US Banks

2024 Year Ahead: Top ten questions asked (and answered)

Industry Overview

04 January 2024

Equity
United States
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

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

#1 Will bank stocks continue their year-end rally?

Yes, if a hard landing is avoided. We see the potential for bank stocks to build on their recent gains on the back of easing credit concerns (= P/E expansion) and the possibility (not a done deal) of positive EPS revisions later in the year. Stocks are trading at 11x/10x FY24/25e EPS vs 13.7x pre-pandemic median. Top stock tip ideas: Prepare for an overshoot.

#2 Will credit quality deteriorate?

Yes, but not a blind spot with credit normalization priced in. Net charge-offs (NCOs) tightly correlated to the unemployment rate (100bp increase = +20bp in NCOs). While banks will realize losses tied to CRE exposures, these should be manageable in an otherwise benign credit backdrop. Our sensitivity analysis implies -11% risk to EPS from higher losses assuming a spike in the unemployment rate. Exhibits 7-10.

#3 Will Fed rate-cuts hurt EPS?

Yes, but we expect investor tolerance for negative revisions if hard landing avoided. Lower rates to reduce investor concerns tied to deposit liquidity, MTM losses on bond books (= accelerated TBV growth). Sensitizing for lower rates implies -1.2%/-1.4% risk to BofA's large-cap and mid-cap coverage universe. Exhibits 11-14.

#4 Will Basel III Endgame proposal change?

Most likely, for the better. Potential catalyst for GSIB banks. Regional banks to witness increased regulatory scrutiny (= higher compliance costs, capital/liquidity requirements).

#5 Will M&A activity pick up?

Yes and no. Regulatory backdrop not conducive for larger bank M&A. But the need for sticky deposits (= lower cost funding), rising regulatory burden motivating factors.

#6 Will US Presidential elections matter?

Yes. Financials have historically outperformed S&P 500 by 400bp in election years. Potential for a Republican win could improve sentiment on regulations/M&A.

#7 Will customer activity rebound?

Maybe. Potential for debt/equity issuance to rebound following a dismal 2023. Capex to benefit from fiscal spending, but subject to GDP growth, geo-politics, elections.

#8 Will trading revenues prove resilient?

Hard to say, but drivers of volatility prevalent with 60% of global GDP headed for elections, pent-up issuance demand, uncertainty tied to rate-cuts, geo-politics.

#9 Will AI transform the industry outlook?

Evolutionary vs revolutionary for now, serve as another productivity enhancement tool.

#10 Will private credit disintermediate banks?

Unclear, but larger banks positioned to compete with private credit.

Acronyms:
B3E: Basel III Endgame
CRE: Commercial Real Estate
FRTB: Fundamental Review of the Trading Book
GFC: Global Financial Crisis
GSIB: Global systemically important bank
MTM: Mark to market
RWA: Risk-weighted assets
TBV: Tangible book value
UE: Unemployment

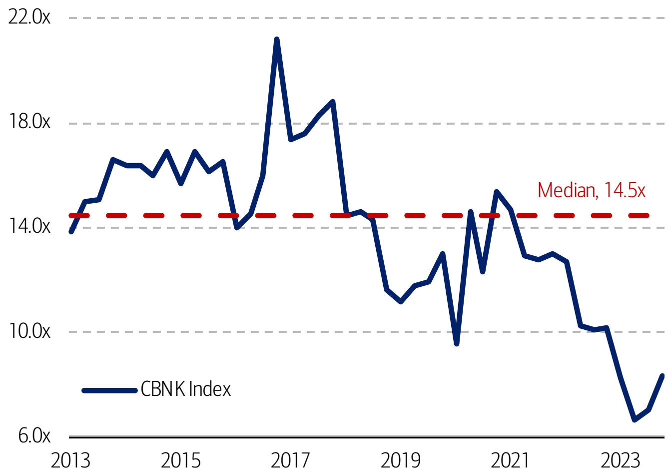
Ratings changes:
Truist Financial- Upgrade to Buy: Three reasons to buy the stock
State Street Corporation- Downgrade to Underperform

#1 Will bank stocks continue their rally?

Yes. We believe investors should absolutely maintain exposure to bank stocks given the probability for a wide range of macro-economic outcomes – outright soft-landing (= bank stocks should outperform the S&P), to a low growth economy (= group unlikely underperforms), to the potential for a hard-landing (= bank stocks could mark a new bottom for this cycle). On valuation, group trading at discount to historical at < 10x 2025 P/E and 1.3x P/TBV (adjusted for AOCI bond losses). Combination of positive EPS revisions and discounted valuations should drive outperformance.

BofA's bank coverage trading at 11.0x 24e P/E and 1.6x P/YE24e TBV. This compares to 13.5x P/E and 1.7x P/TBV 5yr pre-pandemic industry average. Bank index trading at -65% discount to the S&P on forward P/E vs -15% historical average. We believe that increased expectations for Fed rate cuts (~150bp in cuts priced in by the markets for 2024; 10yr yield < ~4.0 % vs ~5% less than three months ago; BofA Macro forecast for first rate cut in 1Q24) and a soft landing (= benign credit cycle) should drive bank stocks higher in 2024. Relevant research: [Peak rates solve a lot (not all) of problems](#).

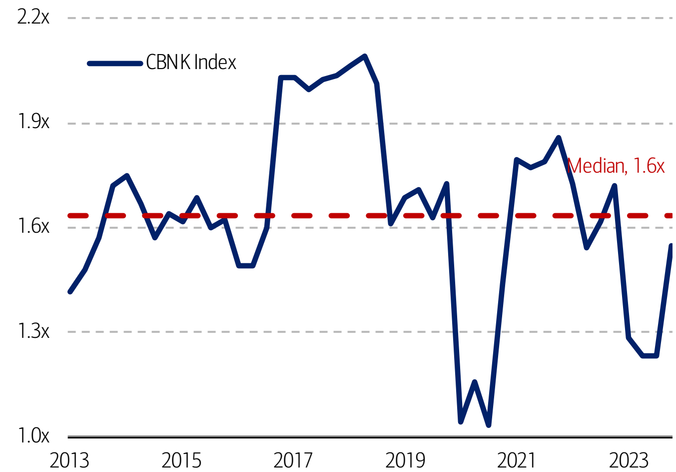
Exhibit 1: Bank index at 10-year lows on forward P/E
CBNK vs S&P 500



