

US Banks: Reading the Tea Leaves

Next shoe to drop?

Industry Overview

2023 EPS revision the biggest driver of stock performance

Stock performance (since start of 1Q EPS 04/13): Large-cap banks +1%; Regional banks -1.7%; S&P 500 -0.3%; Nasdaq -0.8%. Outperformers: WAL (+26%), JPM (+9%), MTB (+6%); Underperformers: STT (-7%), TFC (-7%), ZION (-6%). 2023 EPS revision the biggest driver of stock performance. See Exhibit 3 for heatmap.

Deposit re-pricing accelerates

Mid-sized banks (\$10bn-250bn assets) feeling the most pain with incremental betas up 70%+ during 1Q23 (see Exhibit 1). Banks that have witnessed the highest beta: ASB (97%), WAL (90%), TCBI (87%); lowest: RF (39%), USB (48%), JPM (55%). Exhibit 13 for bank-by-bank. 75% of banks lowered FY23 net interest income (NII)/revenue guide: JPM only bank in BofA coverage universe to raise NII guidance. 13% unchanged.

Have we seen the last NII guide down?

On average, banks expect deposit pricing pressures to abate by mid-year once Fed done hiking. Repricing in commercial/wealth deposits appears to have accelerated post SVB, consumer appears to be less impacted.

Regulatory changes in focus

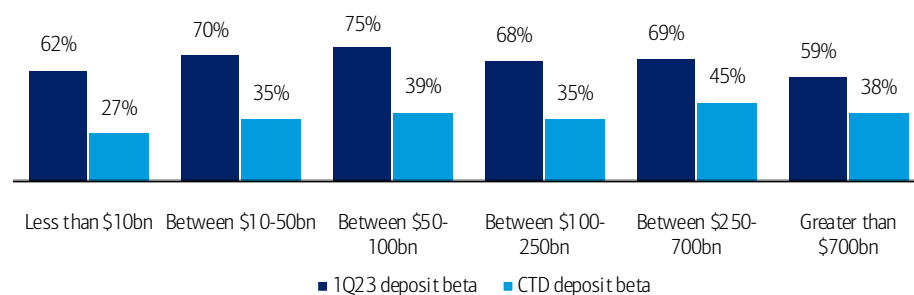
On Friday the WSJ reported that regulators looking to change rules dictating capital treatment of MTM losses on available for sale securities for regional banks. This led to a sell-off in stocks that are viewed as most exposed. We believe that the regulators are unlikely to self-inflict damage, expect any changes to be phased in. However, this will temper growth and capital return potential.

Our View...recession not priced-in

Regional bank stocks trading at 8x 2023 P/E (vs. 10-12x historical) likely discounting deposit pricing pressure. However, credit cycle not priced in. Cooling inflation, regulatory clarity could serve as positive catalysts. Stay selective: Among large-caps, we highlight: Buy-rated Goldman Sachs (GS), Wells Fargo (WFC), BNY Mellon (BK); among regionals: M&T (MTB), Fifth Third (FITB), East West (EWBC), Synovus (SNV).

Exhibit 1: Mid-sized banks seeing most pressure from higher funding costs

Deposit beta trends by bank asset size



Source: BofA Global Research, company filings, SNL Financial

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Equity
United States
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Acronyms:

NII: net interest income

MTM: mark to market

Tickers mentioned:

ASB: Associated Banc-Corp

JPM: JPMorgan Chase & Co

KEY: KeyCorp

RF: Regions Financial Corp

STT: State Street Corp

TCBI: Texas Capital Bancshares Inc

TFC: Truist Financial Corp

USB: US Bancorp

WAL: Western Alliance Bancorp

ZION: Zions Bancorp

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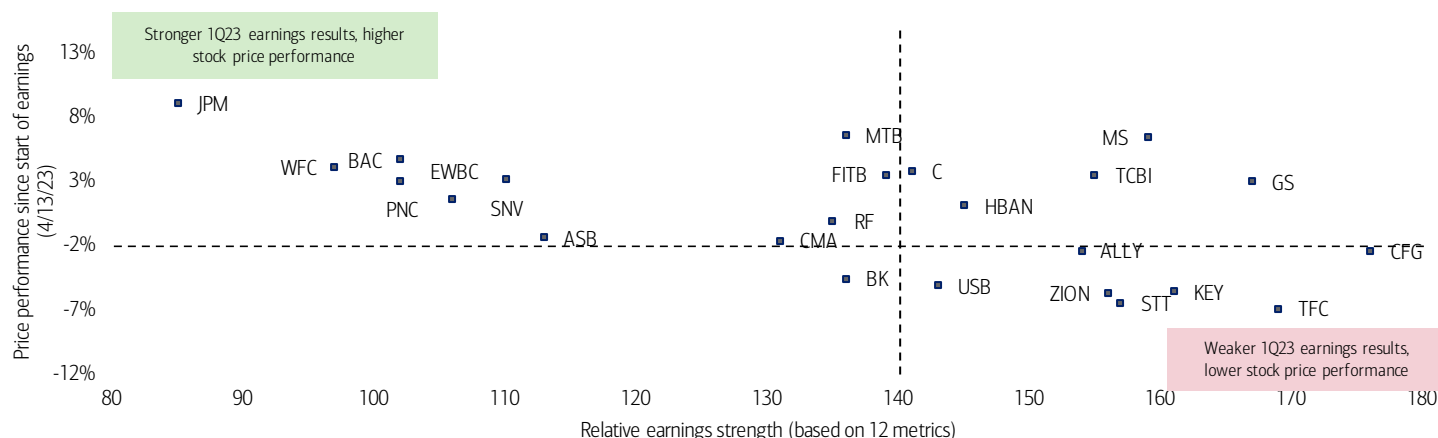
Refer to important disclosures on page 9 to 12. Analyst Certification on page 8. Price Objective Basis/Risk on page 6.

