

## NatWest Group

## Margin over volume for now

Reiterate Rating: BUY | PO: 390.00 GBp | Price: 273.70 GBp

## Strong start, compelling valuation

Higher interest rates and deposit spreads should mean that 2023 has started well for NatWest, even if volumes are weak. We expect revenue growth to more than offset cost increases and normalising provisions, to deliver 35% YoY growth in Q1 profit before tax (Exhibit 1). We raise 2023E earnings 4% on stronger income and lower near term credit losses, fading to 1% by 2025E (Exhibit 11). A 5.3x PE (Exhibit 16) for a 23% 3 year earnings CAGR, (Exhibit 12) mid-high teens RoTE (Exhibit 15) and c15% annual capital distribution yield (Exhibit 18) looks compelling to us – reiterate Buy and 390p PO. ADR PO changes to US\$9.69 (from prior US\$9.37) on FX.

## Better rates and spreads

Current market expectations are for interest rates to average 65bp higher than NatWest previously assumed over the next three years (Exhibit 2-3). It's more remaining around 4% that we see as helpful rather than upside towards a 5% near term peak. Q1 deposit spread widening (Exhibit 4) should also be supportive as we expect compression and migration but now from a higher start point.

## Volumes weak for now

The company had highlighted deposit outflows as a result of January tax payments. Industry data shows a doubling in the seasonal flows (Exhibit 6) but some recovery in February, expected to continue in Q2 (Exhibit 7). How much and how fast a recovery will be important, we think. After almost grinding to a halt, the mortgage market is beginning to show some signs of life with an uptick in approvals (Exhibit 9) and some housing market indicators (Exhibit 10), a potential positive for 2H23.

Estimates (Dec) (GBp)	2021A	2022A	2023E	2024E	2025E
Net Profit (£m)	2,674	3,602	4,196	4,404	4,943
EPS (Adjusted)	23.4	37.8	45.3	51.8	62.7
Dividend / Share	11.3	13.8	18.0	22.0	26.0
Adjusted NAV PS	292	262	283	323	374
ADR EPS (Adjusted - US\$)	0.64	0.93	1.13	1.29	1.56
ADR Dividend / Shares (US\$)	0.31	0.34	0.45	0.55	0.65
Valuation (Dec)					
P/E	11.7	7.24	6.04	5.29	4.36
EPS Change (YoY)	362%	61.6%	19.9%	14.2%	21.2%
Price / BV	0.77x	0.81x	0.75x	0.66x	0.58x
Price / NAV	0.94x	1.04x	0.97x	0.85x	0.73x
Net Yield	4.13%	5.03%	6.58%	8.04%	9.50%
DPS Change (YoY)	250%	21.8%	30.7%	22.2%	18.2%
Price / GOP	10.7x	4.94x	3.50x	3.05x	2.56x

20 April 2023

## Equity

## Key Changes

(GBp)	Previous	Current
2023E EPS	43.54	45.31
2024E EPS	50.81	51.76
2025E EPS	62.32	62.73

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## Stock Data

Price (Common / ADR)	273.70 GBp / 6.86 USD
Price Objective	390.00 GBp / 9.69 USD
Date Established	17-Feb-2023 / 20-Apr-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	201.37 GBp-313.10 GBp
Market Value (mn)	26,159 GBp
Shares Outstanding (mn)	9,557.4 / 4,778.7
Average Daily Value (mn)	67.14 USD
Free Float	57.7%
BofA Ticker / Exchange	RBSPF / LSE
BofA Ticker / Exchange	NWG / NYS
Bloomberg / Reuters	NWG LN / NWG.L
ROE (2023E)	12.9%
ESGMeter™	High

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**Refer to important disclosures on page 10 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.**

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Timestamp: 20 April 2023 12:00AM EDT

# iQprofile<sup>SM</sup> NatWest Group

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(£ Millions)	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
<b>Net Interest Income</b>	<b>7,614</b>	<b>9,842</b>	<b>12,199</b>	<b>12,535</b>	<b>13,208</b>
Net Fee Income	2,124	2,292	2,257	2,345	2,413
Securities Gains / (Losses)	317	1,133	0	0	0
Other Income	457	(111)	842	755	769
<b>Total Non-Interest Income</b>	<b>2,898</b>	<b>3,314</b>	<b>3,099</b>	<b>3,100</b>	<b>3,182</b>
<b>Total Operating Income</b>	<b>10,512</b>	<b>13,156</b>	<b>15,298</b>	<b>15,635</b>	<b>16,390</b>
Operating Expenses	(7,758)	(7,687)	(8,065)	(7,997)	(7,963)
<b>Pre-Provision Profit</b>	<b>2,754</b>	<b>5,469</b>	<b>7,232</b>	<b>7,638</b>	<b>8,427</b>
Provisions Expense	1,278	(337)	(902)	(1,057)	(1,118)
<b>Operating Profit</b>	<b>4,032</b>	<b>5,132</b>	<b>6,330</b>	<b>6,580</b>	<b>7,309</b>
Non-Operating Items	0	0	0	0	0
<b>Pre-Tax Income</b>	<b>4,032</b>	<b>5,132</b>	<b>6,330</b>	<b>6,580</b>	<b>7,309</b>
Net Income to sh/holders	2,674	3,602	4,196	4,404	4,943
<b>Adjusted Cash Earnings</b>	<b>2,524</b>	<b>3,731</b>	<b>4,196</b>	<b>4,404</b>	<b>4,943</b>