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

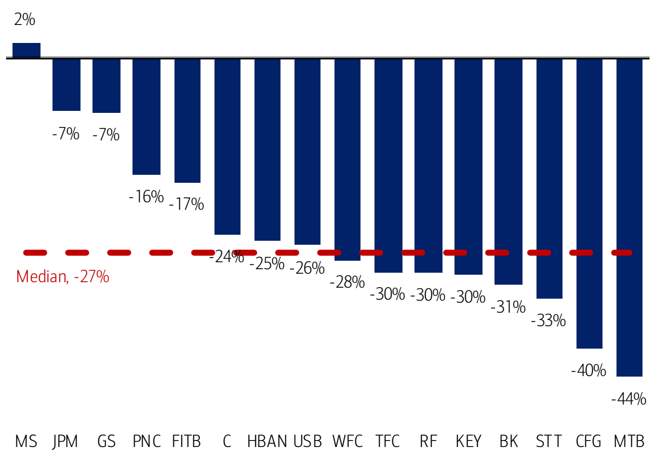
Exhibit 2: P/TBV multiples inflated by MTM losses on bond book
CBNK vs S&P 500



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

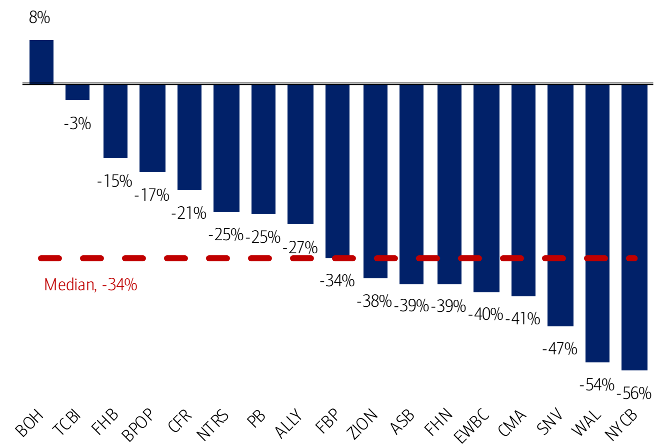
Exhibit 3: Large cap banks are trading -27% vs pre-pandemic P/E
Large cap banks, implied 2025 consensus P/E vs pre-pandemic P/E



Source: BofA Global Research, Bloomberg Note: Excludes MS (+65%).

BofA GLOBAL RESEARCH

Exhibit 4: Mid cap banks are trading -34% below pre-pandemic P/E
Mid cap banks, implied 2025 consensus P/E vs pre-pandemic P/E

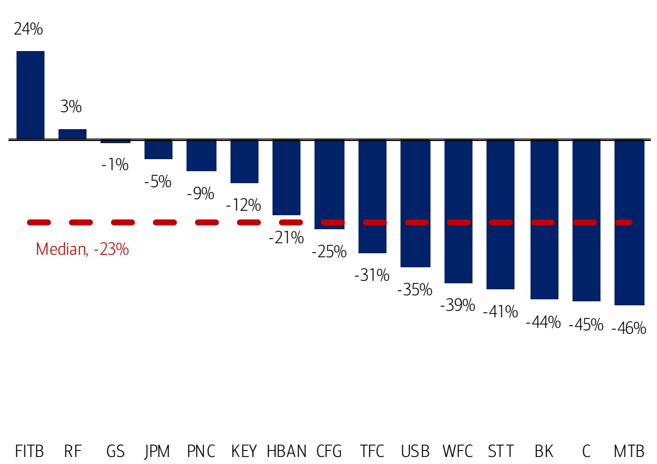


Source: BofA Global Research, Bloomberg. Note: Excludes FBP (+97%).

BofA GLOBAL RESEARCH

Banks within BofA's coverage universe are trading at an average -28% discount to pre-pandemic P/E (-27% large caps, -34% mid-caps) and -25% to pre-pandemic P/TBV.

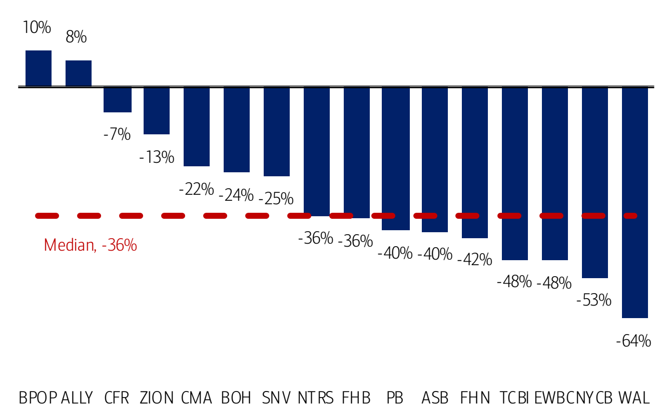
Exhibit 5: Large caps banks trading -23% vs pre-pandemic P/TBV
Large cap banks, implied 2025 consensus P/TBV vs pre-pandemic P/TBV



Source: BofA Global Research, company filings, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 6: While mid caps are trading -36%, on average
Mid cap banks, implied 2025 consensus P/TBV vs pre-pandemic P/TBV



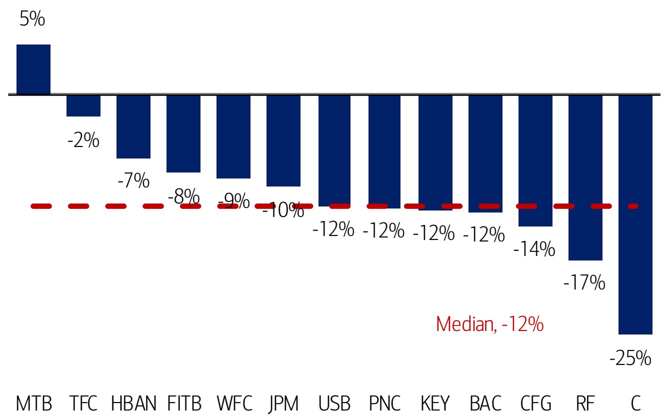
Source: BofA Global Research, company filings, Bloomberg

BofA GLOBAL RESEARCH

#2 Will credit quality deteriorate?