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Timestamp: 23 April 2023 02:36PM EDT

Exhibit 2: Market generally rewarded those banks with stronger earnings this season

Earnings results measured across 12 metrics vs. price performance since 4/13/23; WAL (177, +26%)



Source: company filings, SNL Financial, Visible Alpha

Relative strength/weakness determined by aggregate of rankings across the 12 metrics measured

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Our heatmap represents relative strength/weakness of 1Q23 earnings results across several metrics, including impact to consensus EPS estimates based on company outlook revisions. For example, JPM reported the largest 1Q23 core EPS beat (darkest green) while KEY reported the largest 1Q23 core EPS miss (darkest red).

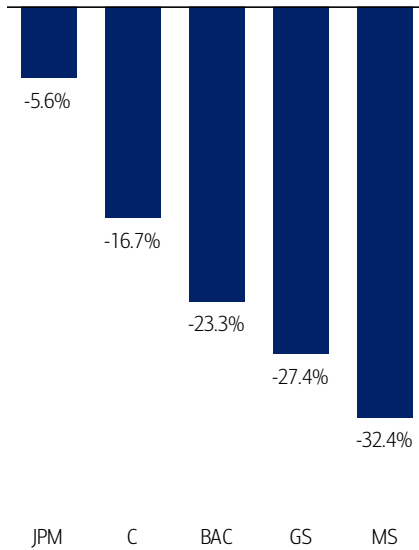
Exhibit 3: Heatmap of 1Q23 earnings results

Correlation denotes relationship between metric and stock price performance since 4/13/23

	Price perf.		Beat/(miss)		1Q23	'23 EPS	ALLL	1Q23 NCOs		1Q23 Deposits		1Q23	Loan
Ticker	Day of	Since start	1Q23 EPS	PPNR	Oper. Lev.	Revision	Build	QoQ	YoY	QoQ Δ	vs. 1Q22 Δ	NIM	Growth
Correlation	-		49%	43%	-17%	61%	-39%	26%	3%	-34%	-44%	21%	-58%
PNC	0%	3%	9%	3%	14%	-3%	0%	(4bp)	5bp	0%	2%	68%	0%
WFC	0%	4%	9%	8%	18%	2%	1%	2bp	12bp	-2%	-1%	60%	-1%
JPM	8%	9%	26%	21%	20%	13%	2%	9bp	18bp	2%	-2%	55%	-1%
C	5%	4%	13%	14%	6%	5%	1%	11bp	30bp	-3%	-4%	71%	-1%
MTB	8%	6%	1%	2%	28%	1%	3%	9bp	18bp	-3%	1%	79%	1%
STT	-9%	-7%	-7%	-4%	-2%	-7%	19%	0bp	2bp	-5%	-3%	72%	4%
BAC	1%	5%	14%	10%	7%	6%	-1%	4bp	15bp	-1%	-1%	48%	0%
GS	-2%	3%	13%	-27%	-6%	3%				-3%	-9%		-1%
BK	1%	-5%	1%	1%	8%	-1%	-3%	(0bp)	(0bp)	1%	-7%	82%	-6%
WAL	24%	26%	10%	10%	-16%	2%	-2%	3bp	4bp	-11%	-21%	90%	-10%
MS	1%	6%	2%	7%	-6%	-2%				-3%	-6%		0%
ALLY	2%	-2%	7%	-3%	-18%	-5%	1%	4bp	77bp	1%	0%	80%	0%
CFG	0%	-3%	-3%	0%	13%	-5%	2%	12bp	16bp	-5%	-8%	59%	-1%
USB	2%	-5%	2%	4%	6%	-4%	1%	(25bp)	18bp	-4%	-5%	48%	0%
ZION	-5%	-6%	-11%	-3%	12%	-9%	7%	2bp	(5bp)	-3%	-3%	57%	1%
CMA	-3%	-2%	4%	-1%	25%	-3%	5%	3bp	(6bp)	-9%	-4%	63%	3%
FITB	-1%	3%	5%	-6%	8%	-1%	1%	3bp	14bp	0%	-1%	70%	1%
HBAN	-2%	1%	4%	-1%	10%	-2%	1%	2bp	12bp	-2%	-4%	74%	1%
KEY	-3%	-6%	-31%	-20%	1%	-9%	3%	1bp	2bp	1%	4%	71%	0%
TFC	-4%	-7%	-5%	-1%	4%	0%	2%	2bp	12bp	-2%	-5%	74%	1%
ASB	-1%	-1%	5%	1%	20%	0%	4%	3bp	8bp	2%	3%	97%	1%
EWBC	0%	2%	6%	-2%	20%	3%	4%	(8bp)	(7bp)	-2%	-5%	86%	1%
SNV	-1%	3%	9%	4%	11%	1%	3%	5bp	(2bp)	2%	4%	86%	1%
TCBI	3%	3%	-19%	0%	7%	-1%	3%	13bp	43bp	-3%	7%	87%	4%
RF	-3%	0%	-4%	-2%	12%	-1%	1%	5bp	13bp	-2%	-4%	39%	1%

