

## MGIC Investment Corp.

## 4Q beats on \$60M reserve release

Reiterate Rating: BUY | PO: 22.50 USD | Price: 19.84 USD

## Solid credit trends drive EPS beat; reiterate Buy

Buy-rated private mortgage insurer MGIC Investment Corp (MTG) reported 4Q adj. EPS of \$0.67 well above BofAe/cons at \$0.56/\$0.58. The beat was primarily driven by a \$60M prior period reserve release, which was partially offset by lower premium revenue. Overall, we think 4Q shakes out as relatively positive: book value per share grew nicely (18% y/y; 7% q/q) to \$18.61 (\$19.77 adj. for AOCI), credit remains resilient and capital returns were robust. Lower interest rates should boost NIW prospectively and housing credit remains favorable. Reiterate Buy.

## Key metrics – variance table inside

**NIW (-):** MTG reported an NIW of \$10.9B, down 16% y/y and 25% q/q. 4Q NIW fell short of BofAe/cons expectations at \$11.6B/\$12.8B.

**IIF (+/-):** at \$293.5B, down 0.6% y/y and 0.3% q/q, was mostly in-line BofAe/cons at \$293.4B/\$295.3B. Persistency came in at 86.1% vs 86.3% in the prior quarter, but above our 83.4% estimate.

**Total revenue (-):** of \$284M was below BofAe/cons forecasts at \$291M/\$292M driven by lower premiums earned. The average premium rate was 30.8bps vs our 32.9bps estimate and weakened 1.9bps q/q due to reinsurance cancellation transactions. Direct premium yield was 38.6bps, down 0.6bps q/q.

**Losses incurred (+):** were (\$9.5)M well below BofAe/cons at \$22.8/\$23.0M. In-period losses were \$51M vs our \$43M estimate and the company released \$60M in prior period reserves well above our \$20M forecast. MTG noted prior period reserve benefited from an improvement in the claim rate. The default rate increased 10bps q/q to 2.25%.

**Capital return:** MTG repurchased 7M shares in 4Q and an additional 1.8M shares through Jan 26.

## Adjusting estimates and PO

We adjust our 2024/2025 EPS estimates to \$2.48/\$2.57 from \$2.36/\$2.40 prior as we account for 4Q results and an updated mortgage origination forecast. We also increase our PO from \$19.00 to \$22.50 based on a 9x multiple to 2024e estimates (8x prior) as we account for faster book value growth and the continuing favorable housing credit backdrop. Conference call at 10am ET tomorrow.

| Estimates (Dec) (US\$)    | 2022A | 2023A  | 2024E | 2025E | 2026E |
|---------------------------|-------|--------|-------|-------|-------|
| EPS                       | 2.91  | 2.52   | 2.48  | 2.57  | 2.60  |
| GAAP EPS                  | 2.79  | 2.49   | 2.48  | 2.57  | 2.60  |
| EPS Change (YoY)          | 51.6% | -13.4% | -0.4% | 3.6%  | 1.2%  |
| Consensus EPS (Bloomberg) |       |        | 2.38  | 2.51  | 2.79  |
| DPS                       | 0.36  | 0.43   | 0.46  | 0.46  | 0.46  |
| Valuation (Dec)           |       |        |       |       |       |
| P/E                       | 6.8x  | 7.9x   | 8.0x  | 7.7x  | 7.6x  |
| GAAP P/E                  | 7.1x  | 8.0x   | 8.0x  | 7.7x  | 7.6x  |
| Dividend Yield            | 1.8%  | 2.2%   | 2.3%  | 2.3%  | 2.3%  |

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12653692

Timestamp: 31 January 2024 07:33PM EST

31 January 2024

## Equity

## Key Changes

| (US\$)     | Previous | Current |
|------------|----------|---------|
| Price Obj. | 19.00    | 22.50   |

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## Stock Data

|                           |                      |
|---------------------------|----------------------|
| Price                     | 19.84 USD            |
| Price Objective           | 22.50 USD            |
| Date Established          | 31-Jan-2024          |
| Investment Opinion        | B-1-7                |
| 52-Week Range             | 12.16 USD -20.26 USD |
| Mkt Val / Shares Out (mn) | 5,627 USD / 283.6    |
| Free Float                | 99.0%                |
| Average Daily Value       | 32.37 USD            |
| BofA Ticker / Exchange    | MTG / NYS            |
| Bloomberg / Reuters       | MTG US / MTG.N       |
| ROE (2024E)               | 12.7%                |
| 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".