Key Balance Sheet Data	2021A	2022A	2023E	2024E	2025E
Total Assets	781,992	720,053	719,589	735,472	757,403
Average Interest Earning Assets	504,303	534,524	551,857	563,117	572,646
<b>Risk Weighted Assets</b>	<b>156,971</b>	<b>176,101</b>	<b>176,320</b>	<b>181,015</b>	<b>186,891</b>
Total Gross Customer Loans	362,796	369,774	370,918	382,617	394,482
Total Customer Deposits	479,810	450,318	445,308	452,528	459,943
<b>Tier 1 Capital</b>	<b>32,471</b>	<b>28,867</b>	<b>28,105</b>	<b>28,800</b>	<b>29,917</b>
Tangible Equity	30,689	25,482	25,275	26,567	28,655
<b>Common Shareholders' Equity</b>	<b>37,412</b>	<b>32,598</b>	<b>32,391</b>	<b>33,683</b>	<b>35,771</b>

Key Metrics	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	1.45%	1.81%	2.18%	2.21%	2.28%
<b>Tier 1 Ratio</b>	<b>20.7%</b>	<b>16.4%</b>	<b>15.9%</b>	<b>15.9%</b>	<b>16.0%</b>
Effective Tax Rate	24.7%	24.8%	29.8%	29.3%	29.0%
Loan / Assets Ratio	45.9%	50.9%	51.1%	51.6%	51.7%
<b>Loan / Deposit Ratio</b>	<b>74.8%</b>	<b>81.4%</b>	<b>82.6%</b>	<b>83.8%</b>	<b>85.1%</b>
Oper Leverage (Inc Growth - Cost Growth)	1.31%	26.1%	11.4%	3.05%	5.26%
Gearing (Assets / Equity)	20.9x	22.1x	22.2x	21.8x	21.2x
Tangible Equity / Assets	3.92%	3.54%	3.51%	3.61%	3.78%
Tangible Equity / RWAs	19.6%	14.5%	14.3%	14.7%	15.3%

Business Performance	2021A	2022A	2023E	2024E	2025E
Revenue Growth	0.04%	25.2%	16.3%	2.21%	4.83%
Operating Expense Growth	-1.27%	-0.92%	4.92%	-0.84%	-0.43%
Provisions Expense Growth	-141%	-126%	168%	17.2%	5.74%
Operating Revenue / Average Assets	0.51%	0.68%	0.88%	0.90%	0.98%
Operating Expenses / Average Assets	-0.98%	-1.02%	-1.12%	-1.10%	-1.07%
<b>Pre-Provision ROA</b>	<b>0.35%</b>	<b>0.73%</b>	<b>1.00%</b>	<b>1.05%</b>	<b>1.13%</b>
ROA	0.34%	0.48%	0.58%	0.61%	0.66%
<b>Pre-Provision ROE</b>	<b>7.27%</b>	<b>15.6%</b>	<b>22.3%</b>	<b>23.1%</b>	<b>24.3%</b>
ROE	7.06%	10.3%	12.9%	13.3%	14.2%
RoTE	8.09%	13.3%	16.5%	17.0%	17.9%
RoRWAs	1.54%	2.24%	2.38%	2.46%	2.69%
Dividend Payout Ratio	48.3%	36.4%	39.7%	42.5%	41.5%
<b>Efficiency Ratio (Cost / Income Ratio)</b>	<b>73.8%</b>	<b>58.4%</b>	<b>52.7%</b>	<b>51.1%</b>	<b>48.6%</b>

Quality of Earnings	2021A	2022A	2023E	2024E	2025E
<b>Total Non-Interest Inc / Operating Inc</b>	<b>27.6%</b>	<b>25.2%</b>	<b>20.3%</b>	<b>19.8%</b>	<b>19.4%</b>
Market-Related Revenue / Total Revenues	3.02%	8.61%	0%	0%	0%
Provisioning Burden as % of PPP	-46.4%	6.16%	12.5%	13.8%	13.3%
NPLs plus Foreclosed Real Estate / Loans	1.40%	1.39%	1.77%	1.71%	1.66%
<b>Loan Loss Reserves / NPLs</b>	<b>75.8%</b>	<b>67.4%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>
Loan Loss Reserves / Total Loans	1.06%	0.94%	0.88%	0.86%	0.83%
<b>Provisions Expense / Average Loans</b>	<b>-0.36%</b>	<b>0.09%</b>	<b>0.25%</b>	<b>0.28%</b>	<b>0.29%</b>

## Company Sector

Banks-Retail

## Company Description

NatWest is primarily a UK-focused retail and commercial banking business. It carries out similar activities in the Republic of Ireland and has a relatively small broader international presence. Investment banking activities have been scaled down substantially and are now primarily aimed at servicing the company's corporate customers.

