US Banks

Regulatory Shift Has Significant Room to Run: Expert Insights Takeaways

Industry Overview

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Equity
United States
Banks

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Regulatory shift only halfway priced-in

Following the ~40% YTD rally in covered GSIB stocks, roughly half of which reflects P/E re-rating, investors we spoke with are rightly asking whether the anticipated regulatory relief is fully priced in. We don't believe so. In our view, the market has only partially discounted the regulatory regime shift. While the reset lower in capital requirements following the June stress test was a meaningful positive, we see further potential upside as additional relief comes through with the finalization of the GSIB surcharge and Basel Endgame. On a net basis, these changes should free up additional capital, providing a catalyst for structurally improved ROE and enhanced growth profiles across the sector.

Maturity of business models underappreciated…

We have long argued that comparing GSIB banks' outlook to the post-GFC period is misguided, risks losing out on alpha generating opportunities. The decade following the financial crisis was defined by a perfect storm of headwinds—Dodd-Frank, Volcker Rule, stress test compliance, zero-bound interest rates, and quantitative easing—all of which weighed heavily on returns. During that time, banks were also undertaking significant restructuring to align with new regulations and integrate prior M&A. Fast forward to today, we believe GSIB banks are in their strongest position in over 20 years with the likes of JPMorgan and Morgan Stanley delivering best-in-class returns, supported by mature business models that enable continued market share gains, improved efficiency, and scale advantages.

…while competitive positioning is improving

The narrowing of regulatory arbitrage vs. non-banks, combined with top-tier execution and ample capital flexibility, sets the stage for upside surprises in growth/profitability. A more pragmatic approach to regulatory supervision could free up management bandwidth to focus on business priorities rather than duplicative exams and what had been an onerous oversight regime in recent years. Banks are also regaining control of capital management—helped by greater predictability in stress tests—creating a much better environment to fund growth while boosting investor confidence in through-cycle ROEs, which is positive for stock valuations. Add to these cyclical tailwinds from strengthening capital markets and we see continued potential for positive EPS revisions.

Regulatory outlook: Expert call takeaways

Our recent call with **Benjamin Weiner, Partner at Sullivan & Cromwell**, points to an expected pick-up in rulemaking activity over the coming months. He indicated actions could pave the way for a final rule on the GSIB surcharge (Method 1 vs. 2; 120bp CET1 delta on average) and Basel Endgame (FRTB inflation) by year-end 2026, with implementation likely in January 2028. Topics discussed included: (1) Bank M&A—both regionals and GSIBs—and the implications of recently announced changes to the LFI (Large Financial Institution) ratings; (2) new SLR framework; and (3) stablecoin rulemaking following the GENIUS Act. **Turn to page 2 for key takeaways; Exhibits 1-6;** replay of the call is available upon request.

GFC: Global Financial Crisis

GSIB: Global systemically important banks

CET1: Common equity tier 1 capital

FRTB: Fundamental Review of the Trading Book

GENIUS: Guiding and Establishing National Innovation for U.S. Stablecoins Act

OCC- Office of the Comptroller

FDIC-FedNCUAeral Deposit Insurance Corp.

NCUA- National Credit Union Administration

Regulatory backdrop shifting

We view the regulatory regime shift currently underway as a multi-year, structural tailwind that should rebase growth and profitability outlooks—particularly for GSIB banks. Importantly, the inflection point on post-crisis regulations, which had consistently demanded increasing capital, occurred in 2023–2024 under a Democratic administration. We highlight this to address frequent investor questions around the risk of reversal should there be a change in administration following the 2028 US Presidential elections. While tone at the top matters, we believe the likelihood of a material reversal is low. Most, if not all, of the key pending rules are expected to be finalized over the next 12–24 months, and repeated proof points of the strength of the largest banks further mitigate this risk. It is also worth noting that these changes represent a shift back to the middle from what had become an overly burdensome regulatory regime—not a move toward banks assuming materially higher risk.