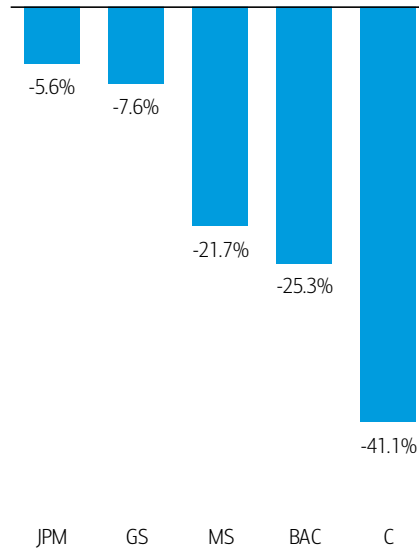
Source: company filings, SNL Financial, Visible Alpha

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Exhibit 4: 1Q23 M&A revenue down 21% YoY
YoY change

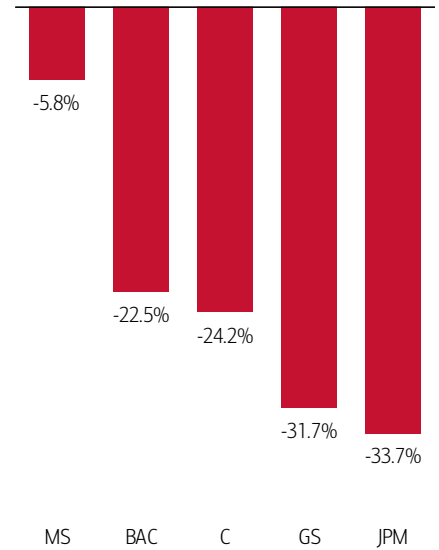
Source: company filings

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Exhibit 5: 1Q23 DCM revenue down 20% YoY
YoY change

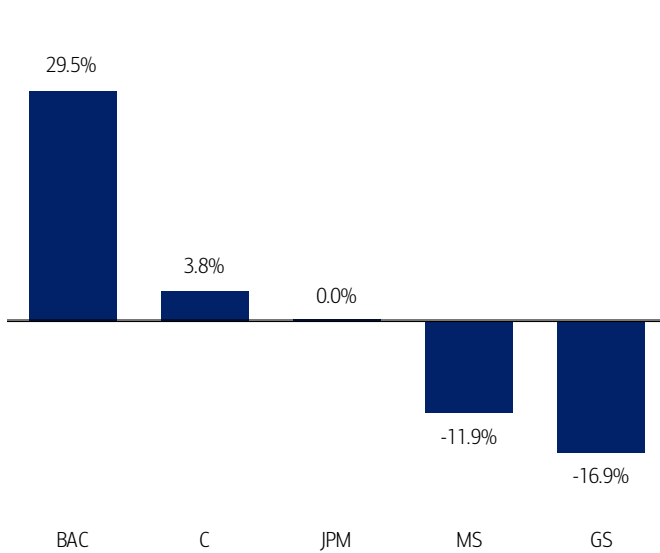
Source: company filings

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Exhibit 6: 1Q23 ECM revenue down 24% YoY
YoY change

