BofA SECURITIES

US Banks: Reading the Tea Leaves

Deposits, taxes...and QT

Industry Overview

11 March 2024

Equity
United States
Banks

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Three positives for bank stocks last week...

First, Fed Chair Jay Powell offered the most explicit indication for enacting material changes to the Basel End Game proposal (= positive for capital return/ROEs). Second, the Fed Chair noted that the Fed was "not far" from cutting interest rates (= reduced probability of tail risk events). Third, NYCB's capital injection should remove the headline risk that had weighed on regional bank stocks since late January.

Relevant research: US Banks: Chair Powell raises prospects for "scrapping" Basel III End Game proposal / NYCB: Heavy lifting ahead

...that could support stock outperformance

Intra-quarter updates from banks have been mostly consistent with FY24 guides from January. Fewer rate cuts a positive for most bank net interest income (NII) outlooks. Although deposit mix shift, weaker loan growth poses downside risks, better investment banking revenues, flexibility for certain mgmt. teams to restructure bond books, provide revenue defensibility.

MTD (YTD) stock performance: Super-regionals +5.1% (+2.6%); Mega-cap banks +1.9% (+8.2%); Trust Banks -1.1% (-3.1%); SMID-cap regionals +1.6% (-4.1%) S&P +0.5% (+7.4%); Nasdaq -0.04% (+7.2%). Mega-caps - C, WFC, GS, JPM, MS - well positioned for outperformance; highlight BK, NTRS among Trust Banks, TFC, USB, FITB, MTB, KEY, FHN, EWBC, WAL, SNV, FNB, WBS among regionals.

Relevant research: US Banks: BofA 2024 Financial Services Conference takeaways: What did we learn? / US Banks: Earnings & beyond: Stock re-rating should resume

Deposit seasonality into tax season worth watching

Corporate and personal tax payments during March/April have the potential to weigh on deposit balances. Between 2018-2023 industry-wide deposit balances remained stable through April, except for 2021 (stimulus boost) and 2023 (SVB crisis). See Exhibit 1. BofA Rates strategy team sees tax payments to the Treasury General Account (TGA) as a drain to bank reserves as opposed to the overnight reverse repo (ON RRP), potentially delaying the timing of QT tapering. While the Fed appears mindful of tapering QT before it exerts stress on the system, it remains a risk factor as it pertains to funding costs.

Relevant research: US Rates Watch: Fed balance sheet: tax date tweaks

Mark-to-market on health of the CRE sector

Our expert conference call on Friday provided timely insights into the dynamics playing out across the commercial real estate (CRE) market. While office CRE remains the weak spot nationwide, the rest of the CRE subsectors appears to be holding up well (although rents have cooled, team eyeing incoming multifamily supply). While the rest of the CRE sub-sectors unlikely carry the same loss content as office CRE, we believe that lower interest rates (Fed Funds near 4% vs. 5.5% today) over the next 12-18 months are neeed to ease some of the pressure at refinancing (economy/job market the other variables to watch). **Takeaways on page 2**.

Relevant research:

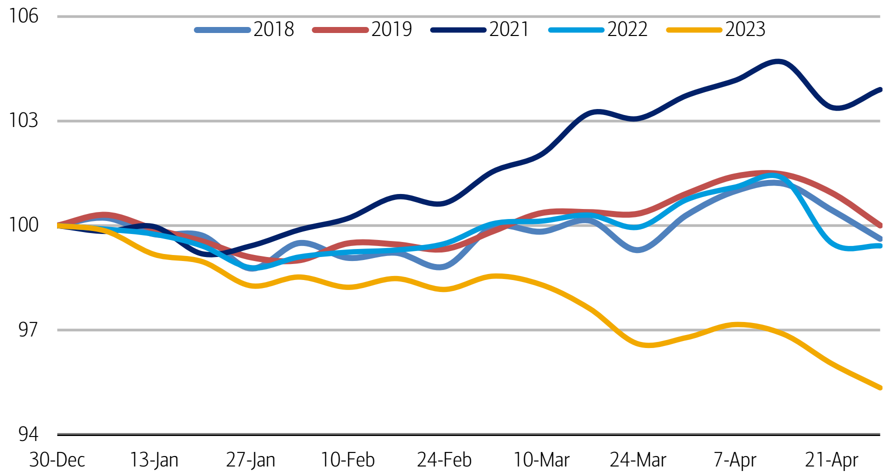
US Banks and Brokers: Basel Capital NPR: As advertised 28 July 2023

Residential REITs: BofA's jobless claims tracker – a real time snapshot on the state of Resi demand 01 March 2024

Office REITs: 4Q23 Quarterly: Expecting another tough year but seeing some early recovery signs 27 February 2024

Tax payments could exert pressure on deposit balances/pricing, potentially delay the timing for a QT tapering.