Relevant research: US Banks: Regulatory "R" kicking-in: eSLR, TLAC changes proposed 26 June 2025 / US Banks: Regulatory "R" kicking into high gear: SLR change on tap…first of many to come 19 June 2025

Fed Vice Chair of Supervision Michelle Bowman outlined the following priorities under the Fed's "Regulatory Agenda for Large Banks" during a speech on Tuesday:

- **Stress testing:** reduce volatility and balance model robustness and stability with full transparency;
- **SLR (updated rule recently finalized)**: ensure that leverage capital requirements serve primarily as a backstop to risk-based capital requirements;
- **Basel III (aka Endgame)**: approach is to address the calibration of the new framework from the bottom up, rather than reverse engineer changes to achieve pre-determined or preconceived approaches to capital requirements; revisit capital treatment of mortgages and mortgage servicing assets to encourage participation from the banks;
- **G-SIB surcharge**: The surcharge must be carefully calibrated to avoid inadvertently inhibiting the ability of the banking sector to support the broader economy. We must maintain a robust financial system without imposing unnecessary burdens that impede economic growth;
- **Supervision**: must be risk-based by design, concentrating resources where risks are most consequential and tailoring oversight to each institution's size, complexity, and risk profile.

Expert Insights: Key takeaways

Our recent call with **Benjamin Weiner, Partner at Sullivan & Cromwell (S&C)**, points to an expected pick-up in rulemaking activity over the coming months. He indicated this could pave the way for a final rule on the GSIB surcharge and Basel Endgame by year-end 2026, with implementation likely in January 2028. Additional topics discussed included: (1) Bank M&A—both regionals and GSIBs—and the implications of recently announced changes to the LFI (Large Financial Institution) ratings; (2) new SLR framework; and (3) stablecoin rulemaking following the GENIUS Act.

Fed memo & supervisory operating principles

- According to Mr. Weiner, the Fed's memo dated Oct 29, 2025 and released Nov 18, 2025 titled "**Statement of Supervisory Operating Principles**" represents a major supervisory shift from past operating practices (2020-2024 & pre-GFC) and a general alignment amongst regulators, even in the absence of formal rulemaking.

- The memo outlined five operating principles: 1) a core focus on material financial risks; 2) greater reliance on primary supervisors for subsidiary banks; 3) significant deference to bank's internal audit for validating remediation; 4) a presumption against horizontal reviews; 5) expectations for fewer MRAs/MRIAs and faster closure timelines.

- The greater focus on material financial risks moves away from the previous "checklist mentality", reducing time spent on documentation and process compliance, and allowing management to concentrate on core risk areas like credit and liquidity.

- Mr. Weiner highlighted that an increased reliance on primary supervisors (state regulators/OCC) minimizes duplicative exams between holding company and subsidiary bank regulators, streamlining oversight and reducing regulatory burden.

- Deference to banks' internal audit in validating remediation accelerates the closure of supervisory findings by leveraging existing audit work, significantly reducing timelines from quarters or years to just months.

- Presumption against horizontal reviews eliminates "grade-on-a-curve" benchmarking, enabling individualized assessments, reducing pressure for business-model convergence, and mitigating cliff effects at the $100bn asset threshold supporting growth and M&A.

- A higher bar for MRAs/MRIAs and faster closure is expected to cut down on aging supervisory issues, freeing management bandwidth and improving clarity on remediation expectations.

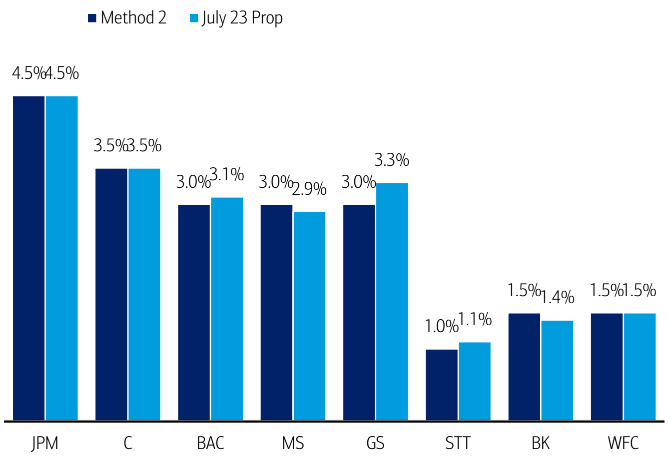
Basel III Endgame, GSIB surcharge, eSLR & Stress tests

- Mr. Weiner expects a flurry of rulemaking in early 2026, including Basel III Endgame, GSIB surcharge recalibration, and related capital reforms.