## Investment Rationale

NatWest's focus on growth, clear commitment to cost reduction and strong balance sheet see it well positioned for a UK economic recovery. We see this driving above cost of equity profitability and facilitating attractive capital distributions, not reflected in the current valuation. Action from the Bank of England on policy rates or macro prudential tools could provide further upside.

## Stock Data

Shares / ADR	2.00
Price to Book Value	0.7x

## Key Changes

(US\$)	Previous	Current
Price Obj.	9.37	9.69
2023E EPS	1.08	1.13
2024E EPS	1.26	1.29
2025E EPS	1.55	1.56

# Key data

## Exhibit 1: NatWest 1Q23 preview (£m unless stated)

Strong earnings and capital

	1Q22	2Q22	3Q22	4Q22	1Q23E					
					BofA	YoY	QoQ	Cons	YoY	QoQ
<b>P&amp;L - NatWest Group</b>										
Net interest income	2,027	2,307	2,640	2,868	2,984	47%	4%	2,962	46%	3%
Non interest income	981	904	589	840	781	-20%	-7%	794	-19%	-5%
<b>Total income</b>	<b>3,008</b>	<b>3,211</b>	<b>3,229</b>	<b>3,708</b>	<b>3,765</b>	<b>25%</b>	<b>2%</b>	<b>3,756</b>	<b>25%</b>	<b>1%</b>
Other expenses	(1,718)	(1,766)	(1,771)	(2,047)	(1,820)	6%	-11%	(1,855)	8%	-9%
Litigation & conduct costs	(102)	(67)	(125)	(91)	(100)	-	-	(85)	-	-
<b>Operating expenses</b>	<b>(1,820)</b>	<b>(1,833)</b>	<b>(1,896)</b>	<b>(2,138)</b>	<b>(1,920)</b>	<b>6%</b>	<b>-10%</b>	<b>(1,940)</b>	<b>7%</b>	<b>-9%</b>
<b>Gross operating profit</b>	<b>1,188</b>	<b>1,378</b>	<b>1,333</b>	<b>1,570</b>	<b>1,845</b>	<b>55%</b>	<b>17%</b>	<b>1,817</b>	<b>53%</b>	<b>16%</b>
Impairments	36	18	(247)	(144)	(190)	-629%	32%	(250)	-794%	74%
<b>Profit before tax</b>	<b>1,224</b>	<b>1,396</b>	<b>1,086</b>	<b>1,426</b>	<b>1,654</b>	<b>35%</b>	<b>16%</b>	<b>1,567</b>	<b>28%</b>	<b>10%</b>
Tax	(386)	(409)	(434)	(46)	(414)	7%	799%	(433)	-	-
Discontinued operations	63	127	(396)	(56)	0	(1)	(1)	(13)	-	-
Minorities	(60)	(64)	(69)	(62)	(63)	-	-	(61)	-	-
<b>Attributable profit</b>	<b>841</b>	<b>1,050</b>	<b>187</b>	<b>1,262</b>	<b>1,178</b>	<b>40%</b>	<b>-7%</b>	<b>1,060</b>	<b>26%</b>	<b>-16%</b>
<b>Key metrics - NatWest Group</b>										
Net interest margin (Banking)	2.46%	2.72%	2.99%	3.20%	3.39%	0.93%	0.19%	3.38%	0.92%	0.18%
Average interest earning assets (Banking), £bn	339	340	350	356	357	5%	0%	355	-	-
Cost: income ratio	57.1%	55.0%	54.8%	55.2%	48.4%	-8.8%	-6.9%	49.4%	-7.7%	-5.8%
Cost of risk	-0.04%	-0.02%	0.26%	0.15%	0.20%	0.24%	0.05%	0.27%	0.31%	0.12%
CET1 ratio	15.2%	14.3%	14.3%	14.2%	14.7%	-0.6%	0.5%	13.8%	-1.4%	-0.4%
Risk weighted assets (£bn)	177	180	178	176	175	-1%	-1%	175	-1%	0%
TNAV per share (p)	290	287	250	264	267	-8%	1%	266	-8%	1%
Ordinary DPS (p)	0.0	3.8	0.0	10.0	0.0	-	-	0.0	-	-
Special DPS (p)	0.0	18.1	0.0	0.0	0.0	-	-	0.0	-	-
Total DPS (p)	0.0	21.9	0.0	10.0	0.0	-	-	0.0	-	-
Share buyback (£m)	1,462	0	0	800	0	-	-	1,503	-	-

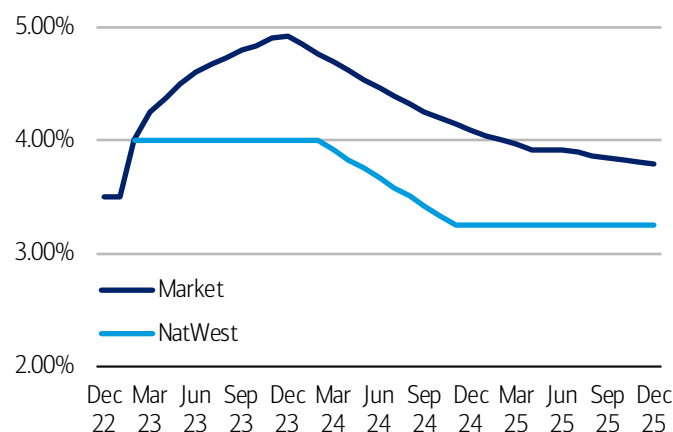
Source: BofA Global Research estimates, company reports, company compiled consensus