Exhibit 1: Industry-wide deposit balances have historically stayed stable through April
Deposit balances indexed to 100 at previous year end



Source: BofA Global Research, Federal Reserve

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Mark-to-market on CRE landscape: Takeaways

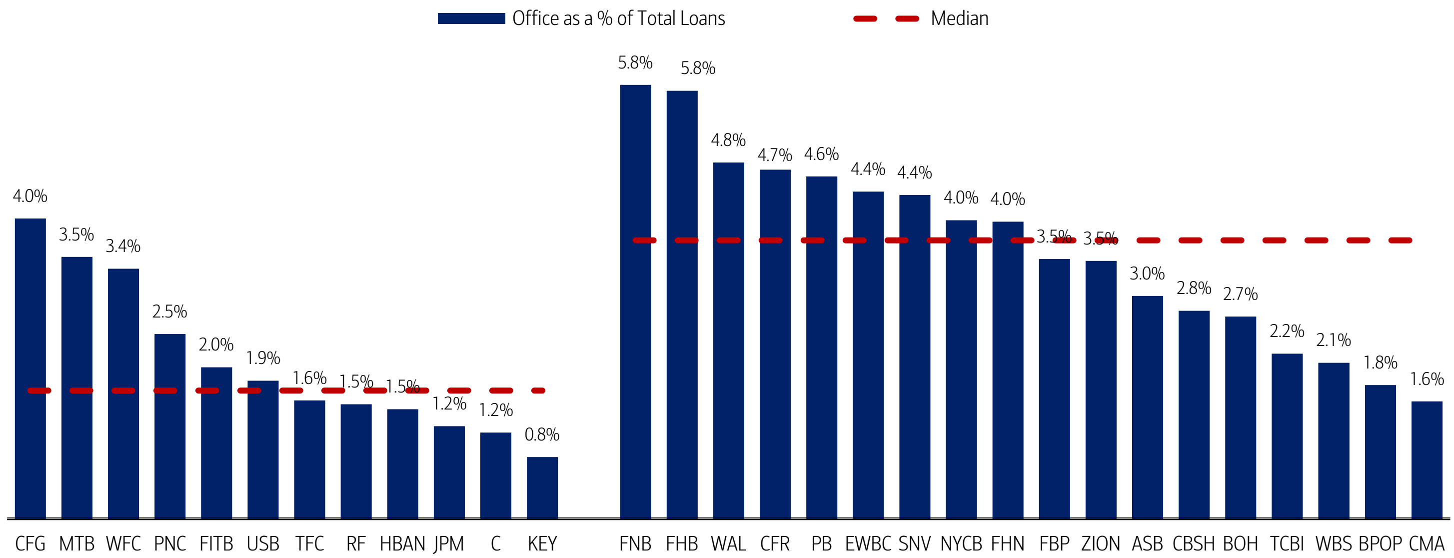
Our conference call with BofA Research (equity, credit, CMBS) and Mortgage Trading provided timely insights into the dynamic CRE market. Consistent with our view over the last 12-18 months, we see higher-for-longer interest rates and any potential cracks in the job market as the primary source of concern. While loss recognition in the CRE space has picked up, we expect the cycle to play out over multiple quarters or years (with losses mostly concentrated within office CRE). The drawn-out timing combined with the limited transaction activity, make it challenging to handicap the appropriateness of current reserve levels (CRE reserves constitute ~30% of overall reserves for BofA Banks coverage). We outline below some of the takeaways from our expert call.

- **REITs research** noted that bifurcation in types of offices is evident, with 90% of all US office vacancies being found in the bottom 30% of office buildings which should bode well for banks with strong underwriting standards.
- Residential CRE oversupply in sunbelt states is primarily driven by an abundance of apartments, which demographic and lending shifts post-GFC played a role in causing and will see deterioration in the asset class as millennials move outwards to suburbs.
- Insurance expense (for residential properties) has seen a 20-30% YoY increase starting in 2023 with older properties feeling the brunt of this, meaning this will be a more material part of the expense stack for these properties to come. Increases to insurance costs driven by higher rates but also a larger number of claims as numerous small events begin to add up for insurers.
- **CMBS research** anticipates that 2023 was likely the bottom for transaction volumes and prices should also bottom in 2024, paving the way for continued improvement in transaction volume as the year goes on due to pent up demand and fear-of-missing-out among investors.