- Mr. Weiner stated that the revised Basel III Endgame proposal will likely be released in early 2026, with finalization in late 2026/early 2027 and implementation by Jan 2028. He noted calibration will likely be capital-neutral or slightly lower vs. prior proposals, with changes to market risk (FRTB) and incentives for model-based approaches.

Exhibits 1 and 2 highlight potential changes in the GSIB surcharge calculation using updated BCBS denominators (total assets for the 75 largest global banks). However, this is influenced the FX rate between the USD/EUR, which may not accurately reflect growth in global GDP. Exhibit 2 highlights the change based on growth in nominal US GDP from 2012 to 2024.

Exhibit 1: Jul '23 GSIB changes have no impact vs current scores…
Method 2 surcharge vs method 2 pro-forma based on 2023 data



Source: BofA Global Research, Federal Reserve

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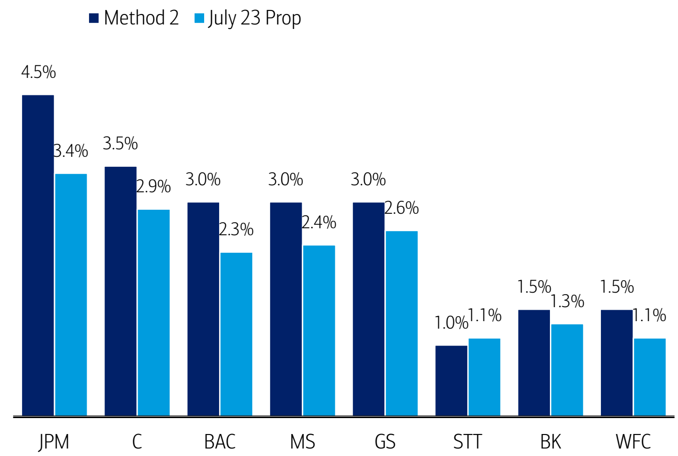
Exhibit 2: adjusting denominators for GDP growth = -50bp lower scores
Method 2 surcharge vs method 2 pro-forma based on 2023 data adj for GDP



Source: BofA Global Research, Federal Reserve, Bloomberg

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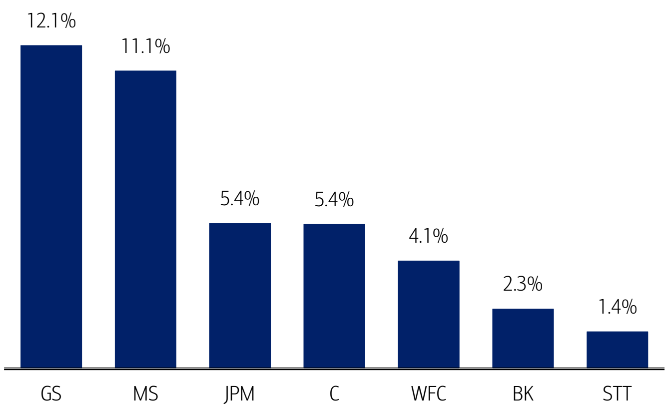
FRTB driven RWA inflation: We recall that when the Federal Reserve released the initial draft of the proposed Basel 3 Endgame changes in July of 2023 FRTB would have driven a 77% increase in market risk RWA. If the Fed allows the banks to use internal models for calculating market risk RWA, inflation could be closer to the 54% calculated in the Basel Committee's 2015 interim impact analysis.

Per Ben Weiner, S&C: "Another thing the Federal Reserve could do, which to some extent it already has, is deal with some of the overlap in terms of capitalizing market risk / trading Book requirements, across the stress testing framework and the RWA calculations. In the Stress Testing Transparency Proposal, the Federal Reserve notice shortens the liquidity horizons and the global market shock, which could also then reduce essentially the shocks or the capital requirements attributable to the global market shock."

