

US Banks

First read JPM, WFC, BK: Results/guide supportive of move in bank stocks

Earnings Review

JPMorgan strongest of the lot

At first blush, 4Q23 results and FY24 guides from JPMorgan-JPM, Wells Fargo-WFC, BNY Mellon-BK look relatively inline with BofA/consensus forecast. JPM strongest of the lot and shares came-in trading near all-time highs. We see results/guidance as supportive of a continued move higher in the stock. We think investors who have been long JPM through this cycle unlikely to rotate out of the stock anytime soon. Relevant research: [US Banks: 4Q23 Preview: Reluctant bulls 11 January 2024](#)

JPM: Net interest income guide to be received positively

Reported core 4Q23 EPS of \$4.00 vs. our/cons. \$3.63/3.62. Beat vs. us across the board. JPM repurchased \$2bn in stock during 4Q (expected) and CET1 increased 70bp QoQ to 15%. Overall outlook better than expected, implies modest upside revisions to consensus estimates. Expect FY24 net interest income (NII) relatively stable YoY at \$90bn, assuming six rate cuts, vs. cons. \$86bn. Although FY24 expense guide above expectations, nets against higher NII outlook. Outlook suggests to us JPM could generate positive operating leverage in 2024 vs. current -3.5% expectations. Meanwhile, Card Services net charge-offs still expected to remain below its normalized 3.5% rate in 2024. Reiterate Buy.

WFC: Weaker NII guide anticipated, expenses inline

Shares came into the print with expectations for downside risk to FY24 net interest income (NII) outlook. Mgmt. guidance for FY24 NII down 7-9% vs. -6% consensus slightly worse, but by no means game changing. FY24 expense outlook inline. Plenty of capital for share buybacks to continue with mgmt reiterating capital return as a priority. We could see stock benefit from short covering as NII outlook has been de-risked while the fundamental bullish thesis on the stock remains as-is. EPS of \$1.29 vs. our/cons est. of \$1.09/\$1.21 driven mainly by lower provisions, higher fee income, with higher NII/lower expenses beating as well. Expense guidance of \$52.6bn relatively in line. ROTCE outlook unchanged (15% over the medium term), bank sees opportunities to continue returning excess capital. CET1 ratio +40bp QoQ to 11.4%. Reiterate Buy.

BK: Better expense outlook, NII guide inline

Revenue guide inline, expenses better. Investors will likely need to see results from Trust bank peers State Street-STT and Northern Trust-NTRS next week, but results/guide do little to change our constructive view on the stock. EPS \$1.28 vs us/cons \$1.10/\$1.13 driven by fee (+1.5% vs cons) and NIR (+12% vs cons) beat, relatively expenses in line (-0.9%). Provisions much higher at \$84mn (\$7.2mn) driven by CRE. Deposits stronger (+2.2% vs -0.5%). FY24 guide NIR -10% (implied -0.7% vs cons) assuming forwards as of YE23, expenses flat (-2.1%), fees to be up YoY. Expects to maintain total payout ratio of 100%+ (vs FY23 123% and FY24 cons 90%).

Jamie Dimon macro comments

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Equity
United States
US Banks

Ebrahim H. Poonawala
Research Analyst
BofAS
+1 646 743 0490
ebrahim.poonawala@bofa.com

Brandon Berman
Research Analyst
BofAS
+1 646 855 3933
brandon.berman@bofa.com

Isiah Austin
Research Analyst
BofAS
+1 646 855 0472
isiah.austin@bofa.com

Christian Panebianco
Research Analyst
BofAS
+1 646 855 3912
christian.panebianco@bofa.com

Gabriel Angelini
Research Analyst
BofAS
+1 646 855 3081
gabriel.angelini@bofa.com

CET1: Common Equity Tier 1
NIR: Net interest Revenue
CRE: Commercial real estate

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Jamie Dimon macro comments

Macro-outlook/inflation: “The U.S. economy continues to be resilient, with consumers still spending, and markets currently expect a soft landing. It is important to note that the economy is being fueled by large amounts of government deficit spending and past stimulus. There is also an ongoing need for increased spending due to the green economy, the restructuring of global supply chains, higher military spending and rising healthcare costs. This may lead inflation to be stickier and rates to be higher than markets expect. On top of this, there are a number of downside risks to watch.

Quantitative tightening is draining over \$900 billion of liquidity from the system annually, and we have never seen a full cycle of tightening.

Geo-political risks: And the ongoing wars in Ukraine and the Middle East have the potential to disrupt energy and food markets, migration, and military and economic relationships, in addition to their dreadful human cost. These significant and somewhat unprecedented forces cause us to remain cautious. While we hope for the best, the past year demonstrated why we must be prepared for any environment.”

Price objective basis & risk

JPMorgan Chase & Co. (JPM)

Our \$188 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.2x/1.9x multiples, respectively, in-line with/above 5Y pre-pandemic average (11.8x/1.7x, respectively) due to the bank's best-in-class revenue generation and better EPS defensibility.

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

The Bank of New York Mellon Corporation (BK)

Our \$58 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.8x/1.7x 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 could put downward pressure on fee growth and M&A that could temper capital return.