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## Market expects interest rates 65bp above NatWest assumptions

### Exhibit 2: UK policy rate

NatWest assumes an average 65p below market expectations

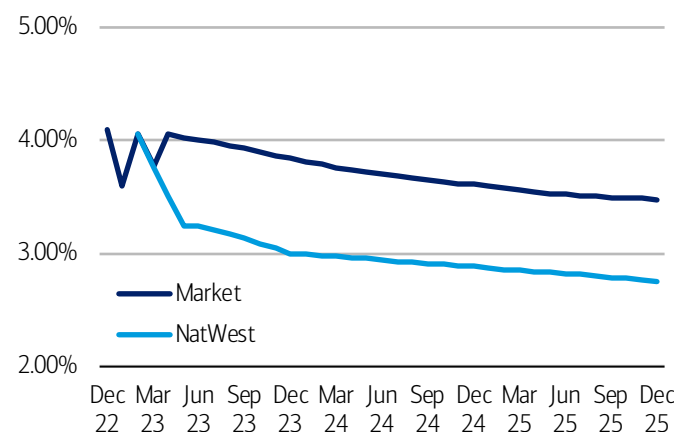


Source: Bank of England, Bloomberg, company reports

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### Exhibit 3: 5 year swap rate

NatWest 65bp below market



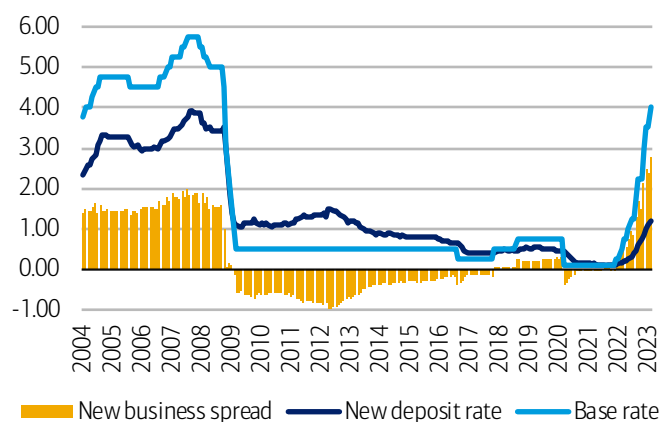
Source: Bloomberg, company reports

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## Industry deposit spreads widening but significant outflow

### Exhibit 4: New deposits, rate and spread, UK banking system (%)

Spread widened to 280bp in Feb. Expect decline to pre financial crisis level

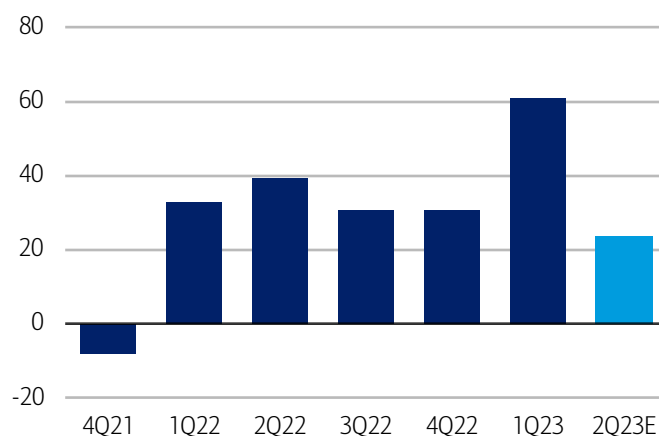


Source: Bank of England, BofA Global Research

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### Exhibit 5: Retail deposit spreads relative to appropriate reference rate(s), net balance (%)

Further spread widening expected in Q2

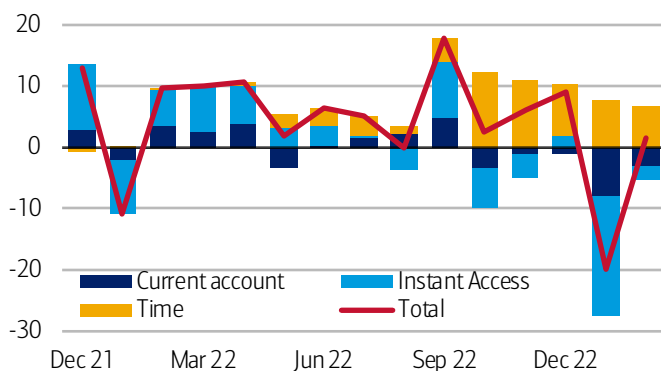


Source: Bank of England Bank Liabilities Survey

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### Exhibit 6: Monthly household deposit flow, UK banking system (£bn)