IIF: Insurance in force

NIW: New insurance written

AOCI: Accumulated Other Comprehensive Income

# iQprofile<sup>SM</sup> MGIC Investment Corp.

## Income Statement Data (Dec)

| (US\$ Millions)                     | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Earned Premiums               | 1,007        | 953          | 962          | 969          | 978          |
| Net Investment Income               | 167          | 215          | 245          | 245          | 246          |
| <b>Total Revenue</b>                | <b>1,173</b> | <b>1,155</b> | <b>1,209</b> | <b>1,216</b> | <b>1,226</b> |
| Total Cost of Benefits and Claims   | 255          | 21           | (111)        | (135)        | (177)        |
| S,G & A (Including Commissions)     | (249)        | (237)        | (227)        | (236)        | (241)        |
| <b>Total Operating Expenses</b>     | <b>(83)</b>  | <b>(253)</b> | <b>(374)</b> | <b>(407)</b> | <b>(453)</b> |
| <b>Pre-Tax Operating Earnings</b>   | <b>1,090</b> | <b>902</b>   | <b>835</b>   | <b>809</b>   | <b>773</b>   |
| Income Tax Expense                  | (225)        | (189)        | (175)        | (170)        | (162)        |
| <b>Operating Earnings After Tax</b> | <b>908</b>   | <b>725</b>   | <b>660</b>   | <b>639</b>   | <b>611</b>   |
| <b>Net Income (Reported)</b>        | <b>869</b>   | <b>714</b>   | <b>660</b>   | <b>639</b>   | <b>611</b>   |
| Diluted Shares                      | 311          | 287          | 265          | 249          | 235          |
| Operating Earnings Per Share        | 2.91         | 2.52         | 2.48         | 2.57         | 2.60         |
| Net Income (Reported) Per Share     | 2.79         | 2.49         | 2.48         | 2.57         | 2.60         |

## Balance Sheet Data (Dec)

| (US\$ Millions)                   | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Fixed Income Securities           | NA           | NA           | NA           | NA           | NA           |
| Total Cash and Investments        | 5,758        | 6,109        | 6,303        | 6,600        | 6,911        |
| <b>Total Assets</b>               | <b>6,214</b> | <b>6,538</b> | <b>6,732</b> | <b>7,029</b> | <b>7,340</b> |
| Reserves                          | NA           | NA           | NA           | NA           | NA           |
| LT Debt                           | 642          | 643          | 643          | 643          | 643          |
| <b>Total Liabilities</b>          | <b>1,571</b> | <b>1,466</b> | <b>1,430</b> | <b>1,386</b> | <b>1,385</b> |
| <b>Total Equity</b>               | <b>4,643</b> | <b>5,072</b> | <b>5,302</b> | <b>5,643</b> | <b>5,955</b> |
| <b>Total Equity (Ex FAS 115)</b>  | <b>4,643</b> | <b>5,072</b> | <b>5,302</b> | <b>5,643</b> | <b>5,955</b> |
| Book Value per Share (Reported)   | 15.82        | 18.61        | 20.99        | 23.63        | 26.35        |
| Book Value per Share (Ex FAS 115) | 15.82        | 18.61        | 20.99        | 23.63        | 26.35        |

## Ratios (Dec)

| (US\$ Millions)                        | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|--|--------------|--------------|--------------|--------------|--------------|
| Expense Ratio                          | 24.7%        | 24.9%        | 23.6%        | 24.4%        | 24.6%        |
| Loss Ratio                             | -25.3%       | -2.2%        | 11.5%        | 13.9%        | 18.1%        |
| <b>Combined Ratio</b>                  | <b>-0.5%</b> | <b>22.7%</b> | <b>35.2%</b> | <b>38.3%</b> | <b>42.7%</b> |
| Avg Assets / Avg Eq (Ex FAS 115) Ratio | 1.4x         | 1.3x         | 1.3x         | 1.3x         | 1.2x         |