- **Credit research** described CRE in the context of being a bigger issue for smaller banks, given category I-IV banks have reserves around double the level of smaller banks, with office specific reserves at around 8-10%.

- **Mortgage Trading** desk noted that loan sale activity is picking up, driven by banks wanting to offload loans/portfolios that are increasingly distressed, mergers allowing the acquiring entity to mark and sell acquired loans. As the narrative of several rate cuts in 2024 has dissipated, the desk has observed a pick-up in the desire for portfolio optimization with an eye to balancing the mismatch between low loan yields and rising funding costs.

Exhibit 2: Office exposure as a % of total loans: 1.7% at large caps, 3.7% at mid caps
Office CRE as a % of total loans



Source: BofA Global Research, company filings

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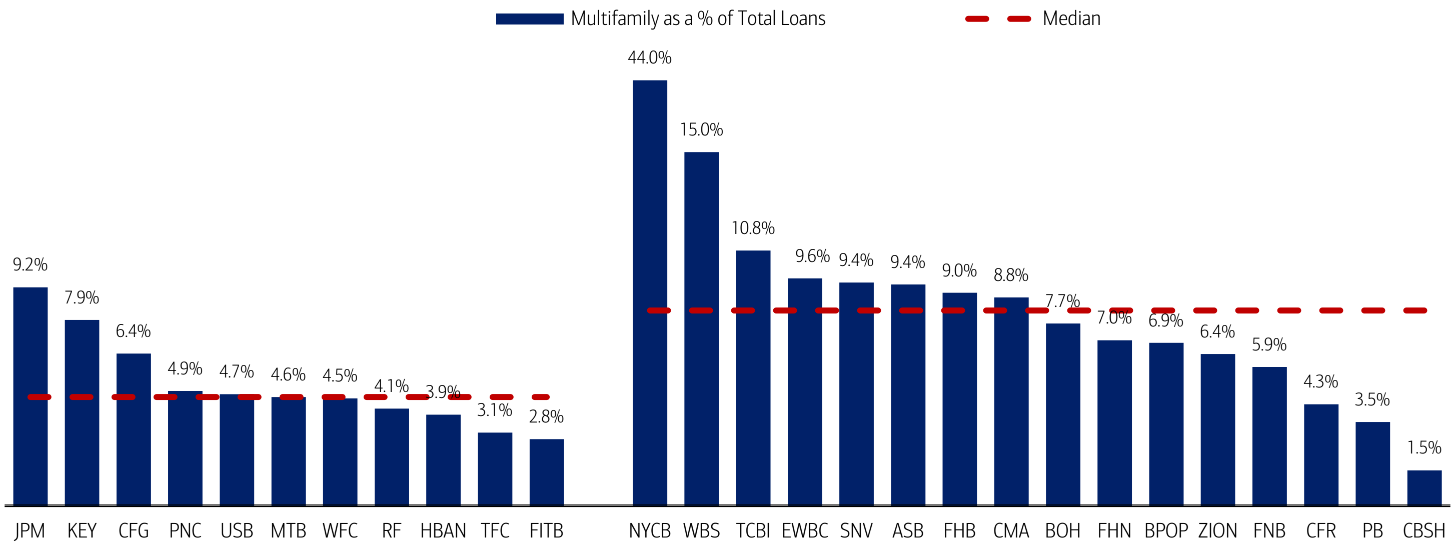
Exhibit 3: Multifamily exposure as a % of total loans: 4.6% at large caps, 8.3% at mid caps
Multifamily CRE loans as a % of total loans