Wells Fargo & Company (WFC)

Our \$54 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.2x multiples, respectively, in-line/below the bank's 5 year pre pandemic median of 12.4x/1.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

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

Analyst Certification

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

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BUY				
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	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	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	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

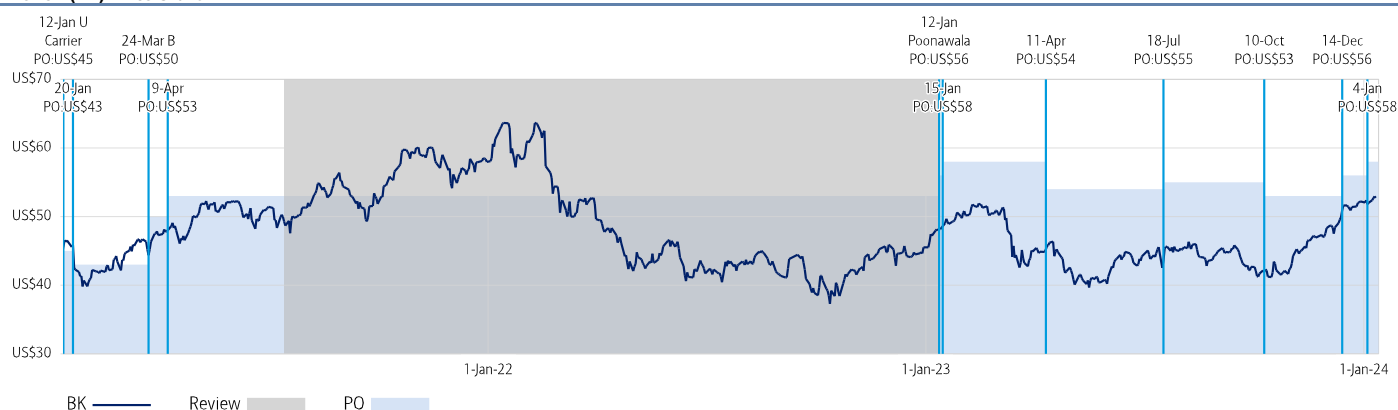
North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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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

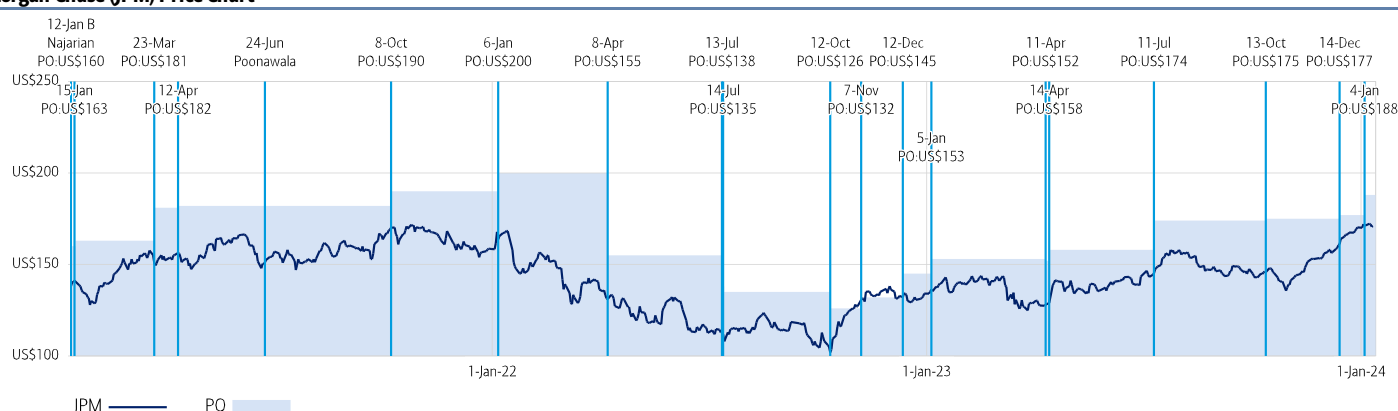
BNY Mellon (BK) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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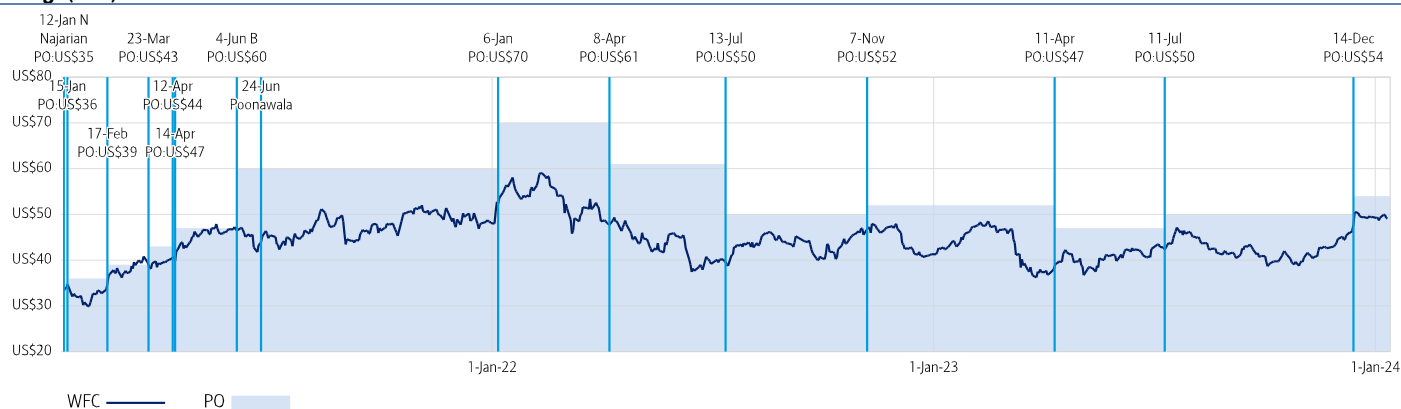
JP Morgan Chase (JPM) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Wells Fargo (WFC) Price Chart



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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.

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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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