Yes, but not a blind spot with credit normalization priced in. Net charge-offs (NCOs) tightly correlated to the unemployment rate (100bp increase = +20bp in NCOs). While banks will realize losses tied to CRE exposures, these should be manageable in an otherwise benign credit backdrop. Our sensitivity analysis (assumes 270bp spike in UE rate to 6.5% by 4Q24) implies -11% risk to EPS from higher losses stemming from a spike in the unemployment rate. NCOs have historically exhibited a 78% correlation with the US unemployment rate. We assume banks build reserves commensurate with increases in the unemployment rate starting 4Q23 (through 3Q24). Since the unemployment rate is expected to stabilize by YE24, we assume banks maintain reserves stable QoQ in 4Q24.

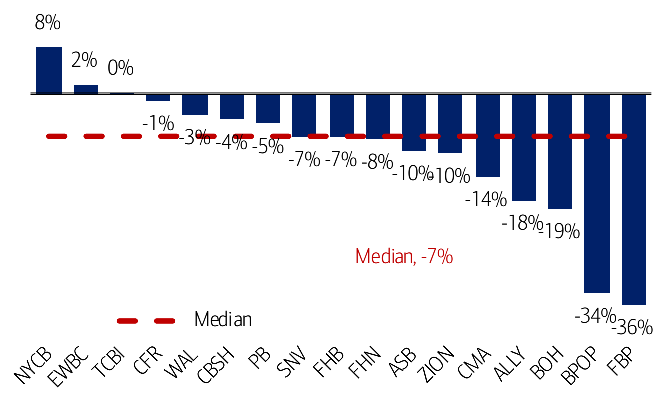
Exhibit 7: Large caps could see a 12% reduction in EPS
Earnings impact from credit sensitivity analysis



Source: BofA Global Research, S&P Financial, Bloomberg

BofA GLOBAL RESEARCH

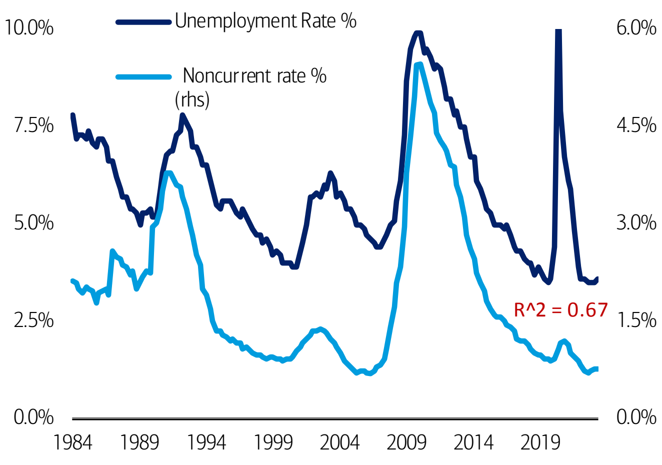
Exhibit 8: Mid-caps could see a 7% reduction in EPS
Earnings impact from credit sensitivity analysis



Source: BofA Global Research, S&P Financial, Bloomberg

BofA GLOBAL RESEARCH

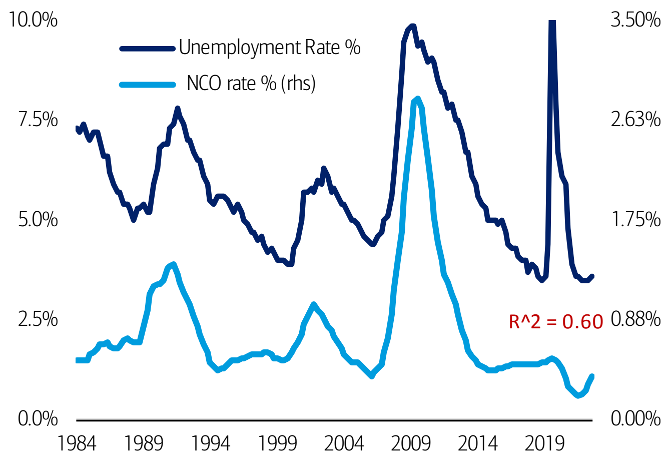
Exhibit 9: Nonperforming loans have 82% correlation with the UE rate
UE vs nonaccruals



Source: BofA Global Research, Bloomberg, FDIC

BofA GLOBAL RESEARCH

Exhibit 10: NCOs have a 78% correlation with the UE rate
UE vs NCOs



Source: BofA Global Research, Bloomberg, FDIC

BofA GLOBAL RESEARCH

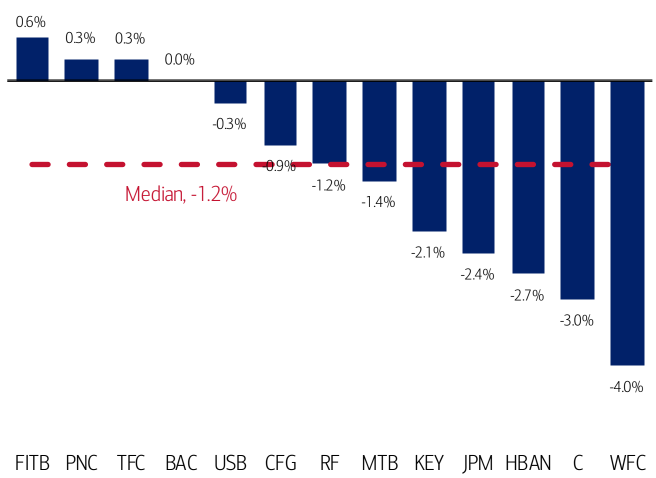
#3 Will Fed rate-cuts hurt EPS?

Yes, in the short-term, but lower rates should also provide support to a more constructive outlook on credit quality, funding relief. To understand how a fed cutting cycle could impact bank earnings in 2024, we examined banks' sensitivity to select indicators (fixed rate loans, securities, cost of deposits, etc) and the disclosed impact of a -100bp rate shock to net interest income (NII). Based on our analysis, FITB, PNC, TFC, BPOP and NYCB could see the most benefit from -100bp parallel shift in the forward curve. We note potential fee revenue offsets (mortgage fees, IB) and loan growth will offset declines in NII.