Exhibit 3: Market risk comprises ~5% of total RWAs across GSIBs
Market risk weighted assets, % of total risk weighted assets 3Q25



Source: BofA Global Research, Federal Reserve, Company filings

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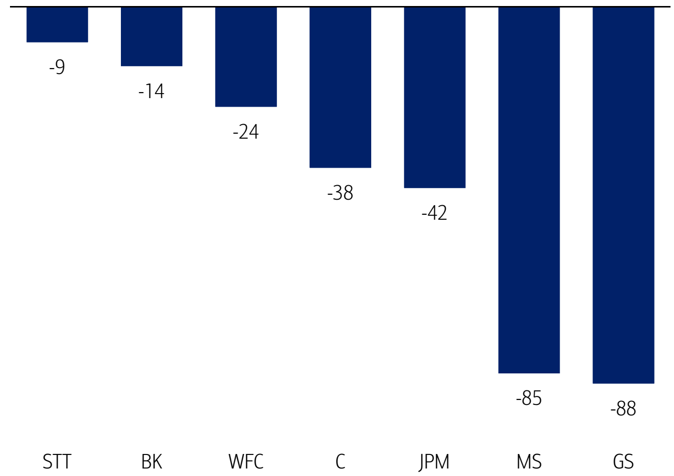
Exhibit 4: +54% market risk RWA inflation would be a -40bp CET1 hit
Change in CET1 from a 54% increase in market risk RWA



Source: BofA Global Research, Federal Reserve, Company filings

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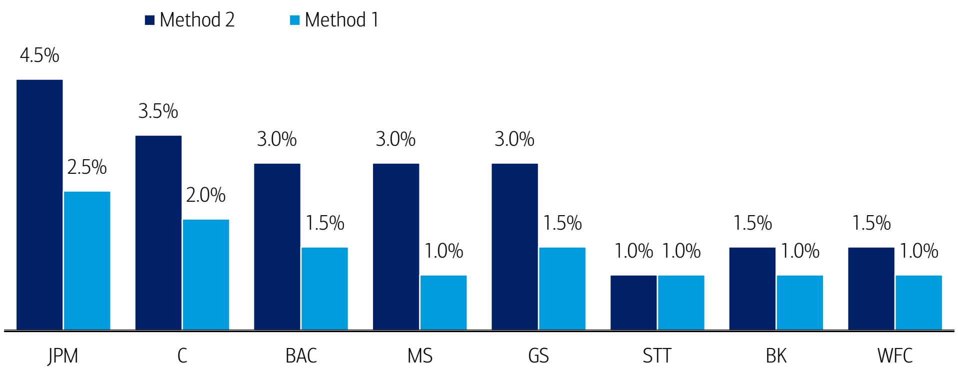
- Mr. Weiner's baseline expectation is that Method 2 will remain but will be substantially recalibrated to offset structural score inflation, with potential annual GDP adjustments, narrower buckets, and daily averaging to reduce cliff effects.
- The speaker flagged that a Method 1-only approach is less likely, as U.S. banks are disproportionately affected by the sustainability factor which deals with payments activity and custody. Further, Mr. Weiner noted Method 1's FX component and unpredictability as a relative measure.

Per Ben Weiner, S&C: "Substantially recalibrating, whether they would get rid of rid of it is another issue. The other thing is Method 2, one of the metrics is use of short-term wholesale funding which isn't captured in Method 1. So, there are some policy reasons independent of just the overall calibration why Method 2 may be seen as useful or better, depending on the perspective, or at least different, but again, Method 2 was designed to result in higher surcharges. It doesn't have to. It could be substantially recalibrated so it's designed to essentially result in similar surcharges [as Method 1], but measured differently."

Exhibit 5: Method 1 surcharges are -120bp lower, on average for GSIB banks
Method 2 and method 1 surcharge by bank



Source: BofA Global Research, Federal Reserve

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- For eSLR, Mr. Weiner noted that the final rule takes effect Apr 1, 2026 (early adoption allowed), lowering holding company requirements from 5% to 3% plus a buffer of half the method 1 GSIB surcharge and capping bank-level requirement at 1% (down from 6%), freeing capital and improving internal flexibility.

Exhibit 6: Following changes to the eSLR, GSIB banks have $163.6bn in excess regulatory capital
Breakdown of binding regulatory constraint across GSIB banks