## Growth Rates (YoY) (Dec)

| (US\$ Millions)               | 2022A  | 2023A  | 2024E | 2025E | 2026E |
|-------------------------------|--------|--------|-------|-------|-------|
| Total Earned Premium          | -0.7%  | -5.4%  | 1.0%  | 0.7%  | 0.9%  |
| Net Investment Income         | 7.1%   | 28.2%  | 13.9% | 0.1%  | 0.4%  |
| Total Revenue                 | -1.1%  | -1.5%  | 4.6%  | 0.6%  | 0.8%  |
| Operating Earnings per Share  | 51.6%  | -13.4% | -0.4% | 3.6%  | 1.2%  |
| Asset                         | -15.2% | 5.2%   | 3.0%  | 4.4%  | 4.4%  |
| Reported Book Value per Share | 4.3%   | 17.6%  | 12.8% | 12.6% | 11.5% |

## Performance Metrics (Dec)

| (US\$ Millions)                             | 2022A | 2023A | 2024E  | 2025E  | 2026E  |
|---|-------|-------|--------|--------|--------|
| Operating ROE                               | 19.1% | 14.9% | 12.7%  | 11.7%  | 10.5%  |
| Operating ROE (Ex FAS 115)                  | NA    | NA    | NA     | NA     | NA     |
| Operating Return on Average Assets          | 13.4% | 11.4% | 9.9%   | 9.3%   | 8.5%   |
| Operating Margin                            | 77.4% | 62.8% | 54.6%  | 52.6%  | 49.8%  |
| Long Term Debt to Cap Ratio (Ex FAS 115)    | 12.1% | 11.3% | 10.8%  | 10.2%  | 9.7%   |
| Net Income % Operating Income               | 95.3% | 98.3% | 100.0% | 100.0% | 100.0% |
| Amtz of DAC % Pretax Profit bef Amtz of DAC | 0%    | 0%    | 0%     | 0%     | 0%     |

## Company Sector

Mortgage Finance

## Company Description

MGIC Investment Corporation (MTG) is one of the oldest and largest private mortgage insurance companies in the United States. The company is based in Milwaukee, Wisconsin. MTG is licensed to write business in all 50 states, the District of Columbia, Guam and Puerto Rico. In addition to mortgage insurance, MTG also provides lenders with underwriting and contract services related to home mortgage lending.

## Investment Rationale

We rate MTG a Buy. MTG should grow earnings as it grows its insured portfolio. The favorable housing credit backdrop should drive solid ROEs and book value growth, setting the stage for robust capital return. We also think mortgage insurers will be more resilient in a downturn (vs. prior performance) given extensive use of reinsurance and more dynamic pricing.

## Stock Data

Average Daily Volume 1,631,301

## Quarterly Earnings Estimates

|    | 2023  | 2024  |
|----|-------|-------|
| Q1 | 0.54A | 0.63E |
| Q2 | 0.68A | 0.64E |
| Q3 | 0.64A | 0.60E |
| Q4 | 0.67A | 0.62E |