January outflows doubled YoY, time deposit growth slowing

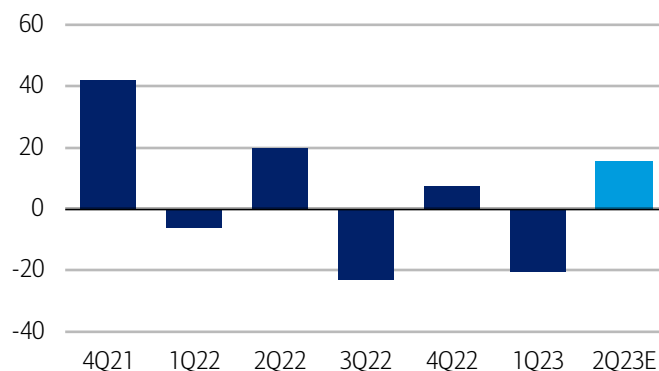


Source: Bank of England, BofA Global Research

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### Exhibit 7: Retail deposit volumes, net percentage balance (%)

Outflows in Q1, banks expecting inflows in Q2



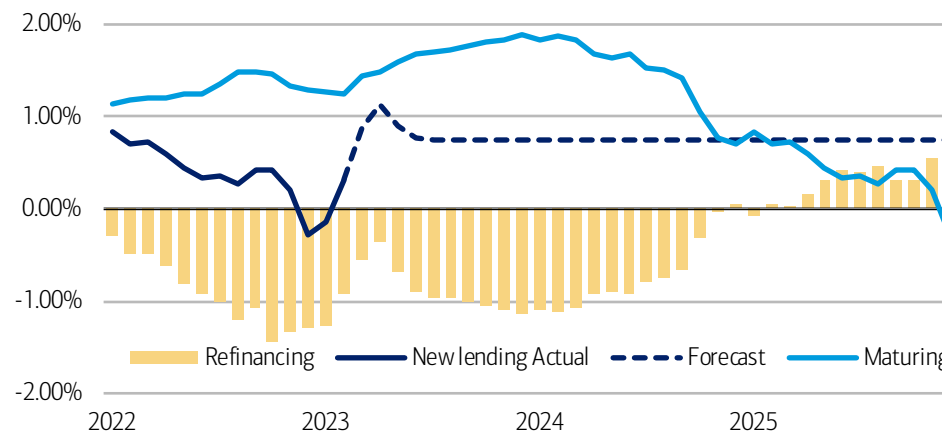
Source: Bank of England Bank Liabilities Survey

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## Weak mortgage spreads and volumes, recovery signs

### Exhibit 8: Mortgage lending and refinancing spreads, UK industry

Mortgage refinancing pressure most intense in 1Q23, new business spreads recovering

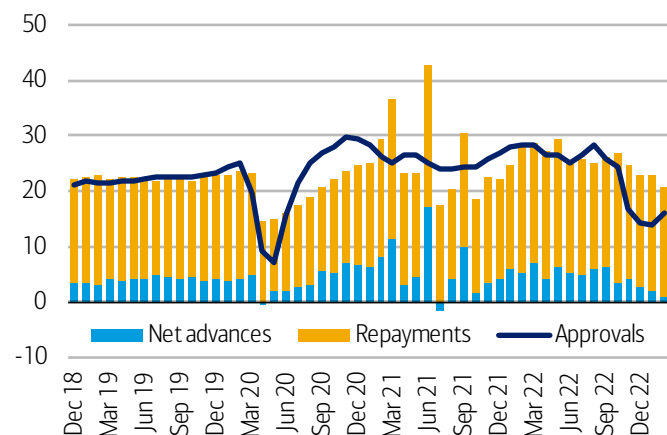


Source: Bank of England, BofA Global Research estimates

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### Exhibit 9: Mortgage lending volumes (£bn)

Minimal growth, refinancing dominating



Source: Bank of England, Refinitiv Eikon, BofA Global Research

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### Exhibit 10: RICS housing market survey

Early indications of some improvement in the housing market



Source: Royal Institute of Chartered Surveyors

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## Small earnings upgrades, compelling valuation

