

## Cullen/Frost Bankers Inc

## Expansion strategy delivering as advertised

Reiterate Rating: BUY | PO: 119.00 USD | Price: 109.32 USD

## 4Q23 EPS beats, EPS forecast holds on better growth

Cullen Frost-CFR reported 4Q23 EPS of \$2.18 vs. BofAe/consensus \$2.09/\$2.04 estimates with the beat to our forecast driven by lower credit costs. Mgmt's FY24 guidance calls for: net interest income (NII) +2-4% YoY (assumes five rate-cuts); expense growth 6-8% (implies ~12% ex. FDIC charge in 4Q23); average loan balances up high-single-digits (vs. 7.7% FY23); deposit growth 1-3% (vs. -7.0%). Our FY24e EPS rises to \$8.36 from \$8.21 on higher NII (offsets higher expenses); trimming FY25e to \$8.05 from \$8.09 driven by higher expenses. We don't assume any share buybacks.

## Expansion strategy driving client growth

Mgmt. provided several data points highlighting the success of its expansion strategy which began with opening branches in Houston a few years ago, followed by Dallas branch openings and more recently in Austin. In our view, the combination of franchise investments, solid execution and brand recognition in the high growth Texas market are driving these results. Not every Texas bank is able to replicate the success. We forecast growth in average loan balances of 10% YoY and deposits +1%.

## Investments should lead to operating leverage

While mgmt's FY24 guidance implies significant negative operating leverage, we believe investors are better served focusing on the potential of this franchise to deliver superior growth and returns on the back of the ongoing investments. Mgmt's willingness and ability to lean-in and make investments in a market that continues to experience solid population growth (Texas ranks in the top 5 in the US) while benefitting from a steady stream of corporate relocations (home to the most Fortune 500 companies) is a competitive advantage vs. regional peers. We forecast revenue growth +3% YoY for FY24 vs. expense growth +11.7% implying an efficiency ratio of 61.4% (vs. 56.6% FY23).

## Confident on credit quality

During the earnings call, mgmt. expressed comfort with the quality of its commercial real estate (CRE) loan book (~50% of total loans), while noting a challenged market backdrop with elevated vacancy rates for office CRE. Nonaccrual loans declined 5bp QoQ to 0.32% of loans (vs. 0.22% YoY) while net charge-offs (NCOs) +14bp to 0.23% (vs. 0.09%). Guidance calls for NCOs in the 25-30bp range. We forecast credit provisioning costs of \$80mn/\$60mn for FY24/25 vs. \$46mn FY23. Reiterate Buy, \$119 PO.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	8.81	9.73	8.36	8.05	8.84
GAAP EPS	8.83	9.10	8.36	8.05	8.84
EPS Change (YoY)	32.3%	10.4%	-14.0%	-3.7%	9.8%
Consensus EPS (Bloomberg)			8.43	8.40	NA
DPS	3.24	3.58	3.68	3.75	3.83
Valuation (Dec)					
P/E	12.4x	11.2x	13.1x	13.6x	12.4x
GAAP P/E	12.4x	12.0x	13.1x	13.6x	12.4x
Dividend Yield	3.0%	3.3%	3.4%	3.4%	3.5%

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25 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,071.6	2,140.6
2025E Rev (m)	2,165.5	2,195.9
2026E Rev (m)	2,320.7	2,357.9
2024E EPS	8.21	8.36
2025E EPS	8.09	8.05
2026E EPS	8.64	8.84

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## Stock Data

Price	109.32 USD
Price Objective	119.00 USD
Date Established	10-Oct-2023
Investment Opinion	B-1-7
52-Week Range	82.25 USD -139.33 USD
Mkt Val / Shares Out (mn)	6,800 USD / 62.2
Free Float	92.3%
Average Daily Value	42.65 USD
BofA Ticker / Exchange	CFR / NYS
Bloomberg / Reuters	CFR US / CFR.N
ROE (2024E)	16.9%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