**Exhibit 1: A \$60M reserve drove the EPS beat**

## Variance table

| (\$ in thousands)                                   | Q4'22A        | Q3'23A        | Q4'23E        | Q4'23A        | VAR           | QoQ         | YoY         | Consensus     |
|---|---------------|---------------|---------------|---------------|---------------|-------------|-------------|---------------|
| <b>GAAP EPS</b>                                     | <b>\$0.64</b> | <b>\$0.64</b> | <b>\$0.56</b> | <b>\$0.66</b> | <b>\$0.10</b> | <b>3.2%</b> | <b>2.2%</b> | <b>\$0.58</b> |
| <b>Adjusted EPS</b>                                 | <b>\$0.64</b> | <b>\$0.64</b> | <b>\$0.56</b> | <b>\$0.67</b> | <b>\$0.11</b> | <b>4.9%</b> | <b>2.8%</b> | <b>\$0.58</b> |
| Net Premiums Earned                                 | \$244.1       | \$241.3       | \$233.6       | \$226.4       | (\$0.02)      | (6.1%)      | (7.2%)      | \$235.5       |
| Total Revenues                                      | \$292.3       | \$296.5       | \$290.8       | \$284.0       | (\$0.02)      | (4.2%)      | (2.8%)      | \$292.4       |
| Total Losses and expenses                           | \$51.8        | \$62.1        | \$90.3        | \$54.1        | \$0.10        | (12.9%)     | 4.4%        | \$87.8        |
| <i>Losses incurred</i>                              | (\$31.1)      | (\$0.1)       | \$22.8        | (\$9.5)       | \$0.09        | 12281.8%    | (69.4%)     | \$23.0        |
| <i>Other expenses</i>                               | \$83.0        | \$62.2        | \$67.6        | \$63.6        | \$0.01        | 2.3%        | (23.3%)     | \$64.7        |
| Income before Tax                                   | \$240.4       | \$234.4       | \$200.5       | \$229.8       | \$0.08        | (1.9%)      | (4.4%)      | \$204.7       |
| Provision for income taxes                          | \$49.0        | \$51.6        | \$44.1        | \$45.3        | (\$0.00)      | (12.0%)     | (7.5%)      | \$43.4        |
| <i>Tax Rate</i>                                     | 20.4%         | 22.0%         | 22.0%         | 19.7%         |               | -2.3%       | -0.6%       | 21.2%         |
| Net Income  | \$191.4       | \$182.8       | \$156.4       | \$184.5       | \$0.10        | 0.9%        | (3.6%)      | \$161.6       |
| Adj. Net Income                                     | \$193.3       | \$183.0       | \$156.4       | \$187.6       | \$0.11        | 2.5%        | (3.0%)      | \$163.4       |
| Weighted Average shares outstanding (Diluted)       | 300.0         | 285.6         | 279.4         | 278.9         |               | (2.3%)      | (7.0%)      | 281.3         |
| Book Value Per Share (Basic)                        | \$15.82       | \$17.37       | \$17.84       | \$18.61       |               | 7.2%        | 17.6%       |               |
| <b>Key Drivers</b>                                  |               |               |               |               |               |             |             |               |
| New Primary Insurance Written (NIW)                 | 12,900        | 14,600        | 11,560        | 10,900        |               | (25.3%)     | (15.5%)     | 12,779        |
| Insurance In-force                                  | 295,300       | 294,300       | 293,352       | 293,500       |               | (0.3%)      | (0.6%)      | 295,332       |
| Average Premium Rate (Premium earned / Average IIF) | 0.332%        | 0.329%        | 0.329%        | 0.308%        |               | (0.021%)    | (0.023%)    | 0.321%        |
| Annual Persistency (reported)                       | 79.8%         | 86.3%         | 83.4%         | 86.1%         |               | (0.2%)      | 6.30%       | 84.8%         |
| Loss Ratio  | (12.8%)       | (0.0%)        | 9.8%          | (4.2%)        |               | (4.2%)      | 8.5%        | 9.7%          |
| Expense Ratio (NPE basis)                           | 30.1%         | 21.9%         | 23.0%         | 24.2%         |               | 2.2%        | (5.9%)      | 23.0%         |
| Combined Ratio                                      | 17.4%         | 21.9%         | 32.8%         | 20.0%         |               | (1.9%)      | 2.6%        | 32.7%         |
| Expense Ratio (reported)                            | 31.3%         | 22.2%         | 0.0%          | 24.6%         |               | 2.4%        | (6.7%)      |               |
| Total Number of Loans in Default                    | 26.4          | 24.7          | 25.4          | 25.7          |               | 3.8%        | (2.8%)      | 26.5          |
| Default Rate (as a % of number of loans)            | 2.24%         | 2.15%         | 2.23%         | 2.25%         |               | 0.10%       | 0.01%       | 2.27%         |

Source: BofA Global Research estimates, Visible Alpha, company reports

BofA GLOBAL RESEARCH



## Price objective basis & risk

### MGIC Investment Corp. (MTG)

Our \$22.50 PO is based on an 9x PE multiple to our 2024 EPS forecast. A 9x PE multiple is at the high-end of the historical range for mortgage insurers (6x-11x) and reflects the current favorable backdrop for housing credit, as well as, MTG's strong book value growth and capital return potential.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns.

## Analyst Certification

I, Mihir Bhatia, 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.