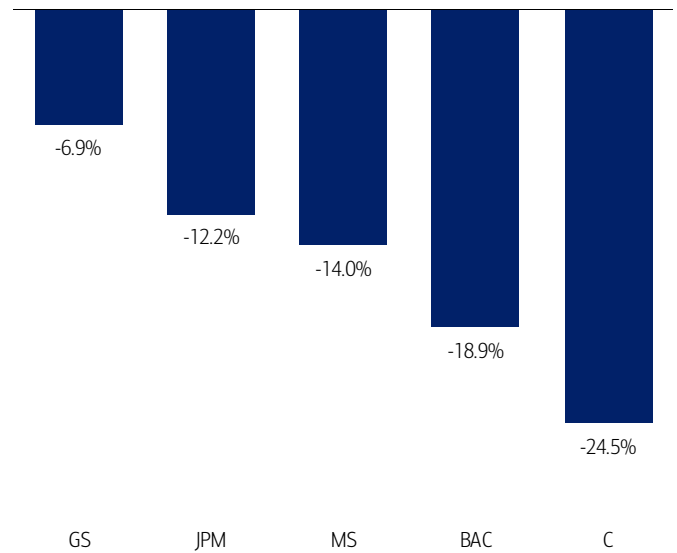
Source: company filings

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Exhibit 7: 1Q23 FICC trading revenue up 1% YoY
YoY change

Source: company filings

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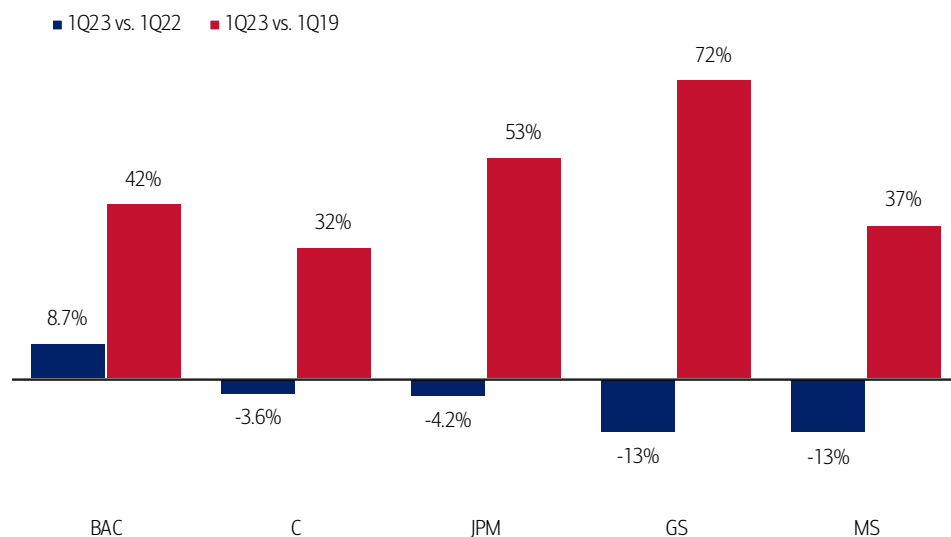
Exhibit 8: 1Q23 equities trading revenue down 15% YoY
YoY change

Source: company filings

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Exhibit 9: Capital markets revenue down 5% YoY, on avg., in 1Q23 but are 47% higher vs. '19

Aggregate revenue generated by investment banking and trading businesses

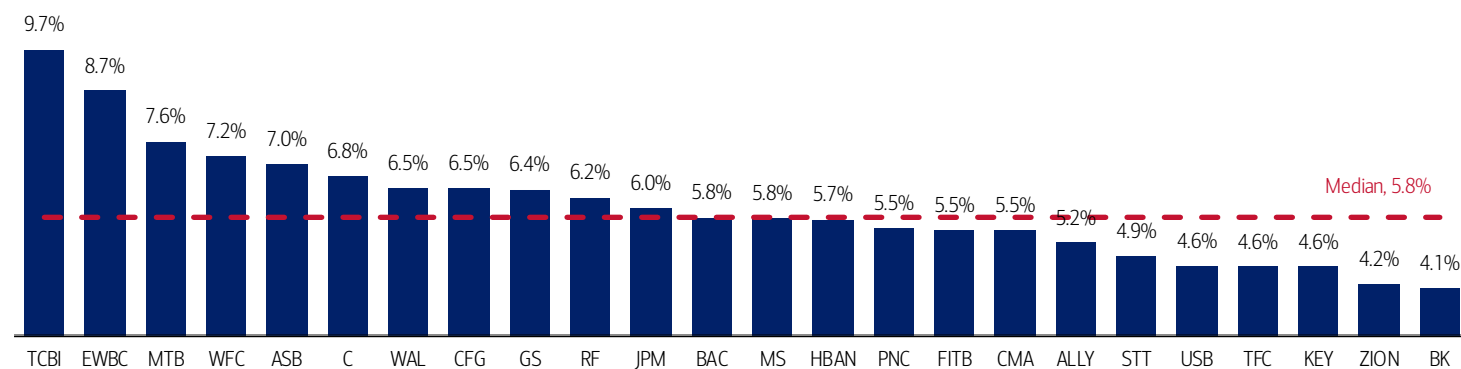


Source: company filings

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Exhibit 10: TCE ratio by bank as of 1Q23