Binding Capital Constraint	JPM Total Capital (Advanced)	C CET1 (Advanced)	WFC Tier 1 Capital (Standardized)	MS CET1 (Standardized)	GS CET1 (Standardized)	BK CET1 (Standardized)	STT CET1 (Standardized)
Common equity tier 1	287	158	137	81	104	21	15
AT1 (Preferred)	19	20	16	10	15	5	4
Sub debt	15	23	15	8	9	1	2
Eligible Reserves	23	14	15	2	5	0	0
Tier 2 Capital	37	37	31	11	14	2	2
Eligible LTD	247	160	145	173	164	26	19
RWA - Standardized	1,936	1,194	1,242	539	723	176	134
RWA - Advanced	1,932	1,350	1,072	518	687	169	116
Supplementary Leverage Exposure (SLE)	5,161	3,195	2,290	1,618	2,212	370	292
CET1 (Standardized)	14.8%	13.3%	11.0%	15.1%	14.3%	11.7%	11.3%
Requirement	11.5%	11.6%	8.5%	11.8%	10.9%	8.5%	8.0%
$ Excess / (Deficit)	**$64.7**	**$19.9**	**$31.0**	**$17.7**	**$24.9**	**$5.6**	**$4.4**
CET1 (Advanced)	14.9%	11.7%	12.7%	15.7%	15.1%	12.2%	13.1%
Requirement	11.5%	10.5%	8.5%	10.0%	10.0%	8.5%	8.0%
$ Excess / (Deficit)	**$65.1**	**$16.8**	**$45.5**	**$29.5**	**$35.0**	**$6.3**	**$5.9**
Tier 1 Capital (Standardized)	15.8%	15.0%	12.3%	16.9%	16.4%	14.4%	13.9%
Requirement	13.0%	13.1%	10.0%	13.3%	12.4%	10.0%	9.5%
$ Excess / (Deficit)	**$54.9**	**$22.3**	**$28.6**	**$19.3**	**$28.8**	**$7.8**	**$6.0**
Tier 1 Capital (Advanced)	15.9%	13.2%	14.3%	17.6%	17.2%	15.1%	16.2%
Requirement	13.0%	12.0%	10.0%	11.5%	11.5%	10.0%	9.5%
$ Excess / (Deficit)	**$55.4**	**$16.8**	**$45.6**	**$31.5**	**$39.5**	**$8.6**	**$7.7**
Total Capital (Standardized)	17.7%	18.0%	14.8%	18.9%	18.3%	15.3%	15.5%
Requirement	15.0%	15.1%	12.0%	15.3%	14.4%	12.0%	11.5%
$ Excess / (Deficit)	**$52.8**	**$35.0**	**$34.7**	**$19.2**	**$28.6**	**$5.9**	**$5.4**
Total Capital (Advanced)	17.0%	15.3%	16.2%	19.5%	18.7%	15.8%	17.8%
Requirement	15.0%	14.0%	12.0%	13.5%	13.5%	12.0%	11.5%
$ Excess / (Deficit)	**$38.5**	**$17.7**	**$44.9**	**$31.0**	**$35.9**	**$6.5**	**$7.3**
SLR	5.9%	5.6%	6.7%	5.6%	5.4%	6.9%	6.4%
Requirement	4.3%	4.0%	3.5%	3.5%	3.8%	3.5%	3.5%
$ Excess/(Deficit)	**$87.2**	**$51.0**	**$72.7**	**$34.4**	**$35.6**	**$12.5**	**$8.5**
LTD / SLE	4.8%	5.0%	6.3%	10.7%	7.4%	6.9%	6.6%
Requirement	3.8%	3.5%	3.0%	3.0%	3.3%	3.0%	3.0%
$ Excess / (Deficit)	**$53.8**	**$48.2**	**$75.9**	**$124.0**	**$91.9**	**$14.5**	**$10.5**
	Total Capital (Advanced)	CET1 (Advanced)	Tier 1 Capital (Standardized)	CET1 (Standardized)	CET1 (Standardized)	CET1 (Standardized)	CET1 (Standardized)
Minimum Excess ($)	$38.5	$16.8	$28.6	$17.7	$24.9	$5.6	$4.4

Source: BofA Global Research, Federal Reserve, Company filings

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- When asked about stress tests, Mr. Weiner emphasized the Fed's push for transparency, noting supervisory models are out for comment through Feb 2026.

The two-year SCB averaging proposal remains pending, creating uncertainty around timing and comparability.

- Overall, Mr. Weiner sees a trend toward lower volatility in capital requirements and greater use of exploratory scenarios for risk identification rather than binding constraints.