While bank margins are likely to contract following a fed cut (assets likely reprice faster than deposits) we believe margins should stabilize as we near an end to rate-cuts. We expect that banks with relatively high deposit betas CTD (C, BK, NTRS, EWBC) will have more leverage to cut funding costs as the policy rate declines. Banks with a relatively low deposit beta (PB, HBAN, KEY, RF, FBP) will likely see less punitive impact to earning asset yields.

> The median large cap bank would see a -1.2% decrease to NII from 100bp of cuts, while the median small cap bank would see -1.4%. We expect more liability sensitive banks (higher CTD deposit beta, lower CTD loan beta) could see the most benefit from a cutting cycle.

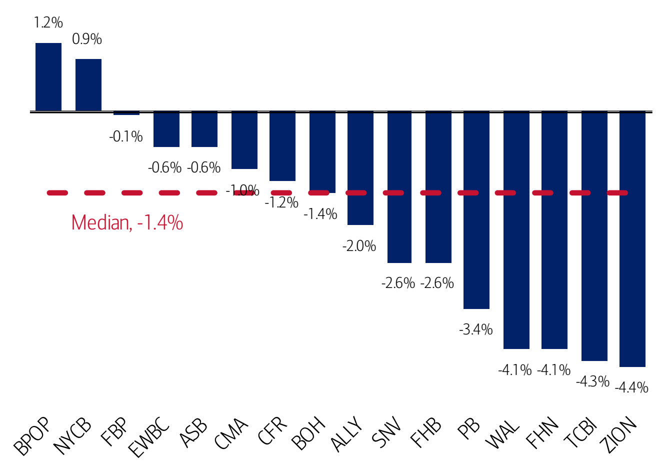
Exhibit 11: Large cap NII could decrease ~1% from -100bp rate cuts
NII impact from -100bp rate cuts



Source: BofA Global Research, S&P Financial Note: USB, Key use 50% impact of -200bp rate cut analysis.

BofA GLOBAL RESEARCH

Exhibit 12: Small cap NII could decrease ~1% from -100bp rate cuts
NII impact from -100bp rate cuts



Source: BofA Global Research, S&P Financial

BofA GLOBAL RESEARCH

Exhibit 13: Banks with higher funding costs, potential for fixed-rate asset repricing best positioned
Heat map of disclosed exposure to select indicators

(as % of avg. earning assets)	BK	C	CFG	FITB	HBAN	JPM	KEY	MTB	NTRS	PNC	RF	STT	TFC	USB	WFC
Cash $	37%	12%	8%	10%	7%	15%	4%	16%	31%	9%	7%	36%	6%	11%	13%
Annual securities $ cash flows	4%	5%		2%	0%		4%	4%	7%	3%		4%	2%	2%	
Duration	1.5	3.0	5.2	4.9	4.5	6.5	4.9	3.9	1.9	4.2	4.5	2.7	6.3	3.5	6.8
Fixed rate $ loans		14%	30%	32%	22%	9%	24%	25%	10%	17%	30%	1%	31%	22%	16%
Loan growth forecasts	2%	2%	0%	2%	3%	2%	0%	1%	6%	2%	2%	3%	1%	2%	1%
Loan beta	93%	71%	45%	53%	41%	53%	37%	45%	85%	47%	34%	70%	47%	50%	57%
Total deposit beta	57%	52%	48%	39%	37%	35%	36%	32%	55%	32%	22%	54%	35%	38%	26%
Loan/deposit ratio	24%	52%	84%	72%	81%	55%	80%	80%	40%	75%	78%	17%	79%	72%	70%
NIB $	18%	9%	19%	23%	19%	20%	18%	29%	16%	21%	32%	16%	24%	16%	22%
Brokered $ CDs	2%	3%	5%	4%	3%	3%	3%	7%	0%	2%	1%	6%	7%	5%	7%
CD $ maturity schedule		0%	11%			8%				5%	10%		9%	9%	10%
Short term $ borrowings	10%	2%	0%	2%	0%	1%	2%	4%	10%	1%	1%	1%	5%	4%	5%
Long term debt to mature in 2024		2%	0%	1%	0%	1%						0%			2%
Yield on AEA	6.45%	6.27%	5.21%	5.23%	5.39%	5.32%	4.47%	5.62%	6.03%	4.87%	5.08%	4.16%	5.11%	5.12%	5.09%
Cost of total deposits	2.92%	2.93%	2.04%	2.04%	1.93%	1.83%	1.90%	1.71%	2.82%	1.70%	1.17%	2.69%	1.83%	2.01%	1.38%

Source: BofA Global Research, Company filings, S&P Financial, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 14: Banks with higher funding costs, potential for fixed-rate asset repricing best positioned
Heat map of disclosed exposure to select indicators