Median TCE ratio 5.8%



Source: company filings, SNL Financial

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Exhibit 11: Deposits down 26bp WoW

WoW per H.8 data

Deposits

(\$mn)	05/Apr/23	12/Apr/23	% Chg.	Avg weekly % chg thr. March
All Commercial Banks	17,430	17,380	-0.28%	-0.26%
Domestic Commercial Banks	16,180	16,132	-0.30%	-0.24%
Top 25 Banks	10,776	10,736	-0.38%	-0.18%
Ex. Top 25 Banks	5,404	5,396	-0.15%	-0.34%

Source: Federal Reserve

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Exhibit 12: Loans and leases relatively unch WoW

WoW per H.8 data

Loans and leases

(\$mn)	05/Apr/23	12/Apr/23	% Chg.	Avg weekly % chg thr. March
All Commercial Banks	12,060	12,051	-0.08%	-0.02%
Domestic Commercial Banks	11,020	11,015	-0.05%	-0.02%
Top 25 Banks	6,565	6,558	-0.10%	-0.02%
Ex. Top 25 Banks	4,455	4,457	0.04%	-0.03%

Source: Federal Reserve

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Exhibit 13: Deposit beta trends (1Q23 increment & cycle-to-date) by bank

Deposit beta = change in interest-bearing deposit costs divided by change in average effective Fed funds rate