# iQprofile<sup>SM</sup> Cullen/Frost Bankers Inc

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	1,387	1,652	1,711	1,744	1,883
% change	28.7%	19.1%	3.6%	1.9%	7.9%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	0	0	0	0	0
Total Operating Income	1,792	2,080	2,141	2,196	2,358
Operating Expenses	(1,024)	(1,177)	(1,315)	(1,415)	(1,516)
% change	16.6%	14.9%	11.7%	7.6%	7.1%
Provisions Expense	(3)	(46)	(80)	(60)	(60)
% change	4,661.9%	1,439.0%	73.3%	-25.0%	0%
Operating Pre-Tax Income	765	857	745	721	782
Operating Net Income to Comm S/Hold.	572	632	538	518	569
GAAP Net Income	572	632	538	518	569

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	52,892	50,845	52,783	54,758	56,889
Average Interest Earning Assets	48,287	46,195	47,728	50,059	52,121
Total Gross Customer Loans	17,155	18,824	20,473	21,734	23,110
% change	5.0%	9.7%	8.8%	6.2%	6.3%
Total Customer Deposits	43,954	41,921	43,176	44,929	46,798
% change	2.9%	-4.6%	3.0%	4.1%	4.2%
Tangible Equity	2,336	2,241	2,793	3,070	3,392
Common Shareholders' Equity	2,992	2,896	3,448	3,725	4,047

## Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	2.87%	3.58%	3.59%	3.48%	3.61%
Effective Tax Rate	11.7%	14.6%	14.4%	14.4%	14.5%
Loan / Deposit Ratio	39.0%	44.9%	47.4%	48.4%	49.4%
Tangible Common Equity / Assets	4.4%	4.4%	5.3%	5.6%	6.0%
ROA	1.10%	1.26%	1.05%	0.96%	1.02%
ROE	16.0%	18.9%	16.9%	14.4%	14.6%
RoTE	19.0%	27.4%	21.4%	17.7%	17.6%
Dividend Payout Ratio	36.5%	36.5%	44.0%	46.6%	43.3%
Efficiency Ratio (Cost / Income Ratio)	57.2%	56.6%	61.4%	64.4%	64.3%

## Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	22.6%	20.6%	20.1%	20.6%	20.1%
NPLs plus Foreclosed Real Estate / Loans	0.2%	0.3%	0.4%	0.4%	0.5%
Loan Loss Reserves / NPLs	601.65%	403.89%	348.62%	290.52%	242.10%
Loan Loss Reserves / Total Loans	1.33%	1.31%	1.30%	1.22%	1.15%

## Company Sector

Banks-US Regionals

## Company Description

Cullen/Frost (CFR) is one of the largest independent bank holding companies headquartered in Texas and is currently ranked fifth in terms of deposit market share in the state. CFR provides a broad array of products and services throughout numerous Texas markets.

## Investment Rationale

We view CFR as a high-quality bank with a proven history of conservative balance sheet management, high quality franchise, and attractive Texas footprint. We think the relationship business model should shine in a structurally higher interest rate backdrop and drive superior returns as overnight cash should provide ample flexibility to navigate a tightening environment for deposit liquidity.