Source: BofA Global Research, company filings

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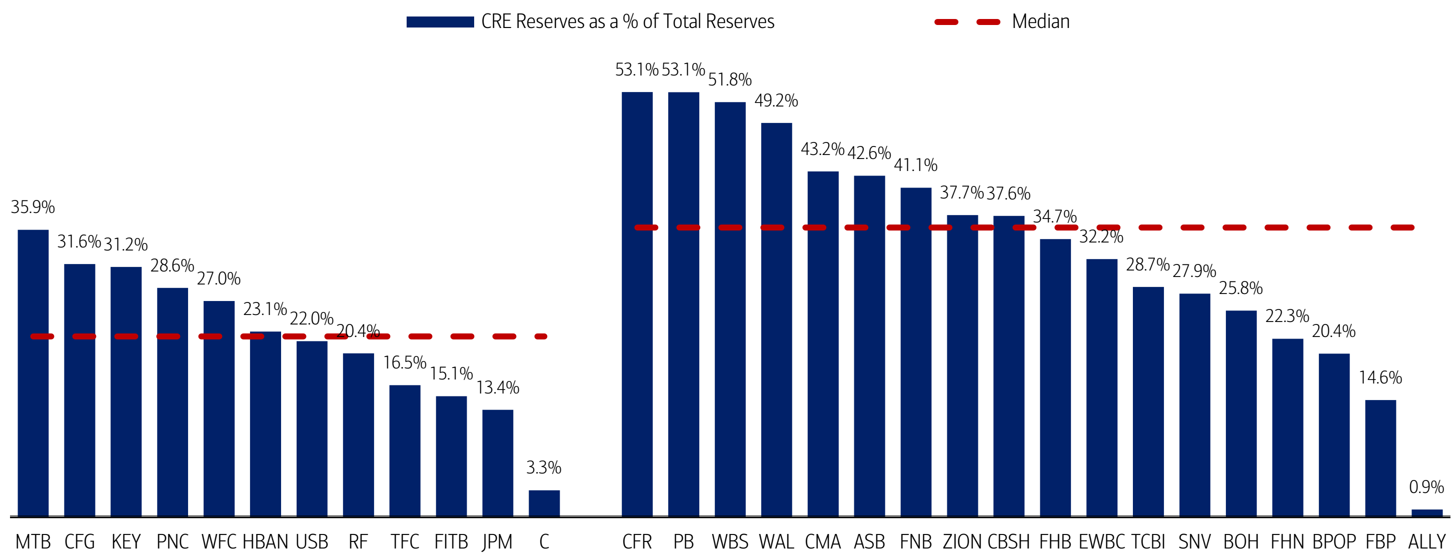
Exhibit 4: CRE Reserves as a % of total reserves: 22.6%/36.2%at large cap/mid cap coverage
CRE reserves as a % of total reserves



Source: BofA Global Research, company filings

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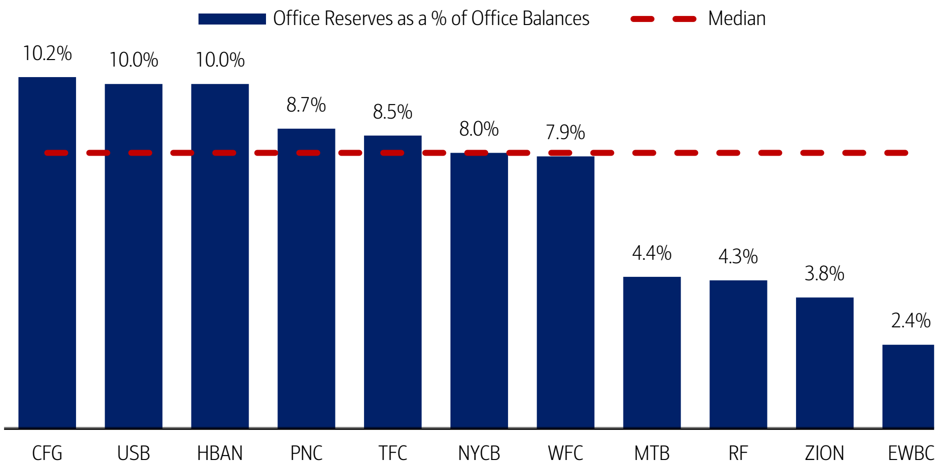
Exhibit 5: Banks typically have 8% in reserves against office CRE
Office reserves as a % of total office CRE loans



