 61: Mid cap banks median CET1 ratio: +20bp QoQ to 11.3%
Mid cap banks CET1 ratios as of 4Q23



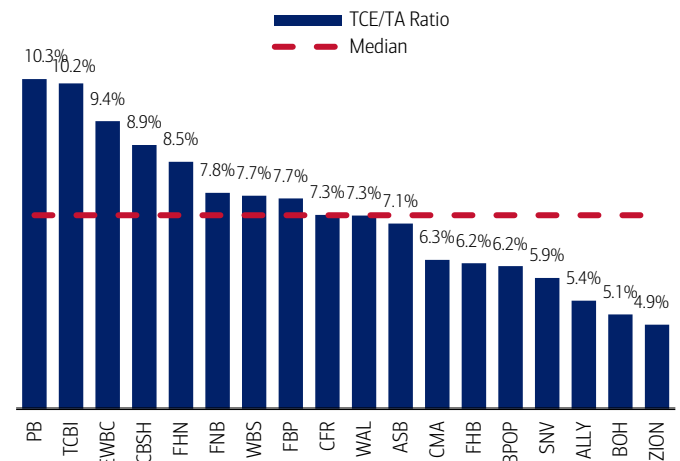
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Exhibit 62: Large cap banks TCE/TA ratio: +30bp QoQ to 6.1%
Large cap banks TCE/TA ratios as of 4Q23



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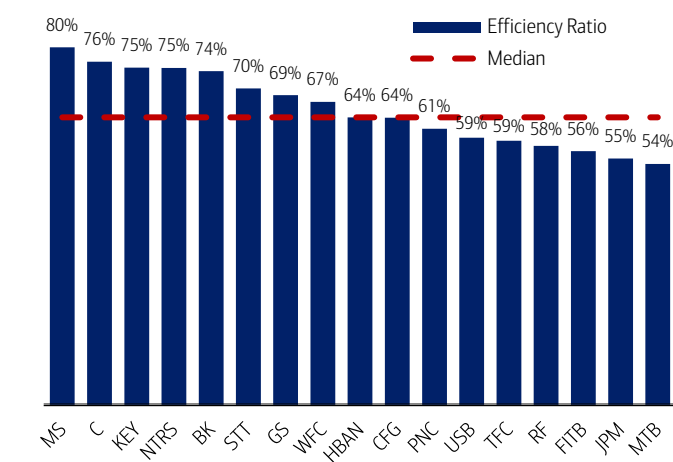
Exhibit 63: Mid cap banks median TCE/TA ratio: +50bp QoQ to 7.3%
Mid cap banks TCE/TA ratios as of 4Q23



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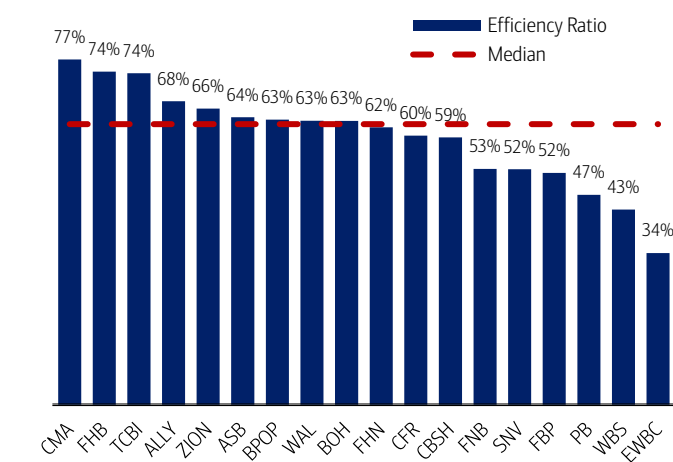
Expenses

Exhibit 64: Large cap banks median efficiency ratio: 64%
Large cap banks efficiency ratios as of 4Q23