## Stock Data

Average Daily Volume 390,166

## Quarterly Earnings Estimates

	2023	2024
Q1	2.70A	2.11E
Q2	2.47A	2.27E
Q3	2.38A	2.12E
Q4	2.18A	1.86E

**Exhibit 1: CFR Variance table**

New vs. old EPS estimates, assumptions

		Actual	Estimate		New	Old		New	Old	
KEY FORECAST VARIABLES:	3Q23	4Q23	4Q23E	Variance	2024E	2024E	Variance	2025E	2025E	Variance
EOP Loans	18,399	18,824	18,729	0.51%	20,473	20,027	2.22%	21,734	21,101	3.00%
Average Loans	17,985	18,627	18,564	0.34%	19,663	19,404	1.33%	21,113	20,573	2.62%
Average Earning Assets	45,366	45,579	45,305	0.61%	47,728	45,783	4.25%	50,059	47,142	6.19%
Net Interest Margin (%)	3.44	3.41	3.42	-1bp	3.43	3.46	-3bp	3.48	3.63	-15bp
Net Interest Income (FTE)	407.4	409.9	404.4	1.36%	1,711.4	1,641.2	4.28%	1,744.5	1,713.0	1.84%
Loan Loss Provision	11.2	16.0	20.0	-20.10%	80.0	80.0	0.00%	60.0	80.0	-25.00%
Noninterest Revenues	106.0	113.8	104.4	8.91%	429.3	430.4	-0.27%	451.4	452.5	-0.24%
Tot. Revenue	513	524	509	2.91%	2,141	2,072	3.33%	2,196	2,166	1.40%
Total Expenses	293.3	313.7	301.3	4.12%	1,315.4	1,259.1	4.47%	1,414.8	1,362.2	3.86%
Pre-Tax Income (FTE)	208.9	194.0	187.6	3.41%	745.3	732.5	1.74%	721.1	723.3	-0.31%
FTE Tax Rate (%)	16.8	16.8	18.0	-1pp	16.5	16.5	0pp	16.5	16.5	0pp
Net Income	155.6	143.3	135.8	5.48%	544.6	533.8	2.02%	524.5	526.2	-0.32%
Available For Common	154.0	141.6	134.1	7mn	537.9	527.1	11mn	517.8	519.5	-2mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$2.38</b>	<b>\$2.18</b>	<b>\$2.09</b>	<b>4%</b>	<b>\$8.36</b>	<b>\$8.21</b>	<b>2%</b>	<b>\$8.05</b>	<b>\$8.09</b>	<b>0%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$2.38</b>	<b>\$1.55</b>	<b>\$1.50</b>	<b>3%</b>	<b>\$8.36</b>	<b>\$8.21</b>	<b>2%</b>	<b>\$8.05</b>	<b>\$8.09</b>	<b>0%</b>
Book Value Per Share	\$44.59	\$45.12	\$46.15	(\$1.03)	\$53.73	\$54.61	(\$0.89)	\$58.03	\$58.96	(\$0.93)
Tangible Book Value Per Share	\$34.36	\$34.92	\$35.92	(\$1.00)	\$43.52	\$44.38	(\$0.86)	\$47.83	\$48.73	(\$0.90)
Dividends Per Share	\$0.92	\$0.92	\$0.92	\$0.00	\$3.68	\$3.68	\$0.00	\$3.75	\$3.75	\$0.00
Average Fully-Diluted Shares	64.2	64.3	64.2	0mn	64.3	64.2	0mn	64.3	64.2	0mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	5.86	5.70	6.04	-34bp	6.53	7.01	-48bp	6.80	7.34	-53bp
Tang. Common Equity/Assets (%)	4.57	4.47	4.76	-30bp	5.36	5.77	-41bp	5.67	6.14	-47bp
Tangible Common Equity/RWA (%)	7.37	7.20	7.67	-48bp	8.64	9.30	-66bp	9.15	9.90	-74bp
Tier 1 Common/RWA (%)	13.32	13.25	13.40	-15bp	13.27	14.00	-73bp	13.53	14.36	-83bp
Tier 1/RWA (%)	13.81	13.73	13.89	-16bp	13.72	14.48	-75bp	13.97	14.82	-85bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	1.22	1.07	1.06	0bp	1.03	1.07	-4bp	0.96	1.02	-6bp
Return On Common Equity (%)	20.89	18.75	17.61	114bp	15.79	15.27	52bp	14.08	13.94	14bp
Return On Tangible Common Equity (%)	27.11	24.23	22.63	161bp	19.50	18.79	71bp	17.08	16.87	22bp
Operating Expenses/Revenues (%)	57.13	59.91	59.21	70bp	61.4	60.78	67bp	64.4	62.90	152bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	40,992	41,921	41,318	1.46%	43,176	41,907	3.03%	44,929	43,597	3.06%
AVG Total Deposits	40,828	41,184	41,155	0.07%	41,819	41,485	0.80%	44,053	42,752	3.04%
EOP Total Assets	48,747	50,845	48,920	3.93%	52,783	49,868	5.85%	54,758	51,457	6.41%
EOP Equity	3,000	3,042	3,100	-1.88%	3,594	3,642	-1.31%	3,870	3,920	-1.27%
EOP Preferred Equity	145	145	145	0.00%	145	145	0.00%	145	145	0.00%
EOP Common Equity	2,855	2,896	2,954	-1.97%	3,448	3,496	-1.36%	3,725	3,774	-1.32%
EOP Tangible Common Equity	2,200	2,241	2,299	-2.53%	2,793	2,841	-1.68%	3,070	3,120	-1.59%
<b>CREDIT QUALITY INDICATORS:</b>										
Net Charge-Offs	5	11	15	-27.44%	60	60	0.00%	60	75	-20.00%
% Average Loans	0.11	0.22	0.31	-9bp	0.31	0.31	0bp	0.28	0.36	-8bp
Nonperforming Assets	67	61	101	-39.55%	76	76	0.00%	92	92	0.00%
% EOP Loans + OREO	0.37	0.32	0.54	-21bp	0.37	0.38	-1bp	0.42	0.43	-1bp
Nonperforming Loans	67	61	101	-39.55%	76	76	0.00%	92	92	0.00%
% EOP Loans (excl. OREO)	0.37	0.32	0.54	-21bp	0.37	0.38	-1bp	0.42	0.43	-1bp
Loan Loss Reserve	242	246	247	-0.50%	266	267	-0.46%	266	272	-2.29%
% EOP Loans	1.32	1.31	1.32	-1bp	1.30	1.34	-4bp	1.22	1.29	-7bp
% Nonperforming Loans	360.60	403.89	245.36	15852bp	348.62	350.24	-162bp	290.52	297.33	-681bp