Company name	Ticker	Assets \$bn	Interest-bearing deposit costs					1Q23		CTD β
			4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	β	
Nicolet Bankshares, Inc.	NIC	8.2	0.27%	0.20%	0.23%	0.41%	1.04%	2.07%	118%	41%
ServisFirst Bancshares, Inc.	SFBS	14.6	0.33%	0.31%	0.36%	0.76%	1.70%	2.68%	113%	53%
Preferred Bank	PFBC	6.5	0.41%	0.38%	0.48%	1.03%	2.12%	3.07%	109%	60%
Capital Bancorp, Inc.	CBNK	2.2	0.37%	0.35%	0.39%	0.57%	1.83%	2.78%	109%	54%
United Community Banks, Inc.	UCBI	25.9	0.10%	0.10%	0.13%	0.32%	0.80%	1.71%	105%	36%
Metropolitan Bank Holding Corp.	MCB	6.3	0.54%	0.54%	0.53%	0.98%	2.24%	3.14%	103%	59%
Bank OZK	OZK	29.0	0.24%	0.23%	0.29%	0.59%	1.33%	2.20%	100%	44%
Hingham Institution for Savings	HIFS	4.2	0.29%	0.30%	0.41%	0.82%	1.58%	2.45%	100%	49%
MetroCity Bankshares, Inc.	MCBS	3.4	0.27%	0.27%	0.55%	1.48%	2.61%	3.48%	100%	72%
FB Financial Corporation	FBK	13.1	0.30%	0.27%	0.33%	0.74%	1.67%	2.53%	99%	50%
Eagle Bancorp, Inc.	EGBN	11.1	0.38%	0.37%	0.73%	1.70%	2.77%	3.63%	99%	73%
Associated Banc-Corp	ASB	40.7	0.07%	0.07%	0.16%	0.50%	1.13%	1.97%	97%	43%
White River Bancshares Co	WRIV	1.1	0.61%	0.53%	0.51%	0.58%	1.18%	2.02%	97%	32%
Guaranty Bancshares, Inc.	GNTY	3.4	0.30%	0.29%	0.38%	0.59%	1.08%	1.91%	95%	36%
Cathay General Bancorp	CATY	22.0	0.37%	0.33%	0.37%	0.69%	1.59%	2.40%	93%	46%
Western Alliance Bancorporation	WAL	71.0	0.20%	0.21%	0.37%	1.03%	1.97%	2.75%	90%	57%
FineMark Holdings, Inc.	FNBT	3.8	0.00%	0.00%	0.24%	0.57%	0.97%	1.74%	89%	39%
Virginia National Bankshares Corporation	VABK	1.6	0.30%	0.29%	0.24%	0.22%	0.32%	1.09%	89%	18%
Texas Capital Bancshares, Inc.	TCBI	28.6	0.39%	0.40%	0.73%	1.79%	2.87%	3.63%	87%	73%
East West Bancorp, Inc.	EWBC	67.2	0.18%	0.17%	0.30%	0.86%	1.74%	2.49%	86%	52%
Synovus Financial Corp.	SNV	61.8	0.18%	0.17%	0.23%	0.59%	1.32%	2.07%	86%	43%
Pinnacle Financial Partners, Inc.	PNFP	45.1	0.21%	0.20%	0.35%	0.99%	2.02%	2.76%	85%	57%
CrossFirst Bankshares, Inc.	CFB	6.9	0.43%	0.41%	0.56%	1.56%	2.57%	3.29%	83%	64%
John Marshall Bancorp, Inc.	JMSB	2.4	0.38%	0.37%	0.46%	0.80%	1.46%	2.18%	83%	41%
CNB Financial Corporation	CCNE	5.6	0.34%	0.28%	0.26%	0.47%	1.09%	1.80%	82%	33%
The Bank of New York Mellon Corporation	BK	425.1	-0.08%	-0.07%	0.16%	0.95%	2.00%	2.71%	82%	63%
Ally Financial Inc.	ALLY	196.2	0.64%	0.61%	0.76%	1.58%	2.53%	3.23%	80%	58%
Hancock Whitney Corporation	HWC	37.5	0.12%	0.10%	0.13%	0.36%	0.96%	1.65%	79%	34%
M&T Bank Corporation	MTB	203.0	0.05%	0.05%	0.12%	0.29%	0.80%	1.49%	79%	32%
First Financial Bancorp.	FFBC	16.9	0.14%	0.12%	0.14%	0.31%	0.76%	1.44%	78%	29%
Equity Bancshares, Inc.	EQBK	5.2	0.25%	0.22%	0.28%	0.57%	1.05%	1.73%	78%	33%
Mercantile Bank Corporation	MBWM	4.9	0.34%	0.31%	0.34%	0.43%	0.78%	1.45%	77%	25%
Wintrust Financial Corporation	WTRF	52.9	0.24%	0.22%	0.28%	0.64%	1.30%	1.97%	77%	39%
Unity Bancorp, Inc.	UNTY	2.5	0.38%	0.32%	0.33%	0.57%	1.04%	1.70%	76%	30%
Washington Federal, Inc.	WAFD	22.3	0.27%	0.26%	0.29%	0.53%	1.00%	1.66%	76%	31%
1st Source Corporation	SRCE	8.3	0.22%	0.21%	0.30%	0.56%	1.07%	1.73%	76%	34%
CapStar Financial Holdings, Inc.	CSTR	3.2	0.26%	0.26%	0.32%	0.82%	1.54%	2.19%	75%	43%
Huntington Bancshares Incorporated	HBAN	189.1	0.05%	0.04%	0.10%	0.35%	0.88%	1.52%	74%	33%
Truist Financial Corporation	TFC	574.4	0.05%	0.05%	0.14%	0.48%	1.00%	1.64%	74%	36%
Banc of California, Inc.	BANC	10.0	0.17%	0.12%	0.28%	0.77%	1.34%	1.98%	74%	41%
Princeton Bancorp, Inc.	BPRN	1.6	0.48%	0.43%	0.41%	0.50%	0.81%	1.45%	74%	22%
National Bankshares, Inc.	NKSH	1.7	0.24%	0.23%	0.21%	0.24%	0.34%	0.97%	73%	16%
Sandy Spring Bancorp, Inc.	SASR	14.1	0.16%	0.14%	0.22%	0.56%	1.56%	2.19%	72%	46%
State Street Corporation	STT	290.8	-0.14%	-0.14%	0.05%	0.71%	1.62%	2.25%	72%	54%
Webster Financial Corporation	WBS	74.8	0.07%	0.09%	0.12%	0.37%	0.80%	1.42%	72%	31%
Citigroup Inc.	C	2,455.1	0.28%	0.33%	0.53%	1.21%	2.10%	2.72%	71%	55%
KeyCorp	KEY	197.5	0.06%	0.06%	0.08%	0.25%	0.74%	1.36%	71%	29%
Fifth Third Bancorp	FITB	208.7	0.04%	0.04%	0.10%	0.45%	1.13%	1.74%	70%	38%
First Horizon Corporation	FHN	80.7	0.11%	0.10%	0.16%	0.41%	1.12%	1.73%	70%	36%
Truist Corporation	TRUX	0.9	0.42%	0.41%	0.54%	1.22%	2.05%	2.65%	69%	50%
Farmers & Merchants Bank of Long Beach	FMBL	12.0	0.09%	0.09%	0.14%	0.37%	0.96%	1.68%	68%	20%
MainStreet Bancshares, Inc.	MNSB	2.1	0.78%	0.76%	0.82%	1.21%	1.68%	2.27%	68%	34%
The PNC Financial Services Group, Inc.	PNC	561.8	0.04%	0.04%	0.12%	0.45%	1.07%	1.66%	68%	36%
Farmers & Merchants Bancorp, Inc.	FMAO	3.1	0.36%	0.31%	0.32%	0.49%	1.06%	1.65%	68%	29%
Communities First Financial Corporation	CFST	1.3	0.24%	0.24%	0.24%	0.27%	0.54%	1.13%	67%	20%
BCB Bancorp, Inc.	BCBP	3.8	0.45%	0.37%	0.37%	0.47%	1.21%	1.77%	64%	30%
Fulton Financial Corporation	FULT	27.1	0.16%	0.16%	0.17%	0.28%	0.65%	1.21%	64%	24%
HMN Financial, Inc.	HMNF	1.1	0.21%	0.18%	0.18%	0.21%	0.51%	1.06%	64%	19%
Comerica Incorporated	CMA	91.1	0.05%	0.05%	0.05%	0.20%	0.97%	1.52%	63%	33%
Bank First Corporation	BFC	4.2	0.38%	0.36%	0.40%	0.52%	0.81%	1.35%	62%	22%
Republic Bancorp, Inc.	RBCA.A	6.1	0.14%	0.12%	0.14%	0.26%	0.46%	0.99%	61%	19%
PBCO Financial Corporation	PBCO	0.8	0.20%	0.16%	0.14%	0.24%	0.29%	0.81%	60%	14%
Wells Fargo & Company	WFC	1,886.4	0.00%	0.04%	0.07%	0.23%	0.70%	1.22%	60%	27%
F.N.B. Corporation	FNB	44.1	0.17%	0.14%	0.28%	0.57%	0.98%	1.50%	60%	30%
Berkshire Hills Bancorp, Inc.	BHLB	12.3	0.28%	0.24%	0.24%	0.48%	0.98%	1.49%	59%	27%
Citizens Financial Group, Inc.	CFG	222.3	0.13%	0.10%	0.18%	0.56%	1.23%	1.74%	59%	36%
Zions Bancorporation, National Association	ZION	88.6	0.06%	0.06%	0.07%	0.20%	0.42%	0.92%	57%	19%
AmeriServ Financial, Inc.	ASRV	1.3	0.38%	0.34%	0.41%	0.73%	1.27%	1.76%	57%	31%
First Community Corporation	FCCO	1.7	0.16%	0.14%	0.13%	0.14%	0.37%	0.86%	56%	16%
First Financial Bankshares, Inc.	FFIN	13.0	0.07%	0.08%	0.17%	0.50%	0.76%	1.25%	56%	27%
JPMorgan Chase & Co.	JPM	3,744.3	0.03%	0.04%	0.20%	0.73%	1.37%	1.85%	55%	41%