(as % of avg. earning assets)	ALLY	ASB	BOH	BPOP	CFR	CMA	EWBC	FBP	FHB	FHN	NYCB	PB	SNV	TCBI	WAL	ZION
Cash $	4%	2%	2%	9%	16%	9%	7%	5%	4%	4%	6%	1%	1%	14%	5%	4%
Annual securities $ cash flows	0%	5%	3%	6%		2%		4%	3%	1%				1%		4%
Duration	6.5	6.1	3.9	2.2	5.7	5.6	5.1	3.6	5.5	5.3	7.1	4.5	5.4	4.4	5.5	3.5
Fixed rate $ loans	48%	39%	38%	26%	17%	33%	17%	42%	35%	27%	37%	25%	29%	4%	33%	15%
Loan growth forecasts	2%	3%	3%	7%	2%	2%	5%	6%	3%	2%	2%	2%	2%	9%	6%	2%
Loan beta	47%	60%	22%	19%	57%	60%	56%	26%	37%	52%	46%	25%	48%	59%	55%	41%
Total deposit beta	66%	46%	26%	33%	26%	31%	45%	21%	26%	46%	39%	19%	43%	47%	43%	37%
Loan/deposit ratio	92%	94%	67%	54%	45%	80%	92%	73%	67%	92%	102%	78%	87%	86%	91%	75%
NIB $	0%	17%	25%	22%	32%	37%	25%	28%	36%	23%	23%	29%	23%	32%	28%	33%
Brokered $ CDs	6%	9%	10%	1%	0%	6%	3%	2%	11%	5%	8%	0%	11%	5%	10%	10%
CD $ maturity schedule	6%	1%	3%	4%		0%		5%	6%		16%			4%	13%	0%
Short term $ borrowings	1%	8%	1%	0%	0%	6%	7%	0%	2%	3%	0%	12%	0%	5%	12%	5%
Long term debt to mature in 2024	1%	0%	0%	0%		1%	0%	0%	0%	2%			5%	0%	1%	0%
Yield on AEA	7.14%	5.36%	3.72%	5.02%	4.92%	5.21%	5.87%	5.57%	4.35%	5.64%	5.62%	4.34%	5.51%	5.83%	6.37%	5.02%
Cost of total deposits	4.04%	2.41%	1.41%	1.85%	1.36%	1.65%	2.45%	1.31%	1.41%	2.46%	2.33%	1.12%	2.33%	2.64%	2.33%	1.94%

Source: BofA Global Research, Company filings, S&P Financial, Bloomberg

BofA GLOBAL RESEARCH

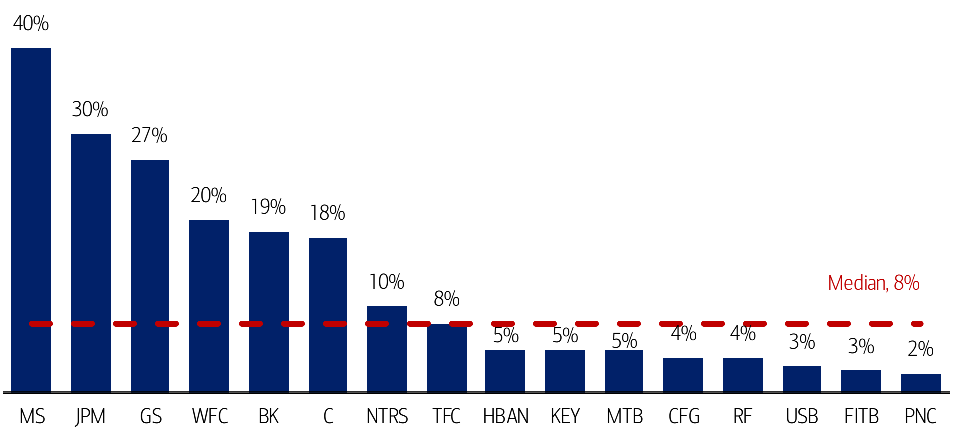
#4 Will Basel III proposal change?

Most likely and for the better. We expect meaningful changes to the proposed rules given the significant duplication and the lack of obvious reasons to add capital to the already gold-plated US GSIB bank capital standards (Chair Powell has described system as "very well-capitalized and highly liquid.") The lack of unanimity at the Fed, pushback in Congress and upcoming US Presidential elections should incentivize regulators / industry to reach common ground. In our view, the current proposal doesn't fully account for risks that could be created by reduced profitability and lending moving outside of the regulated banking entities.

Changes to Basel III Endgame proposal could serve as a source of positive headline risk as regulators respond to industry/end-user comments (comment period ends Jan 15). Along with 2024 stress test results (June), material changes could pave the way for a pick-up in share buybacks.

Relevant research: Basel Capital NPR- As advertised; Expert call takeaways- de-coding Fed's proposal on capital changes;

Exhibit 15: Banks estimate 8% RWA inflation from B3E as proposed
Mgmt estimates for B3E RWA inflation



Source: BofA Global Research, Company filings. Note: GS, MTB, USB rely on BofA estimates for RWA inflation.
BofA GLOBAL RESEARCH

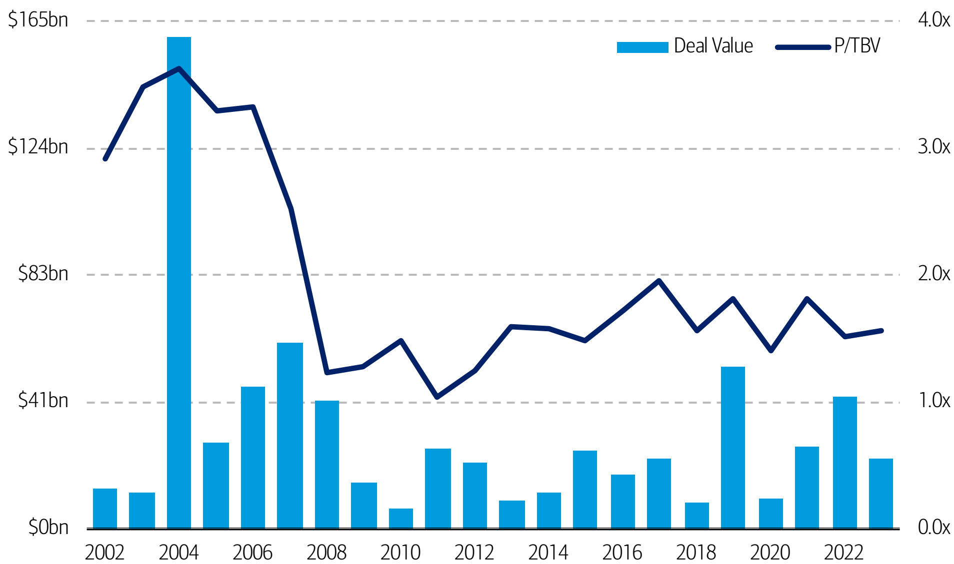
#5 Will M&A activity pick up?

Yes and no. Regulatory backdrop not conducive for larger bank M&A given the track record of the Department of Justice under the Biden administration to push back on deals (including outside the banking sector). Bank M&A transactions hovering near 25-year lows. Additionally, higher interest rates (= upfront capital hit due to MTM losses) and reluctance to sell at what were trough-like multiples all last year ("banks are sold not bought") have also served as hurdles to deal-making. Both these could be less of an issue going forward, especially if regulatory clarity around deal approval received (potentially a post US elections event).