Source: BofA Global Research, company filings

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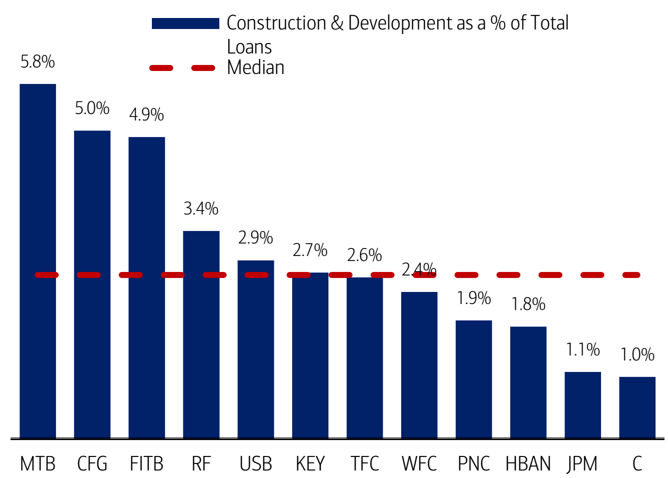
Exhibit 6: C&D loans as a % of total: 2.7% at large caps
Construction and development loans as a % of total loans



Source: BofA Global Research, FR Y-9C

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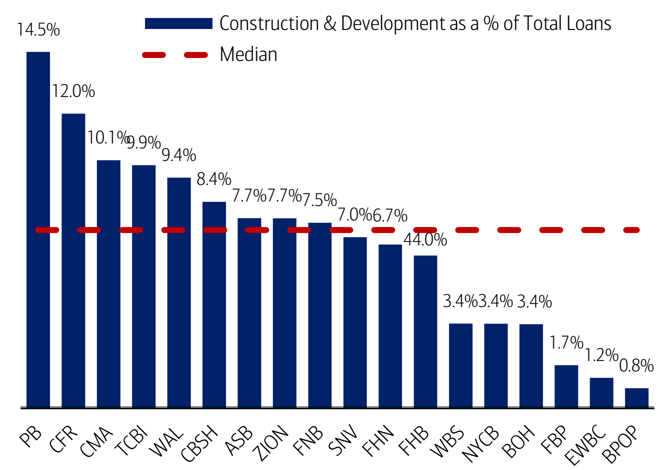
Exhibit 7: C&D loans as a % of total: 7.3% at mid caps
Construction and development loans as a % of total loans



Source: BofA Global Research, FR Y-9C

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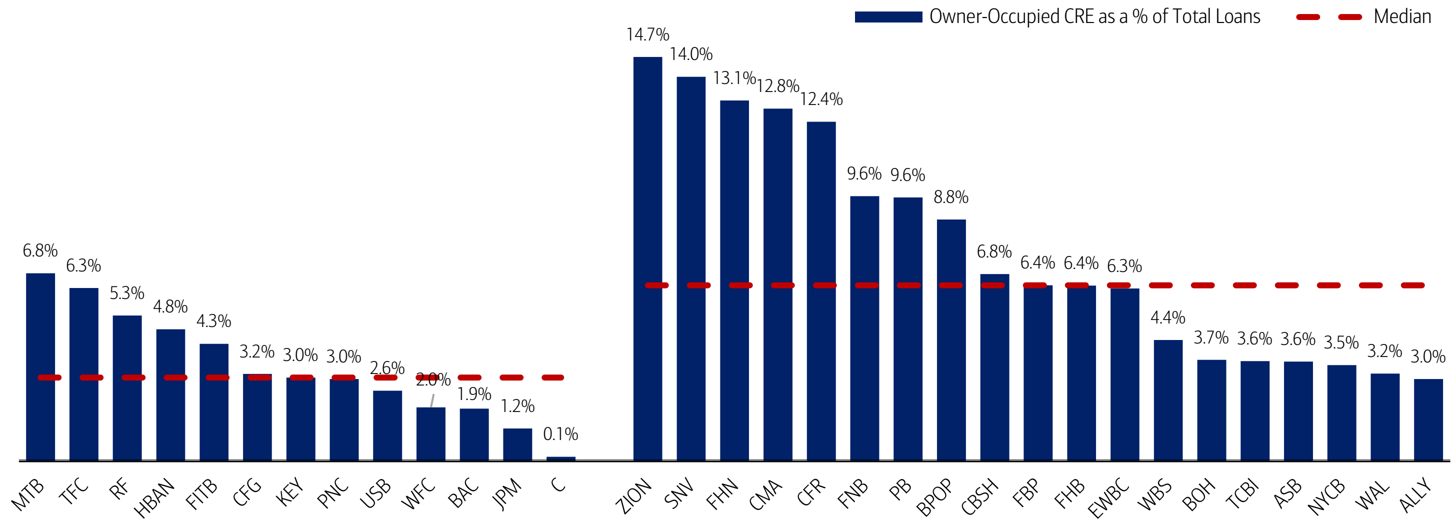
Exhibit 8: Owner occupied exposure as a % of total loans: 3% at large caps, 6.4% at mid caps
Owner-occupied CRE as a % of total loans