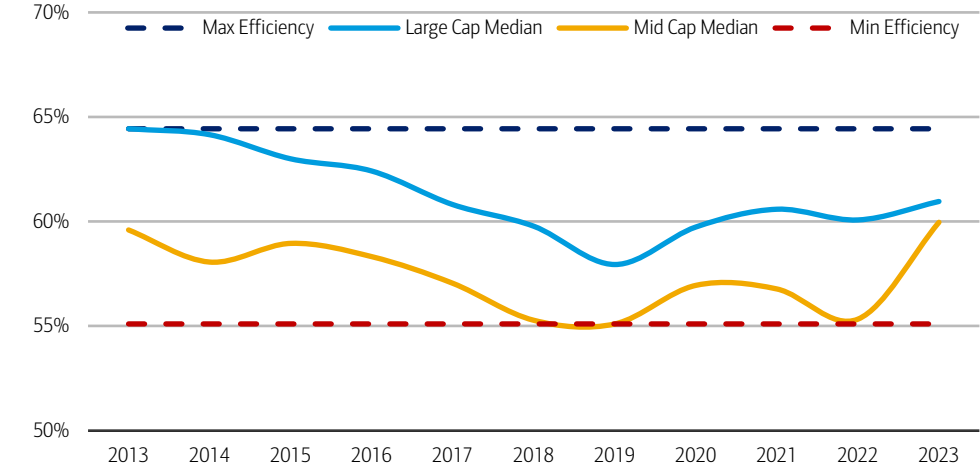
Source: BofA Global Research, company filings, SNL Financial
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Exhibit 65: Mid cap banks median efficiency ratio: 62%
Mid cap banks efficiency ratios as of 4Q23



Source: BofA Global Research, company filings, SNL Financial
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Exhibit 66: All banks operating near midpoint of historical efficiency
Efficiency ratio since 2013



Source: BofA Global Research, SNL Financial
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Key operating trends

Exhibit 67: Reported/consensus YoY EPS growth (%)

All groups saw EPS growth decline QoQ in 4Q23

	EPS Growth YoY												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	-10%	-23%	-19%	-14%	3%	3%	4%	-6%	1%	-3%	7%	16%	-1000	800	-21%	-4%	4%	11%
Large Regionals Median	-24%	-19%	-1%	10%	15%	-1%	-15%	-29%	-24%	-15%	-5%	4%	-1400	-3900	-10%	-8%	-10%	14%
SMID-Caps Median	-7%	-2%	8%	17%	9%	9%	-11%	-28%	-18%	-11%	-6%	4%	-1700	-4500	5%	-2%	-6%	9%

Source: Visible Alpha, BofA Global Research

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Exhibit 68: Reported/consensus net interest margin (%)

NIM contracted for large regionals, grew for mega-caps and SMID-caps QoQ in 4Q23

	Net interest margin (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	1.36	1.58	1.83	2.01	2.02	2.02	1.97	2.03	2.01	1.97	1.95	1.95	6	2	1.70	2.01	1.97	1.95
Large Regionals Median	2.63	2.90	3.25	3.43	3.31	3.02	2.97	2.91	2.90	2.89	2.93	2.97	-6	-52	3.08	3.08	2.92	3.04
SMID-Caps Median	2.53	2.78	3.16	3.42	3.45	3.29	3.15	3.19	3.19	3.21	3.21	3.22	4	-23	3.02	3.28	3.21	3.27

Source: Visible Alpha, BofA Global Research

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Exhibit 69: Reported/consensus consolidated efficiency ratio (%)

Efficiency ratios rose in 4Q23 for all bank groups

	Consolidated Efficiency Ratio (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	68.62	70.59	69.97	71.98	68.14	69.77	69.70	72.08	67.66	67.32	66.08	67.66	238	10	70.01	71.57	68.72	67.40
Large Regionals Median	63.58	58.29	54.78	54.16	58.81	59.17	60.98	62.61	62.98	62.60	61.20	61.44	329	1100	56.64	60.29	62.01	60.57
SMID-Caps Median	59.79	56.69	51.43	51.34	53.98	56.95	59.00	61.21	60.97	59.99	59.60	59.51	221	987	54.41	57.20	60.08	59.51