Exhibit 13: Deposit beta trends (1Q23 increment & cycle-to-date) by bank

Deposit beta = change in interest-bearing deposit costs divided by change in average effective Fed funds rate

Company name	Ticker	Assets \$bn	Interest-bearing deposit costs					1Q23	CTD	
			4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	β	β
Home Bancshares, Inc. (Conway, AR)	HOMB	22.5	0.20%	0.19%	0.31%	0.70%	1.45%	1.90%	52%	38%
Great Southern Bancorp, Inc.	GSBC	5.8	0.29%	0.27%	0.29%	0.56%	1.18%	1.62%	51%	30%
Hilltop Holdings Inc.	HTH	17.0	0.22%	0.21%	0.28%	0.70%	1.57%	2.01%	51%	40%
William Penn Bancorporation	WMPN	0.9	0.33%	0.31%	0.30%	0.38%	0.71%	1.14%	49%	18%
Bank of America Corporation	BAC	3,194.7	0.05%	0.05%	0.11%	0.40%	0.96%	1.38%	48%	30%
U.S. Bancorp	USB	682.4	0.10%	0.10%	0.21%	0.62%	1.18%	1.60%	48%	34%
Chemung Financial Corporation	CHMG	2.7	0.21%	0.20%	0.21%	0.47%	0.93%	1.34%	47%	25%
National Bank Holdings Corporation	NBHC	9.9	0.30%	0.27%	0.26%	0.31%	0.55%	0.94%	45%	14%
Oregon Pacific Bancorp	ORPB	0.8	0.10%	0.10%	0.10%	0.13%	0.28%	0.67%	45%	13%
Bar Harbor Bankshares	BHB	3.9	0.24%	0.20%	0.20%	0.30%	0.52%	0.91%	45%	15%
S&T Bancorp, Inc.	STBA	9.2	0.16%	0.14%	0.14%	0.43%	0.93%	1.30%	43%	26%
Independent Bank Corp.	INDB	19.4	0.08%	0.08%	0.08%	0.22%	0.54%	0.89%	40%	18%
Regions Financial Corporation	RF	154.1	0.07%	0.07%	0.10%	0.25%	0.57%	0.91%	39%	19%
Home Bancorp, Inc.	HBCP	3.3	0.22%	0.20%	0.22%	0.27%	0.44%	0.77%	38%	12%
Banner Corporation	BANR	15.5	0.12%	0.11%	0.10%	0.12%	0.19%	0.51%	37%	9%
Commerce Bancshares, Inc.	CBSH	32.0	0.05%	0.05%	0.07%	0.21%	0.40%	0.71%	36%	15%
Glacier Bancorp, Inc.	GBCI	27.8	0.11%	0.10%	0.09%	0.10%	0.14%	0.39%	29%	6%
Santa Cruz County Bank	SCZC	1.7	0.21%	0.19%	0.18%	0.22%	0.30%	0.55%	29%	8%
Heritage Financial Corporation	HFWA	7.2	0.15%	0.14%	0.14%	0.15%	0.25%	0.49%	28%	8%
Citizens & Northern Corporation	CZNC	2.4	0.28%	0.26%	0.32%	0.54%	0.71%	0.94%	26%	15%
Central Valley Community Bancorp	CVCY	2.5	0.09%	0.08%	0.08%	0.08%	0.18%	0.38%	23%	7%
OFG Bancorp	OFG	10.1	0.37%	0.35%	0.34%	0.40%	0.57%	0.76%	22%	9%
Plumas Bancorp	PLBC	1.6	0.12%	0.11%	0.10%	0.09%	0.15%	0.28%	15%	4%
Delhi Bank Corp.	DWNX	0.4	0.40%	0.38%	0.39%	0.45%	0.64%	0.74%	12%	8%
Old Second Bancorp, Inc.	OSBC	5.9	0.09%	0.08%	0.07%	0.09%	0.17%	0.25%	9%	4%
Westamerica Bancorporation	WABC	6.7	0.06%	0.05%	0.05%	0.05%	0.05%	0.06%	1%	0%