### Exhibit 11: Forecast changes

Raising EPS 1-4% on stronger income, lower credit costs, some expenses offset

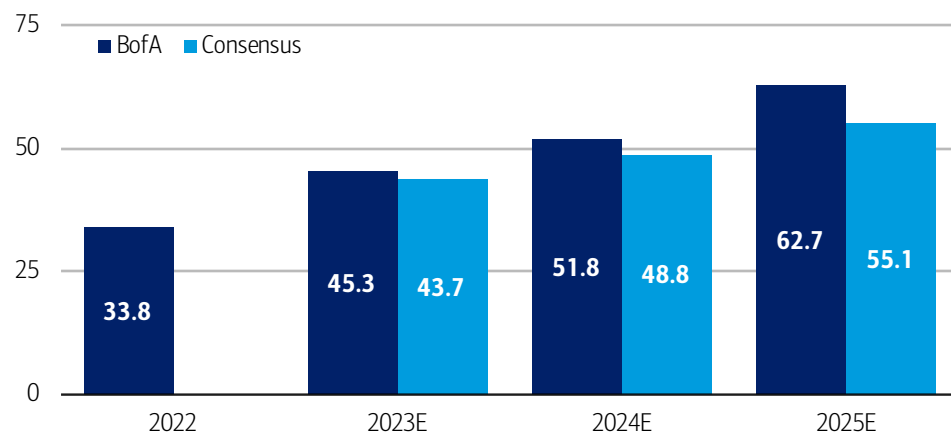
	2023E			2024E			2025E		
	New	Old	Change	New	Old	Change	New	Old	Change
Income	15,298	15,019	2%	15,635	15,454	1%	16,390	16,310	0%
Costs	(8,065)	(8,008)	1%	(7,997)	(7,944)	1%	(7,963)	(7,938)	0%
Impairments	(902)	(977)	-8%	(1,057)	(1,057)	0%	(1,118)	(1,118)	0%
<b>Statutory PBT</b>	<b>6,330</b>	<b>6,034</b>	<b>5%</b>	<b>6,580</b>	<b>6,453</b>	<b>2%</b>	<b>7,309</b>	<b>7,254</b>	<b>1%</b>
Tax	(1,884)	(1,745)	8%	(1,927)	(1,863)	3%	(2,117)	(2,073)	2%
Discontinued operations	0	0	-	0	0	-	0	0	-
Minorities	(250)	(250)	0%	(250)	(250)	0%	(250)	(250)	0%
<b>Attributable profit</b>	<b>4,196</b>	<b>4,038</b>	<b>4%</b>	<b>4,404</b>	<b>4,340</b>	<b>1%</b>	<b>4,943</b>	<b>4,931</b>	<b>0%</b>
Statutory EPS (p)	45.3	43.5	4%	51.8	50.8	2%	62.7	62.3	1%
Ord + Special DPS (p)	18.0	18.0	0%	22.0	22.0	0%	26.0	26.0	0%
Share buy backs (£bn)	2.0	2.0	0%	2.2	2.2	0%	1.8	1.8	0%

Source: BofA Global Research estimates

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### Exhibit 12: NatWest EPS (p)

BofA up to 14% above consensus, 23% CAGR



Source: Company reports, company compiled consensus, BofA Global Research estimates

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### Exhibit 13: Fundamental valuation

438p Gordon Growth model based valuation

	Value (p)
RoTE 2025E	17.9%
CoE	12.5%
Growth	0%
<b>Book multiple</b>	<b>1.4x</b>
Book multiple discounted to 1 year from now	1.2x
2023E tangible book value	285
<b>Value pre capital distribution</b>	<b>334</b>
Present value of dividend	53
Present value of share buyback	50
<b>Fundamental fair value</b>	<b>438</b>
<b>Price objective</b>	<b>390</b>

Note: ADR PO changes to US\$9.69 (from prior US\$9.37)

Source: BofA Global Research estimates

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### Exhibit 14: European Banks sector relative PE valuation

323p valuation on sector PE

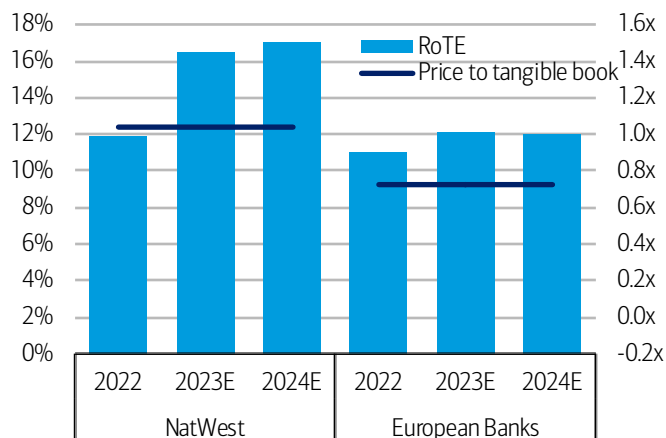
	Value (p)
NatWest 1 year forward EPS	47.5
European Bank sector 1 year forward PE	6.8x
<b>NatWest valued on sector multiple</b>	<b>323</b>

Source: BofA Global Research estimates

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**Exhibit 15: RoTE and price to tangible book multiple**

40% price to book premium in line with profitability

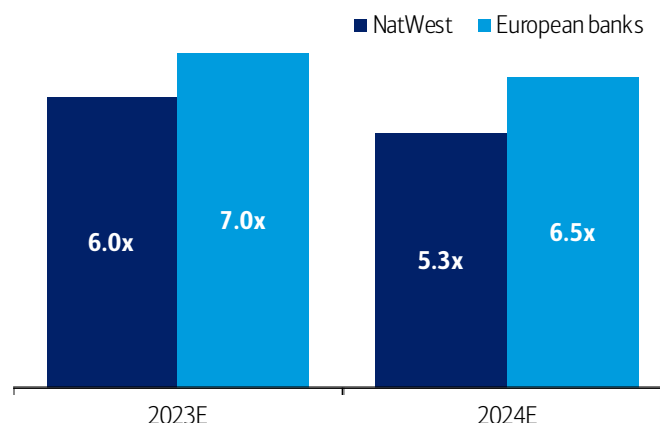


Source: Bloomberg, BofA Global Research estimates

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**Exhibit 16: PE multiple, NatWest vs European Banks sector**