Worth remembering that the value of a banking franchise lies in its core deposit base and the search for lower cost deposits will likely remain a motivating factor for buyers and sellers in a structurally higher interest rate backdrop (similar to pre-GFC days). Rising regulatory burden on regional banks (especially for banks approaching or above $100bn in assets) also a potential driver.

> Regulatory clarity key to reigniting M&A activity. Search for lower cost deposits in a structurally higher rate backdrop, industrial logic of having scale, rising regulatory burden on regional banks…all potential drivers of deal-making.

Exhibit 16: Bank M&A has failed to deliver alpha for investors over the last decade
Price to tangible book value (P/TBV) vs M&A value, 2002-2023



Source: BofA Global Research, S&P Financial, Bloomberg

BofA GLOBAL RESEARCH

#6 Will US Presidential elections matter?

Yes. Per BofA's Equity Strategy team, financials have historically outperformed the S&P in election years by over 400bp, going back to 1976. While market perception of a given outcome in November is hard to fully handicap, the potential for a Republican win could serve as a sentiment positive given the reduced risk of onerous regulations, potential for a pick-up in M&A activity; these while fiscal spend announced under the Biden administration (CHIPS Act, Inflation Reduction Act) should continue to flow through the US economy for several years to come.

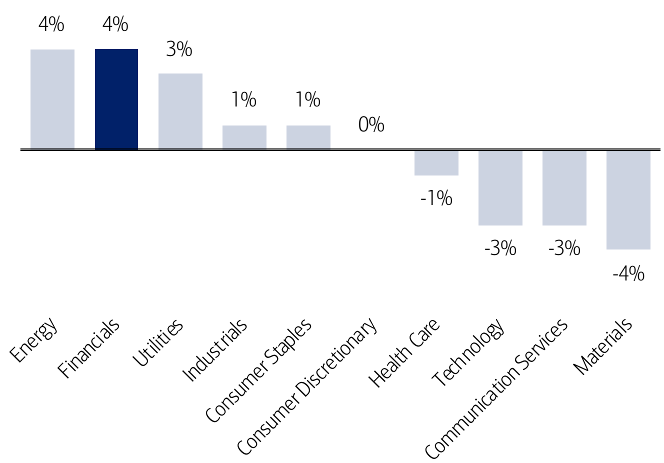
We consider the elections as also a motivating factor for US banking regulators to negotiate a more reasonable set of changes relative to the proposed Basel III Endgame rules. While our conversations with investors suggests that the market has already priced-in material changes to Basel III Endgame, we believe that regulatory clarity could still serve as a catalyst for bank stock outperformance.

The election cycle could also provide necessary clarity on bank M&A, as a change in administration could lead to a more constructive regulatory outlook. While mark-to-market (MTM) bond losses have served as a hurdle to acquisitions, a lack of clarity from regulators and extended holding periods (= customer attrition) have significantly cooled the deal market. A change in administration may lead to faster timelines for regulatory approval, removing at least one barrier to a higher tempo for M&A activity.

> US presidential elections could serve as a positive catalyst for bank stocks (or at the very least provide downside support) given potential for an improved regulatory backdrop, pick-up in bank M&A; while stimulus spending expected to flow through the US economy.

Exhibit 17: Financials, Energy perform best in election years

Sector performance in election years, 1976-2020

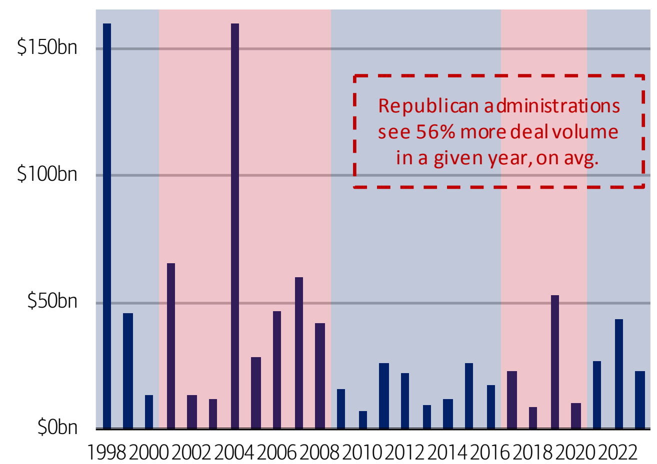


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 18: Median year in a republican admin sees more bank M&A

M&A by deal volume 1998-2023



Source: BofA Global Research, Bloomberg

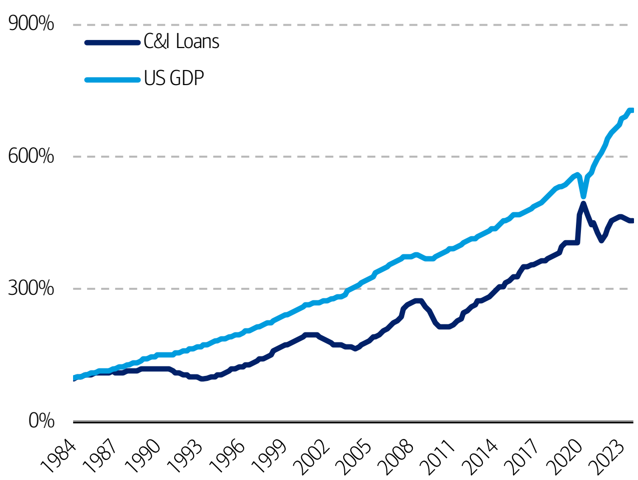
BofA GLOBAL RESEARCH

#7 Will customer activity rebound?

Maybe. Potential for debt/equity issuance to rebound following a dismal 2023 and given the pent-up demand. Capex to benefit from fiscal spending, but subject to outlook among businesses/consumers on GDP growth, job market, inflation, geo-politics, and policy risks tied to US (and global) elections. While the level of commercial and industrial (C&I) loans at US commercial banks historically has a strong relationship to GDP, C&I loans did not track GDP growth in 2023. Since 1984, average yearly C&I loan growth at US commercial banks is ~5%, however, during election years, C&I loan growth is ~7% on average. With the BofA economic team calling for GDP growth of 1.4% heading into the 2024 election year, we believe 2024 could see a rebound in customer activity, albeit from relatively low levels.