Bank M&A backdrop improving

- Mr. Weiner emphasized that the regulatory environment for bank M&A has improved significantly, with approval timelines now much shorter than in previous years and regulators actively working to streamline processes.
- Mr. Weiner believes this shift provides banks with greater flexibility to pursue successive smaller deals without being excluded from larger transactions later. While GSIBs face constraints due to the 10% deposit insurance cap and related state requirements (only major exception is for acquisitions of failing banks) other banks have more room to act, making this an opportunistic time for consolidation.
- Mr. Weiner also noted that recent supervisory guidance calls for faster remediation of issues and clearer exit paths for enforcement actions, which could further accelerate deal approvals. Divestitures required to stay under the 10% cap would need to occur before closing and involve regulatory approval, introducing operational complexity.
- Mr. Weiner also highlighted changes to the LFI ratings framework, which reduce barriers to expansionary activity. The share of firms considered “not well managed” fell from ~64% at year-end 2024 to ~47% by Sept 2025 and could drop to ~28% under the new framework, significantly expanding the pool of eligible acquirers and supporting a more constructive environment for deal making.
- Mr. Weiner acknowledges cross-border opportunities are also emerging, with U.S. banks exploring international expansion and non-U.S. banks showing renewed interest in entering the U.S. market, reversing recent trends. Canadian banks remain eligible under current rules, reinforcing a more conducive backdrop for M&A activity.

Stablecoins, Crypto & the GENIUS Act

- According to Mr. Weiner, the GENIUS Act will drive significant rulemaking across multiple agencies, including the Fed, OCC, FDIC, NCUA, and Treasury. The statute requires rules to be adopted by Jul 2026 and effective no later than Jan 2027, creating a compressed timeline for regulators.
- Mr. Weiner noted that the FDIC is working to release a proposal by year-end, with other agencies expected to follow in early 2026.
- These rules will cover regulation of payment stablecoin issuers that are subsidiaries of regulated institutions (state member banks, state non-member banks, credit unions, and national banks) as well as amendments to capital rules for stablecoin subsidiaries.
- Mr. Weiner emphasized that U.S. regulators are unlikely to adopt BoE-style reserve caps or limits on holdings and highlighted that the current administration views stablecoins as a potential source of demand for Treasuries.

- Mr. Weiner believes competitive flashpoints include rewards programs and non-bank issuers and expects stablecoins to become a key area of focus through 2026–2027 as regulatory clarity emerges.

Price objective basis & risk

JPMorgan Chase & Co. (JPM;B-1-7$316.10)
Our $350 PO is based on 50% FY26e P/E and 50% FY26e P/TBV. Assign 17.1x to FY26e EPS, 3.0x YE26e TBV, 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 a faster pace to rate cuts, 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.

Morgan Stanley (MS;B-1-7; $174.89)
Our $180 PO is based on 50% FY26e P/E and 50% FY26e P/TBV. Assign 17.5x to FY26e EPS, 3.3x YE26e TBV, above the bank's 5-year pre-pandemic median of 11.0x/1.3x given an improved (stickier) revenue mix driven by its wealth and asset management segments.

Risks to the upside are stronger wealth/asset management trends and capital markets activity and higher rates.

Risks to the downside are a weak economy/capital markets, increased macro issues, tougher regulation, and litigation.

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				
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	BNY	BK	BK US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	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	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	Kayne Anderson BDC, Inc.	KBDC	KBDC US	Derek Hewett
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	National Bank of Canada	YNA	NA CN	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Nuveen Churchill Direct Lending	NCDL	NCDL US	Derek Hewett
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	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
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	UMB Financial Corporation	UMBF	UMBF US	Brandon Berman
	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
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of 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
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Technology Finance Corp.	OTF	OTF US	Derek Hewett
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Flagstar Bank, N.A.	FLG	FLG US	Ebrahim H. Poonawala
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	Palmer Square Capital BDC	PSBD	PSBD US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Prosperity Bancshares Inc	PB	PB US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Runway Growth	RWAY	RWAY US	Derek Hewett