Source: company filings, SNL Financial

BofA GLOBAL RESEARCH

Exhibit 14: 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\$ 44.05	B-1-7
EWBC	EWBC US	East-West	US\$ 54.81	B-1-7
FITB	FITB US	Fifth Third Bank	US\$ 27.48	B-1-7
GS	GS US	Goldman Sachs	US\$ 341.66	B-1-7
MTB	MTB US	M&T Bank	US\$ 124.09	B-1-7
SNV	SNV US	Synovus	US\$ 30.99	B-1-7
WFC	WFC US	Wells Fargo	US\$ 41.24	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**East West Bancorp, Incorporated (EWBC)**

Our \$65 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assign 8.0x/6.5x/1.9x multiples respectively, below peer multiples (9.5x/8.5x/1.3x) due to risk of outsized EPS pressure in the current rate environment.

Upside risks to our PO are a faster-than-expected economic recovery, higher interest rates. Downside risks to our PO are a worsening in the macro-economic outlook, decline in interest rates.

Fifth Third Bank (FITB)

Our \$32 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assign 10.0x/7.0x/2.4x multiples, respectively, consistent with its historical relationship with the return profile and in line with peer average (9.8x/7.8x/1.8x).

Downside risks to our PO are a prolonged low interest rate environment, slower-than-guided loan growth on weaker economic activity, and/or a deterioration in credit quality.

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

Goldman Sachs (GS)

Our \$398 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assign 19.0x/17.0x/6.2x multiples, respectively, above peers (14.2x/13.0x/1.8x) due to lower credit risk relative to peers into a potential recession.

Risks to the upside is stronger capital markets activity.

Risks to the downside are a weaker economy/capital markets, macro or geo-political issues, competition, structural pressures, tougher global regulation, and litigation.

M&T Bank (MTB)

Our \$145 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assign 9.5x/7.5x/1.8x multiples respectively, in line with peer multiples (9.8x/7.8x/1.8x) due to lack of an obvious catalyst.

Downside risks to our PO are moderating CRE, runoff from resi mortgage acquired, and attrition from rate-sensitive trust deposits.

Upside risks are stronger than expected cost/revenue synergies from the PBCT deal and better than expected economic recovery.

Synovus Financial Corp. (SNV)

Our \$36 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assigned 9.0x/7.5x/1.2x multiples, respectively, below peers (9.5x/8.0x/1.3x).

Downside risks to our price objective are potentially slower-than-expected economic growth in their footprint or a potential takeover price that is lower than where the stock is trading today. Upside risks to our price objective are sooner than expected pickup in the overall economy and SNV being acquired above our price objective.

The Bank of New York Mellon Corporation (BK)

Our \$54 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assign 11.0x/9.5x/2.5x multiples respectively, above large-cap peers (9.8x/7.8x/1.8x) given cyclical and self-help factors.

Risks 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.

Wells Fargo & Company (WFC)

Our \$47 PO incorporates recession risk. We apply a 50% weighting to our 2023 P/E multiple, with the remaining 50% evenly split between 2024 P/E and 2023 P/TBV multiples. We assign 12.0x/11.5x/1.2x multiples respectively, compared with large-cap peers (9.8x/7.8x/1.8x).



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

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				
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	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
	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 York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Ebrahim H. Poonawala
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
UNDERPERFORM				
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Zions Bancorp	ZION	ZION US	Ebrahim H. Poonawala

Disclosures

Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	88	50.87%	Buy	72	81.82%
Hold	40	23.12%	Hold	29	72.50%
Sell	45	26.01%	Sell	34	75.56%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	152	52.41%	Buy	92	60.53%
Hold	73	25.17%	Hold	44	60.27%
Sell	65	22.41%	Sell	41	63.08%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

^{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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