Source: BofA Global Research, FR Y-9C

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Exhibit 9: Stocks mentioned
Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BK	BK US	BNY Mellon	US$ 55.47	C-1-7
C	C US	Citigroup	US$ 57.51	B-1-7
EWBC	EWBC US	East-West	US$ 76.82	B-1-7
FITB	FITB US	Fifth Third Bank	US$ 36.37	B-1-7
FHN	FHN US	First Horizon Corp.	US$ 14.97	C-1-7
FNB	FNB US	FNB Corp	US$ 13.65	B-1-7
GS	GS US	Goldman Sachs	US$ 386.99	B-1-7
JPM	JPM US	JP Morgan Chase	US$ 188.22	B-1-7
KEY	KEY US	KeyCorp	US$ 14.92	C-1-8
MTB	MTB US	M&T Bank	US$ 142.74	B-1-7
MS	MS US	Morgan Stanley	US$ 87.04	B-1-7
NTRS	NTRS US	Northern Trust	US$ 81.81	B-1-7
SNV	SNV US	Synovus	US$ 39.64	C-1-7
TFC	TFC US	Truist Financial	US$ 37.44	B-1-7
USB	USB US	U.S. Bancorp	US$ 43.26	B-1-7
WBS	WBS US	Webster Financial Co	US$ 48.69	B-1-7
WFC	WFC US	Wells Fargo	US$ 57.07	B-1-7
WAL	WAL US	Western Alliance	US$ 60.31	C-1-7

Source: BofA Global Research

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Price objective basis & risk

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.

East West Bancorp, Incorporated (EWBC)
Our $82 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.6x/1.5x multiples respectively, below the bank's 5 year pre pandemic median of 14.3x/2.4x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

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

Fifth Third Bank (FITB)
Our $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.

First Horizon Corporation (FHN)
Our $17 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.2x multiples respectively, below the bank's 5 year pre pandemic median of 15.4x/1.7x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

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

FNB Corporation of Pennsylvania (FNB)
Our $16 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e tangible book value (TBV). We assigned 10.5x/1.6x multiples, respectively, improved capital levels and above-average ROTCE profile.

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

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.

JPMorgan Chase & Co. (JPM)
Our $210 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.9x/2.2x multiples, respectively, 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.

Synovus Financial Corp. (SNV)
Our $40 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.0x/1.1x multiples respectively, below the bank's 5 year pre pandemic median of 16.0x/1.5x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

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

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.

Webster Financial Corp. (WBS)
Our $61 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e tangible book value (TBV). We assign 10.2x/1.7x multiples, respectively, to correspond with its near 20% ROTCE profile but below its pre-pandemic average (11.4x/1.8x) due to near-term EPS headwinds.

Upside risks: stronger than expected balance sheet growth, quicker return to profitability, and greater NIM expansion relative to peers.

Downside risks: higher than expected expense growth, accelerated credit migration, and slower balance sheet growth.

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.

Western Alliance Bancorp (WAL)

Our $82 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.3x multiples respectively, below the bank's 5 year pre pandemic median of 14.8x/2.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

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

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.

BofA Securities is currently acting as financial advisor to Stone Point Capital LLC and Clayton Dubilier & Rice LLC as part of an investor group's proposed acquisition of Truist Financial Corp's remaining stake in Truist Insurance Holdings Inc, which was announced on February 20, 2024.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC 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
	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
	Nuveen Churchill Direct Lending	NCDL	NCDL US	Derek Hewett
	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	TSLX	TSLX 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
	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 Mortgage Trust Inc	BXMT	BXMT US	Eric Dray, CFA
	Blackstone Secured Lending Fund	BXSL	BXSL 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	Eric Dray, CFA
	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
	Starwood Property Trust	STWD	STWD US	Eric Dray, CFA
	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
UNDERPERFORM				
	Apollo Commercial Real Estate Finance	ARI	ARI US	Eric Dray, CFA
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Eric Dray, CFA
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	BrightSpire Capital Inc.	BRSP	BRSP US	Eric Dray, CFA
	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
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Eric Dray, CFA
	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: 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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