Source: BofA Global Research estimates, Company filings

BofA GLOBAL RESEARCH





## Price objective basis & risk

### Cullen/Frost Bankers Inc (CFR)

Our \$119 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 16.0x/2.4x multiples respectively, in-line with the bank's 5 year pre-pandemic medians of 15.7x/2.3x.

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

## Analyst Certification

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
<b>BUY</b>				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	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	TS LX	TS LX 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
<b>NEUTRAL</b>				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman



## North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
<b>UNDERPERFORM</b>				
	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

IQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

## Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

## Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

## Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

## Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

## Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

## Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

Valuation Toolkit

Numerator

Denominator

*IQmethod*<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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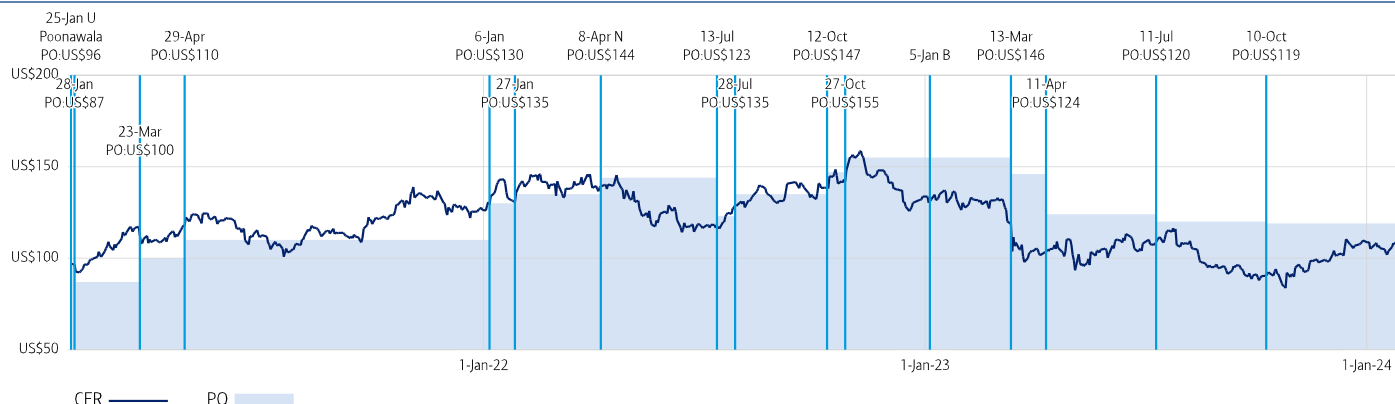
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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