> C&I loan growth has historically had a strong relationship to GDP growth, but did not track in 2023, likely as banks were in tightening mode with focus on preserving capital and liquidity.

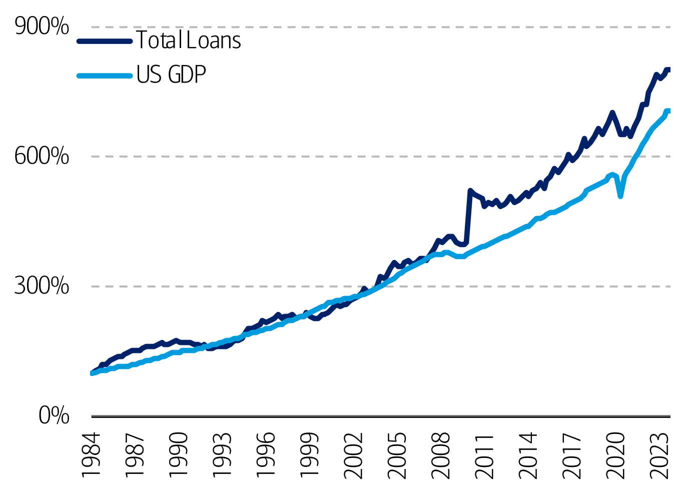
Exhibit 19: C&I loan growth underperformed GDP post-pandemic…
C&I Loans, GDP indexed to 100 at 1Q84



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

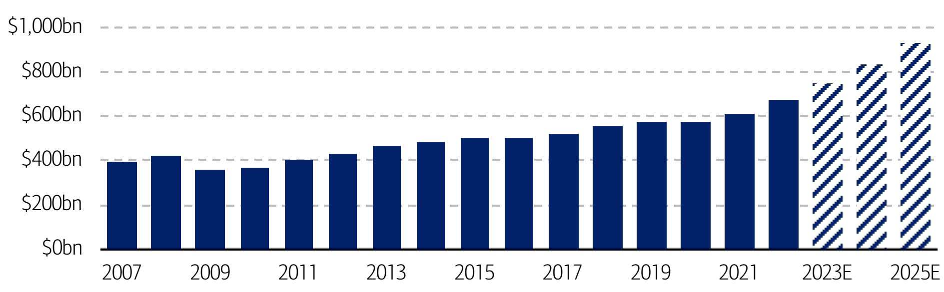
Exhibit 20: …while growth in total loans has remained more resilient
Total loans, GDP indexed to 100 at 1Q84



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 21: Inflation reduction-act driven capex should serve as a tailwind
Manufacturing capex, 2007-2025



Source: Bureau of Economic Analysis, BofA Global Research

BofA GLOBAL RESEARCH

#8 Will trading revenues prove resilient?

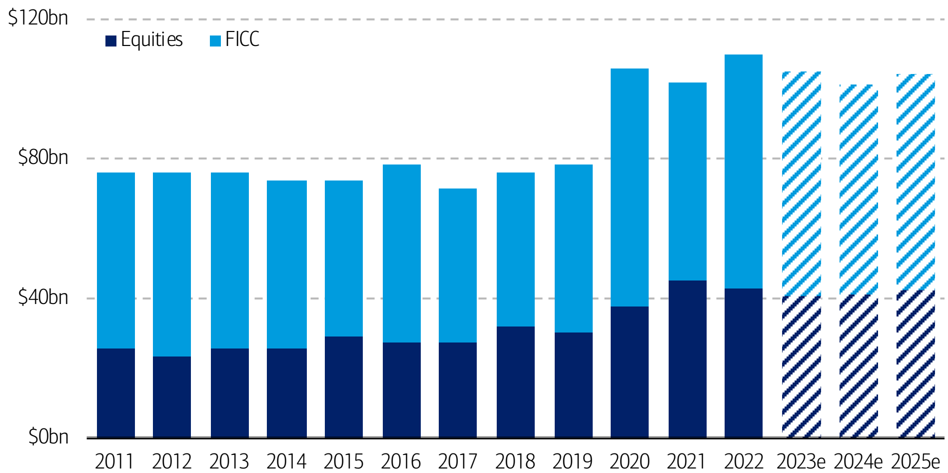
Hard to say, but drivers of volatility prevalent with 60% of global GDP headed for elections, pent-up issuance demand, outlook for rate-cuts, geo-politics. We note that FICC (fixed income, currencies, commodities) and equity trading revenues proved resilient in 2023 despite a slump in primary issuance activity. We believe that market share consolidation at the very top (among US banks) at play here following years of investments in technology and deepening of client relationships. While the proposed Basel III Endgame rules (market risk / FRTB) have the potential to cause a rethink on certain products, or client relationships, or pricing, we believe that banks will be largely focused on the wholistic nature of client relationships when making these decisions.

While lower rates have the potential to drive activity (equity / debt securities become more attractive) we expect that the presence of several headwinds (geopolitical risks, uncertainties tied to GDP/rates outlooks, global election cycle) could keep clients on the sidelines. Indeed, the historical relationship (past 10-years) between bond market volatility and fed funds is weak ($R^2 = 0.29$), as is the relationship between both FX / Equities volatility. We note, however, that banks' equity trading revenue has generally increased along with the market cap of the S&P 500, although the strength of this relationship has declined in recent years.

Consensus forecast calls for FY24 trading revenues for the big five US banks to drop -4% YoY (FY25 +3% YoY), implying +30% vs 2019 levels.

Exhibit 22: Consensus expects a modest decline in capital markets revenue 2024/25

Capital markets revenue, 2011-2025



Source: BofA Global Research, Company filings, Visible Alpha.

BofA GLOBAL RESEARCH

#9 Will AI transform the industry?

Evolutionary vs revolutionary in the near term. For now, we see AI (artificial intelligence) as another productivity enhancement tool (operations, AI chatbots), although we fully expect use cases to grow over the next five years. Our conversations with bank management teams and industry experts suggests that the more mundane back-office tasks could easily move to AI in the very near term (or the process is already underway). Identifying and dealing with fraud risk, cyber threats another potential area for AI deployment.