2024E PE 5.3x, 18% below the European Bank sector

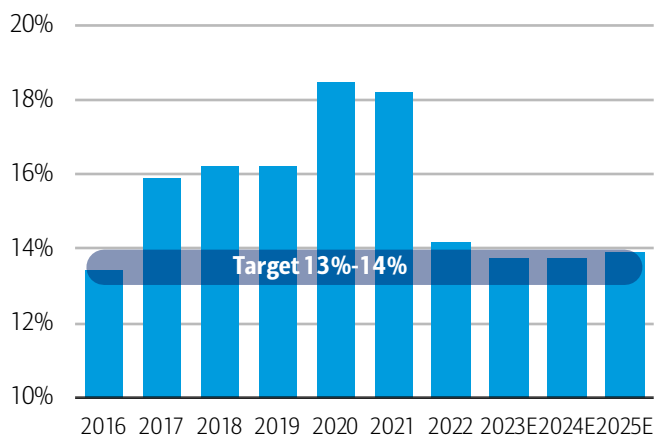


Source: Bloomberg, BofA Global Research estimates

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**Exhibit 17: NatWest CET1 ratio**

Comfortably within 13-14% target

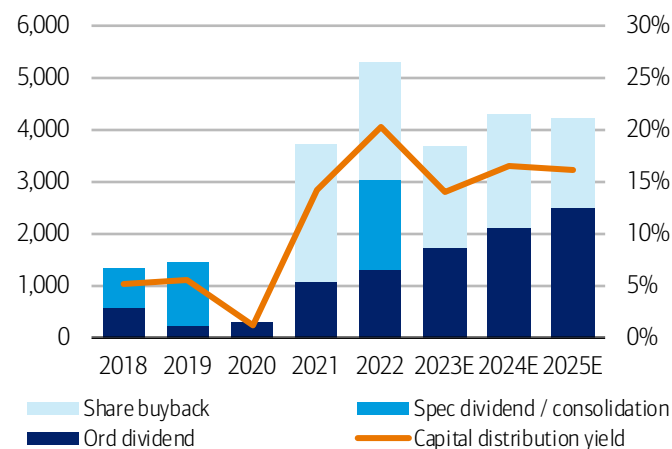


Source: Company data, BofA Global Research estimates

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**Exhibit 18: Capital distribution (£m)**

14-16% annual yield 2023E-25E



Source: Company data, BofA Global Research estimates

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## Price objective basis & risk

### NatWest Group (RBSPF / NWG)

Our price objective for NatWest is 390p (US\$9.69 per ADR). Our valuation uses a Gordon Growth model based on the outer year of our forecast period, to which we add the present value of expected capital return. We then cross check this against sector PE multiples and our economic scenario analysis. We use 2025E as the base year for our model. With a 12.5% cost of equity, this suggests a 2025E price to book multiple of 1.4x, reducing to 1.2x when discounted to a year from now at our cost of equity. Applying this to 2023E tangible book value of 285p gives a value of 334p pre capital return. To this we add the present value of the dividends and share buybacks that we forecast through to 2025E.

Downside risks to our price objective are weaker earnings than anticipated from higher impairment losses if the UK economy performs worse than we presently expect, a weaker interest rate outlook, more significant restructuring, tougher regulation and/or increased competition.

Upside risks are a stronger economic recovery, including interest rate and growth prospects, offering revenue upside and reduces credit risk. A more constructive pricing environment would be a further positive.

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I, Rohith Chandra-Rajan, 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.

### EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Allied Irish Banks	AIBRF	AIBG ID	Alastair Ryan
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	Bank Of Ireland Group	XBOIF	BIRG ID	Alastair Ryan
	BFF Banking Group	XBBZF	BFF IM	Antonio Reale
	BNP Paribas	BNPQF	BNP FP	Tarik El Mejjad
	BNP Paribas	BNPQY	BNPQY US	Tarik El Mejjad
	Credit Agricole	CRARF	ACA FP	Tarik El Mejjad
	Danske Bank	DNSKF	DANSKE DC	David Taranto
	Erste Bank	EBKOF	EBS AV	Alastair Ryan
	Erste Bank	EBKDY	EBKDY US	Alastair Ryan
	HSBC	XHSBF	5 HK	Alastair Ryan
	HSBC	HBCYF	HSBA LN	Alastair Ryan
	HSBC -A	HSBC	HSBC US	Alastair Ryan
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	Intesa Sanpaolo	IITSF	ISP IM	Antonio Reale
	Intesa Sanpaolo	ISNPY	ISNPY US	Antonio Reale
	KBC Group	KBCSF	KBC BB	Tarik El Mejjad
	KBC Group NV	KBCSY	KBCSY US	Tarik El Mejjad
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	David Taranto
	Nordea	XSABF	NDA SS	David Taranto
	Nordea Bank Abp	NRDBY	NRDBY US	David Taranto
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	UBS	XUHJF	UBSG SW	Alastair Ryan



## EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Unicredit	UNCF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale
<b>NEUTRAL</b>				
	Barclays	BCLYF	BARC LN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	Rohith Chandra-Rajan
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Handelsbanken	SVNLF	SHBA SS	David Taranto
	Mediobanca	MDIBF	MB IM	Antonio Reale
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	David Taranto
<b>UNDERPERFORM</b>				
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	Deutsche Bank	DB	DB US	Rohith Chandra-Rajan
	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	David Taranto
	DNB ASA	DNBBY	DNBBY US	David Taranto
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Poste Italiane	PITAF	PST IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
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	Swedbank AB	SWDBY	SWDBY US	David Taranto
	Virgin Money UK PLC	CBBYF	VMUK LN	Rohith Chandra-Rajan
	Virgin Money UK PLC	CYBBF	VUK AU	Rohith Chandra-Rajan

**IQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**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

**Denominator**

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

Shareholders' Equity

Sales

N/A

N/A

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

**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**

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

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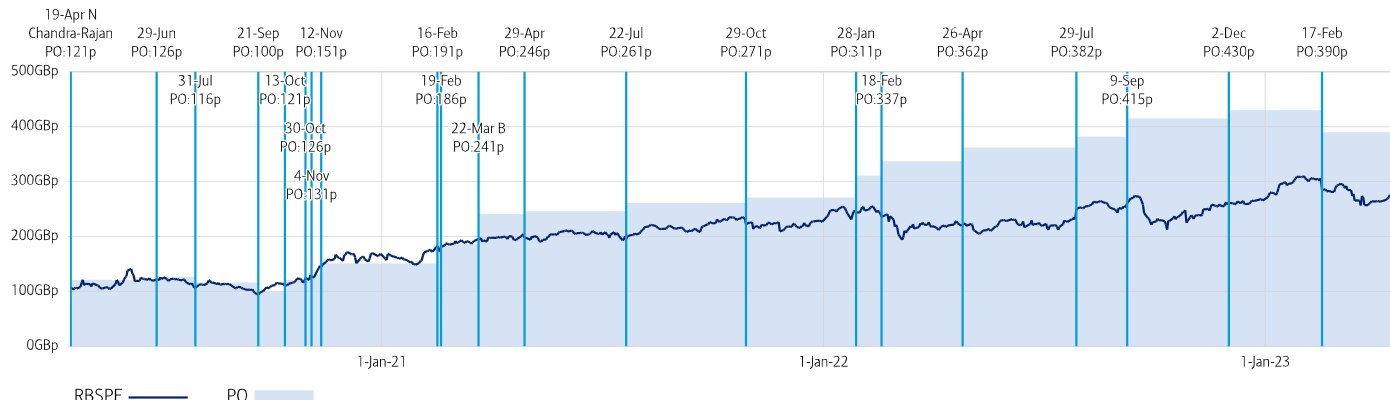
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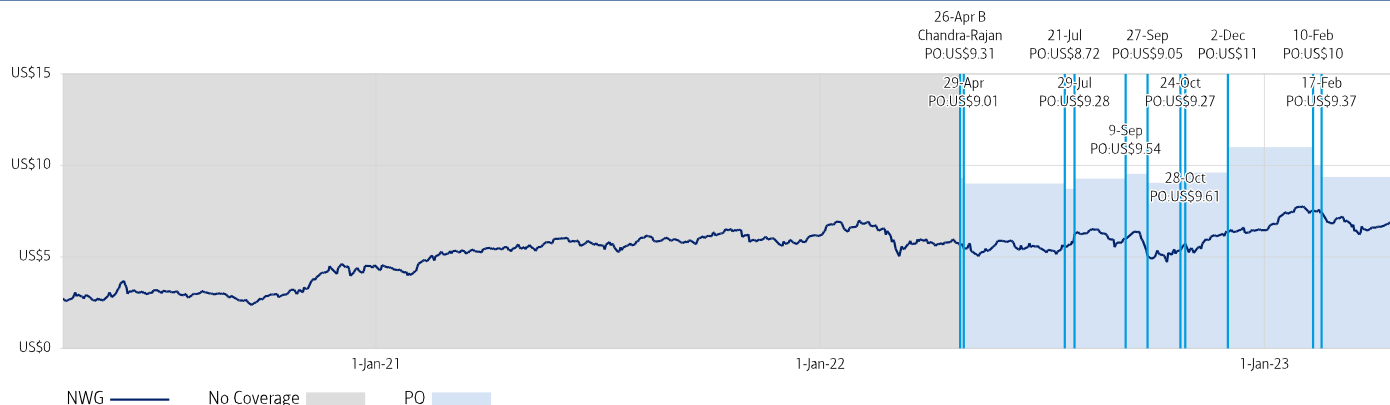
### NatWest Group (RBSPF) Price Chart



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.

### Natwest Group PLC (NWG) Price Chart



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 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	88	50.87%	Buy	72	81.82%
Hold	40	23.12%	Hold	29	72.50%
Sell	45	26.01%	Sell	34	75.56%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

<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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