Source: Visible Alpha, BofA Global Research

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Exhibit 70: Reported/consensus YoY fee income growth (%)

All banks saw fees grow YoY in 4Q23

	YoY Fee Growth (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	-9.23	-11.57	-12.00	-16.12	-3.29	2.11	3.80	3.98	3.64	6.19	4.58	8.51	18	2010	-10.24	0.54	7.02	4.55
Large Regionals Median	-6.94	-3.87	-8.05	-8.81	3.13	1.53	-0.23	-2.11	2.31	3.30	4.79	6.05	-188	670	-5.12	0.58	4.09	4.61
SMID-Caps Median	0.88	1.74	-0.36	-3.33	0.18	2.99	1.95	3.68	4.26	1.34	4.14	4.12	173	701	-2.16	2.45	3.05	4.16

Source: Visible Alpha, BofA Global Research

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Exhibit 71: Reported/consensus YoY expense growth (%)

All banks saw expense growth decrease YoY in 4Q23

	YoY Expense Growth (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	1.79	2.71	7.50	4.38	3.27	6.74	4.95	3.42	1.36	0.43	1.80	-1.94	-153	-96	5.75	5.50	0.71	2.28
Large Regionals Median	4.06	8.15	6.23	7.16	10.70	9.34	4.78	2.77	0.38	0.40	1.35	1.64	-201	-439	7.24	6.93	1.19	2.74
SMID-Caps Median	5.06	6.72	8.35	10.69	10.74	9.31	4.55	5.29	5.48	4.67	3.61	2.89	74	-540	7.56	6.99	4.88	3.66

Source: Visible Alpha, BofA Global Research

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Exhibit 72: Reported/consensus YoY avg. loan growth (%)

YoY Avg. loan growth contracted QoQ at all banks in 4Q23, led by large regionals

	YoY Avg. Loan Growth (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	-0.78	4.33	6.42	9.06	9.55	8.53	5.33	3.79	4.32	2.47	2.62	3.95	-154	-527	6.86	6.42	5.25	4.75
Large Regionals Median	3.03	6.36	8.71	5.73	7.57	7.73	6.30	4.33	5.55	4.64	4.19	4.81	-197	-140	9.04	6.50	5.04	4.44
SMID-Caps Median	3.33	7.88	8.92	11.02	10.70	7.17	4.16	3.11	2.22	1.33	1.53	2.35	-105	-791	7.97	6.92	1.73	3.16

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 73: Reported/consensus YoY avg. deposit growth (%)

YoY Avg. deposit growth grew at all banks QoQ in 4Q23

	YoY Avg. Deposit Growth (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	3.11	0.54	-2.97	-6.09	-7.75	-6.80	-4.80	-3.31	-1.92	-2.18	0.26	0.15	149	278	-2.14	-6.74	-0.90	1.67
Large Regionals Median	8.69	6.70	2.58	-1.06	-2.70	-3.88	-1.50	0.18	1.04	1.98	0.58	0.51	168	124	4.80	-0.62	0.95	1.74
SMID-Caps Median	11.24	4.28	1.96	0.15	-0.56	-4.43	-1.50	1.05	2.31	2.68	1.93	2.45	255	90	3.90	-1.93	2.80	3.20

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 74: Reported/consensus provisions as % of avg. loans

Provisions as a % of average loans grew QoQ for large regionals and mega-caps, but remained flat for SMID-caps in 4Q23

	Provisions as % of avg. loans												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	0.02	0.26	0.17	0.26	0.52	0.38	0.28	0.53	0.34	0.35	0.35	0.33	9	11	0.15	0.26	0.10	0.10
Large Regionals Median	-0.01	0.25	0.37	0.49	0.44	0.47	0.42	0.44	0.47	0.49	0.48	0.48	2	-5	0.27	0.44	0.49	0.44
SMID-Caps Median	-0.05	0.13	0.24	0.32	0.28	0.24	0.29	0.29	0.33	0.36	0.36	0.36	0	-3	0.18	0.27	0.36	0.33