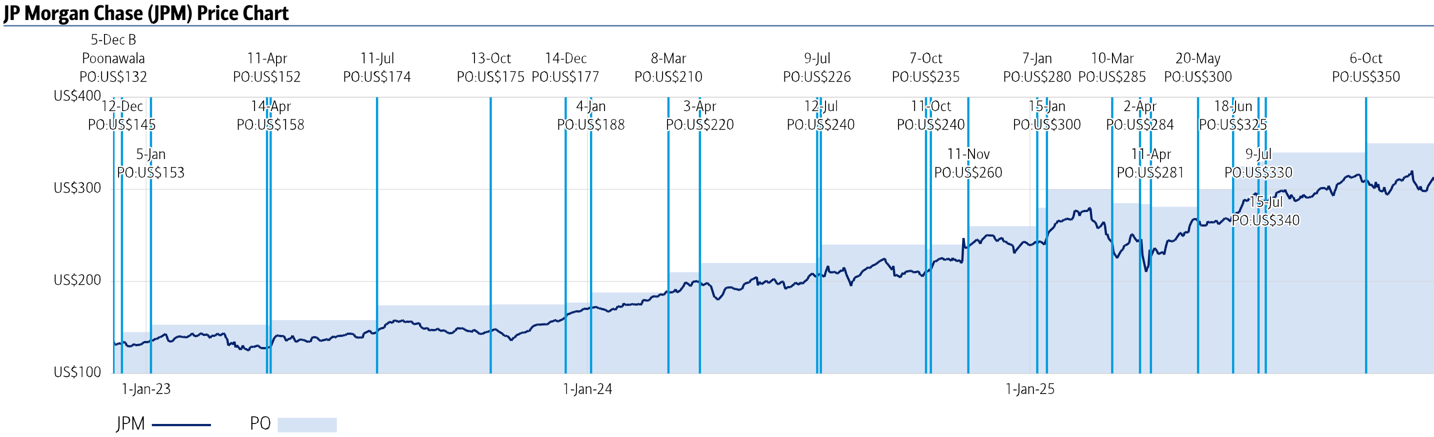
North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Washington Trust Bancorp Inc	WASH	WASH US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman
UNDERPERFORM				
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	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
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
RVW				
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett

Disclosures

Important Disclosures

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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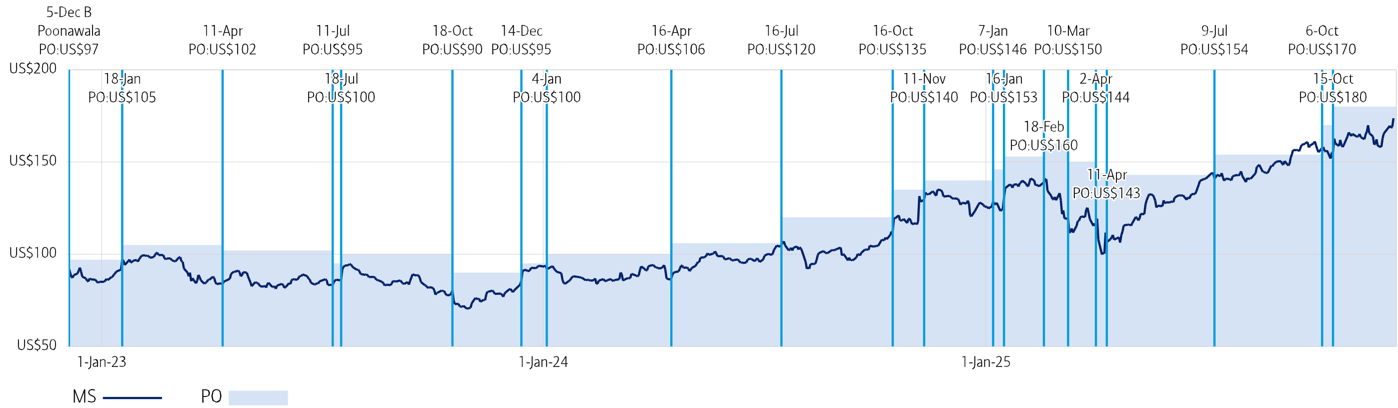
Morgan Stanley (MS) Price Chart



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Equity Investment Rating Distribution: Banks Group (as of 30 Sep 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	112	53.33%	Buy	91	81.25%
Hold	50	23.81%	Hold	39	78.00%
Sell	48	22.86%	Sell	39	81.25%

Equity Investment Rating Distribution: Financial Services Group (as of 30 Sep 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	145	51.42%	Buy	96	66.21%
Hold	77	27.30%	Hold	51	66.23%
Sell	60	21.28%	Sell	36	60.00%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1816	53.11%	Buy	1062	58.48%
Hold	825	24.13%	Hold	480	58.18%
Sell	778	22.76%	Sell	385	49.49%

[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]
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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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