Banks likely to move slowly and in an extremely deliberate manner when it comes to deploying AI in areas dealing with clients or decision-making given the reputational risk and limited tolerance among regulators for AI driven missteps (such as any form of discrimination). We note that while technology has played a huge role in the banking industry for several decades the productivity boost from these has been less than stellar as investments that previously went towards brick-and-mortar branches/offices have been replaced by the unrelenting need for tech spend.

While some banks primarily use AI to improve customer experience (e.g., Morgan Stanley's AI-powered chatbot supports financial advisors) others have focused on using AI to improve back-end data processing and analysis (C/GS). Some banks are already experimenting with innovative AI applications (JP Morgan has already hired more than 200 AI researchers, 1,500 engineers). But across our coverage universe the application of AI remains in a nascent stage and unlikely to move the needle in the near term as it pertains to boosting the bottom-line. Relevant research: AI Evolution- Reality justifies the hype

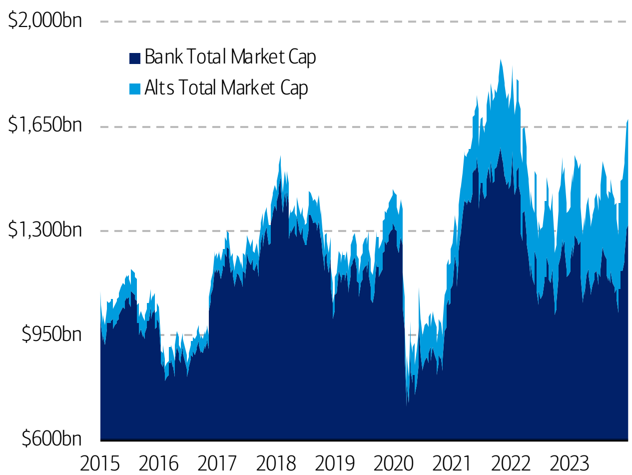
#10 Will private credit disrupt banks?

Unclear. Larger banks better positioned to compete in the space via their asset management arms which essentially compete against alternative asset managers in fund raising activity. We see it as more likely that banks offload non-core lending portfolios (indirect consumer loans, non-relationship CRE) vs getting outcompeted on middle market lending to businesses that require a full suite of banking services. Alternatively, we see potential for a partnership model where private debt combines with the origination capabilities of the banks, such that loans are not carried on the bank balance sheet, but banks continue to manage the client relationship, including providing additional banking services such as treasury management, deposits, FX etc. We note that while this sounds good on paper, early days yet to conclude whether private debt and banks can enjoy a symbiotic relationship on a lasting basis given competing priorities.

We note that the rising regulatory burden and a challenging macro-economic backdrop (higher rates/QT, worsening asset quality outlook) has already caused bank mgmt teams to sharpen their focus towards identifying core "multipronged" client relationships (lending that comes with deposits, treasury management, other fee revenue services) while exiting businesses that are seen as non-core. We expect this trend to continue as banks optimize their balance sheets, either moving these loans off-balance sheet (to the securitization market) and/or to the non-banks sector or via entering risk transfer arrangements.

> Market-capitalization of the five largest alternative asset managers has grown by +500% to $360bn over the last five years vs +22% to $1,300bn for the five largest banks. This highlights the shifting power dynamics on Wall Street in the aftermath of the GFC and the Dodd-Frank rules.

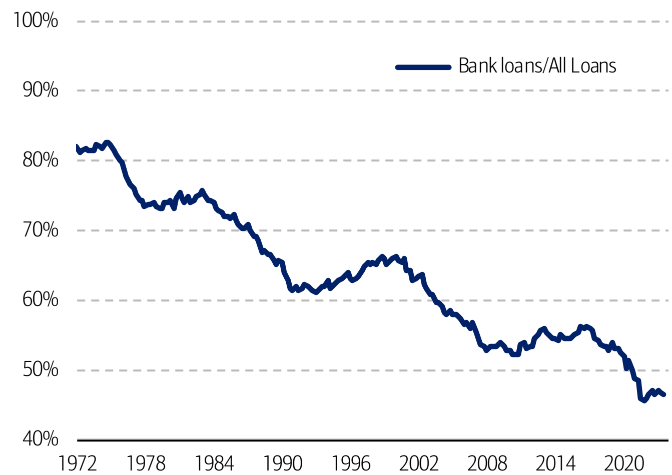
Exhibit 23: Alts valuation ballooned while big banks comparatively flat
Banks' aggregate market cap vs alts aggregate market cap, 2015-2023



Source: BofA Global Research, Bloomberg. Banks include JP Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley. Alts include Blackstone, KKR, Apollo, Ares, Blue Owl, Carlyle Group.

BofA GLOBAL RESEARCH

Exhibit 24: Banks' share of total nonfinancial business loans has been in structural decline
Bank loans as a percent of total loans



Source: BofA Global Research, Fed Flow of Funds

BofA GLOBAL RESEARCH

Tickers mentioned:
ASB: Associated Banc
BOH: Bank of Hawaii
BK: BNY Mellon
C: Citigroup
CFG: Citizens Financial
CMA: Comerica
CFR: Cullen/Frost
EWBC: East-West
FITB: Fifth Third Bank
FBP: First Bancorp PR
FHB: First Hawaiian Inc.
FHN: First Horizon Corp.
GS: Goldman Sachs
HBAN: Huntington
JPM: JP Morgan Chase
KEY: KeyCorp
MTB: M&T Bank
MS: Morgan Stanley
NYCB: New York Community
NTRS: Northern Trust
BPOP: Popular Inc
PB: Prosperity Bncsh
RF: Regions Financial
STT: State Street
SNV: Synovus
TCBI: Texas Capital Bancsh
PNC: The PNC Financial
TFC: Truist Financial
USB: U.S. Bancorp
WFC: Wells Fargo
WAL: Western Alliance
ZION: Zions

Disclosures

Important Disclosures

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[R1]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R1] 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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to BofA Global Research policies relating to conflicts of interest.

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofaml.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSFC); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSFC; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the Electronic Communications Disclaimers for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.