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 75: Reported/consensus common equity tier 1 ratio (%)

CET1 ratios increased in 4Q23 for large regionals and mega-caps, but fell for SMID-caps QoQ

	Common Equity Tier 1 Ratio (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	11.98	12.29	12.40	12.88	12.21	12.75	12.86	13.04	13.10	13.32	13.43	13.44	18	16	12.88	13.00	13.44	13.16
Large Regionals Median	9.74	9.56	9.30	9.32	9.41	9.70	9.98	10.23	10.24	10.37	10.47	10.61	25	91	9.32	10.23	10.57	10.65
SMID-Caps Median	11.67	11.37	11.25	11.37	11.43	11.56	11.75	11.40	11.26	11.26	11.30	11.33	-35	3	11.37	11.88	11.87	12.07

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 76: Reported/consensus YoY dividend growth (%)

QoQ Dividend growth was mixed among the groups in 4Q23

	YoY Dividend Growth (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	10.39	10.39	9.67	9.67	9.67	9.67	9.60	9.60	9.54	10.10	6.28	6.33	0	-7	9.66	10.08	7.76	5.86
Large Regionals Median	8.89	9.31	8.11	7.79	7.79	6.41	1.67	1.04	1.48	1.57	3.02	2.82	-63	-675	7.17	3.90	2.04	2.86
SMID-Caps Median	4.48	4.48	2.86	3.03	2.86	2.86	0.00	1.82	1.71	1.82	2.14	2.38	182	-121	5.59	2.33	2.08	2.52

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 77: Reported/consensus YoY risk-weighted asset (RWA) growth (%)

RWA growth contracted at all size banks QoQ in 4Q23

	YoY RWA Growth (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	3.73	1.60	-0.29	0.33	-0.59	-0.79	0.85	0.15	0.40	0.54	0.04	2.19	-70	-18	0.33	0.15	2.19	4.15
Large Regionals Median	9.71	12.13	13.05	11.58	9.60	4.35	1.28	-2.40	-2.93	-1.75	-0.49	1.36	-368	-1398	11.58	-2.40	1.18	3.01
SMID-Caps Median	9.49	12.54	12.29	12.40	9.94	6.70	4.54	1.80	1.14	0.96	2.82	2.79	-274	-1060	12.40	1.80	2.79	3.75

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 78: Reported/consensus consolidated tax rate (%)

Consolidated tax rates increased in 4Q23 for mega-caps and smid-regionals, but fell at large regionals YoY

	Consolidated Tax Rate %												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	18.77	20.04	21.13	19.26	20.67	20.79	21.82	22.23	21.58	22.34	22.51	22.42	41	297	19.29	21.52	22.18	22.18
Large Regionals Median	20.24	22.59	22.81	21.43	20.66	21.35	21.06	18.31	21.38	21.35	21.26	21.27	-275	-312	21.91	20.67	21.30	21.30
SMID-Caps Median	22.36	23.68	23.13	21.21	23.81	22.99	23.65	23.48	23.38	23.16	23.15	23.15	-17	227	22.20	23.07	23.15	23.22

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 79: Reported/consensus return on average assets (%)

ROA fell at all banks YoY in 4Q23

	Return on Average Assets (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	0.80	0.81	0.95	0.98	0.88	1.01	0.90	0.90	0.80	0.88	0.89	0.89	0	-8	0.88	0.91	0.87	0.93
Large Regionals Median	0.98	1.11	1.20	1.25	1.09	1.02	1.01	0.88	0.83	0.88	0.89	0.94	-13	-37	1.14	1.03	0.88	0.99
SMID-Caps Median	1.07	1.12	1.29	1.46	1.31	1.13	1.04	1.02	1.02	1.03	1.04	1.04	-2	-44	1.17	1.14	1.04	1.13

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 80: Reported/consensus return on tangible common equity (%)

All banks saw a drop in ROTCE in 4Q23

	Return on Tangible Common Equity (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	15.56	14.90	15.64	10.52	14.52	13.45	14.76	8.66	13.56	15.17	13.88	13.52	-610	-186	14.45	12.93	13.79	14.23
Large Regionals Median	14.66	17.80	21.13	23.57	20.91	17.90	17.36	8.75	14.21	13.97	14.26	14.11	-861	-1482	17.72	16.19	14.10	14.82
SMID-Caps Median	14.99	17.10	19.97	23.25	19.32	18.15	15.65	12.64	14.25	14.13	13.86	13.76	-301	-1061	18.52	16.31	14.01	13.92

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 81: Reported/consensus YoY pre-provision net revenue (%)

PPNR growth fell meaningfully in 4Q23 for all

	YoY Pre-Provision Net Revenue (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	-12.7	-6.7	-1.0	-0.7	12.7	-4.2	-0.2	-3.9	-6.0	-6.4	2.4	28.9	-370	-324	2.36	-9.12	3.13	5.23
Large Regionals Median	-6.1	8.0	27.4	35.4	39.2	2.8	-12.2	-18.8	-19.7	-9.9	-2.4	2.9	-660	-5421	17.46	-3.41	-5.69	8.31
SMID-Caps Median	-2.3	8.7	20.6	26.7	36.3	10.2	-8.5	-19.1	-12.8	-6.8	-2.3	6.0	-1056	-4577	12.50	0.45	-4.71	7.75

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 82: Reported/consensus tangible common equity/tangible assets (%)

TCE/TA fell in 4Q23 at mega-caps, rose at large regionals and SMID-caps QoQ

	Tangible Common Equity/Tangible Assets (%)												4Q23 chg bp					
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e	2Q24e	3Q24e	4Q24e	QoQ	YoY	2022	2023	2024e	2025e
Mega-Caps Median	6.02	6.11	6.22	6.27	6.25	6.18	6.17	6.06	6.72	6.81	6.82	6.85	-11	-21	5.94	6.10	6.86	6.85
Large Regionals Median	6.27	5.80	4.98	5.03	5.48	5.26	5.11	5.93	6.03	6.19	6.31	6.42	82	90	5.03	5.79	6.40	6.83
SMID-Caps Median	6.99	6.89	6.59	6.89	7.08	7.01	6.86	7.41	7.37	7.51	7.65	7.78	55	52	6.89	7.41	7.77	8.56

Source: Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Acronyms

NII: Net interest income

NIM: Net interest margin

EPS: Earnings per share

NPL: non-performing loans

LLR: loan loss reserve

ECM: equity capital markets

M&A: mergers and acquisitions

DCM: debt capital markets

CCAR: comprehensive capital analysis and review

AOCI: accumulated other comprehensive income

BOE: bank of England

BoC: bank of Canada

PPNR: pre-provision net revenue

ROA: return on assets

ROTCE: return on tangible common equity

EOP: end of period

TCE/TA: tangible common equity/tangible assets

RWA: risk-weighted assets

CET1: common equity tier 1

AEA: average earning assets

FF: federal funds (rate)

NCOs: net charge-offs

NPR: notice of proposed rulemaking

SCB: stress capital buffer

ROCE: return on common equity

NIB: non-interest-bearing

HFI: held for investment

CMBS: commercial mortgage-backed securities



HY: high yield

IG: investment grade

Exhibit 83: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BK	BK US	BNY Mellon	US\$ 55.33	C-1-7
FITB	FITB US	Fifth Third Bank	US\$ 34.86	B-1-7
KEY	KEY US	KeyCorp	US\$ 14.67	C-1-8
MTB	MTB US	M&T Bank	US\$ 141.52	B-1-7
TFC	TFC US	Truist Financial	US\$ 37.84	B-1-7
USB	USB US	U.S. Bancorp	US\$ 42.64	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**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.

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.

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.

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.

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my 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
	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
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	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	TSIX	TSIX 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
	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
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

Disclosures

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: 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.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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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