### US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

| Investment rating | Company                                | BofA Ticker | Bloomberg symbol | Analyst          |
|-------------------|--|-------------|------------------|------------------|
| <b>BUY</b>        |  |             |                  |                  |
|                   | Accenture Plc                          | ACN         | ACN US           | Jason Kupferberg |
|                   | American Express Company               | AXP         | AXP US           | Mihir Bhatia     |
|                   | Block Inc                              | SQ          | SQ US            | Jason Kupferberg |
|                   | Capital One Financial                  | COF         | COF US           | Mihir Bhatia     |
|                   | Discover Financial                     | DFS         | DFS US           | Mihir Bhatia     |
|                   | Enact Holdings                         | ACT         | ACT US           | Mihir Bhatia     |
|                   | Essent Group                           | ESNT        | ESNT US          | Mihir Bhatia     |
|                   | Fidelity National Information Services | FIS         | FIS US           | Jason Kupferberg |
|                   | Fiserv Inc                             | FI          | FI US            | Jason Kupferberg |
|                   | FleetCor Technologies Inc.             | FLT         | FLT US           | Mihir Bhatia     |
|                   | Flywire                                | FLYW        | FLYW US          | Jason Kupferberg |
|                   | Global Payments Inc                    | GPN         | GPN US           | Jason Kupferberg |
|                   | Jack Henry & Associates                | JKHY        | JKHY US          | Jason Kupferberg |
|                   | Mastercard Inc                         | MA          | MA US            | Jason Kupferberg |
|                   | MGIC Investment Corp.                  | MTG         | MTG US           | Mihir Bhatia     |
|                   | NMI Holdings                           | NMIH        | NMIH US          | Mihir Bhatia     |
|                   | Nuvei                                  | NVEI        | NVEI US          | Jason Kupferberg |
|                   | Nuvei                                  | YNVEI       | NVEI CN          | Jason Kupferberg |
|                   | OneMain Holdings, Inc.                 | OMF         | OMF US           | Mihir Bhatia     |
|                   | Shift4 Payments, Inc                   | FOUR        | FOUR US          | Jason Kupferberg |
|                   | Telus International                    | TIXT        | TIXT US          | Cassie Chan      |
|                   | Telus International                    | YTIXT       | TIXT CN          | Cassie Chan      |
|                   | Visa Inc.                              | V           | V US             | Jason Kupferberg |
|                   | WEX Inc.                               | WEX         | WEX US           | Mihir Bhatia     |
| <b>NEUTRAL</b>    |  |             |                  |                  |
|                   | ADP                                    | ADP         | ADP US           | Jason Kupferberg |
|                   | Affirm Holdings                        | AFRM        | AFRM US          | Jason Kupferberg |
|                   | Bread Financial Holdings Inc           | BFH         | BFH US           | Mihir Bhatia     |
|                   | DLocal                                 | DLO         | DLO US           | Jason Kupferberg |
|                   | Globant SA                             | GLOB        | GLOB US          | Jason Kupferberg |
|                   | Marqeta                                | MQ          | MQ US            | Jason Kupferberg |
|                   | PayPal Holdings Inc                    | PYPL        | PYPL US          | Jason Kupferberg |
|                   | SoFi Technologies Inc                  | SOFI        | SOFI US          | Mihir Bhatia     |
|                   | Synchrony Financial                    | SYF         | SYF US           | Mihir Bhatia     |
|                   | Thoughtworks                           | TWKS        | TWKS US          | Jason Kupferberg |
|                   | Toast                                  | TOST        | TOST US          | Jason Kupferberg |
|                   | TTEC Holdings                          | TTEC        | TTEC US          | Cassie Chan      |

**US - Payments, Processors, Specialty Finance and IT services Coverage Cluster**

| Investment rating   | Company                        | BofA Ticker | Bloomberg symbol | Analyst          |
|---------------------|--------------------------------|-------------|------------------|------------------|
| <b>UNDERPERFORM</b> |                                |             |                  |                  |
|                     | CGI Inc.                       | GIB         | GIB US           | Jason Kupferberg |
|                     | CGI Inc.                       | YGIBA       | GIB/A CN         | Jason Kupferberg |
|                     | Cognizant Technology Solutions | CTSH        | CTSH US          | Jason Kupferberg |
|                     | Coinbase                       | COIN        | COIN US          | Jason Kupferberg |
|                     | DXC Technology                 | DXC         | DXC US           | Jason Kupferberg |
|                     | EPAM Systems                   | EPAM        | EPAM US          | Jason Kupferberg |
|                     | Paychex                        | PAYX        | PAYX US          | Jason Kupferberg |
|                     | Radian Group Inc               | RDN         | RDN US           | Mihir Bhatia     |
|                     | Rocket Companies, Inc.         | RKT         | RKT US           | Mihir Bhatia     |
|                     | TaskUs                         | TASK        | TASK US          | Cassie Chan      |
|                     | Western Union                  | WU          | WU US            | Jason Kupferberg |

**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

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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 valuations. 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.

iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

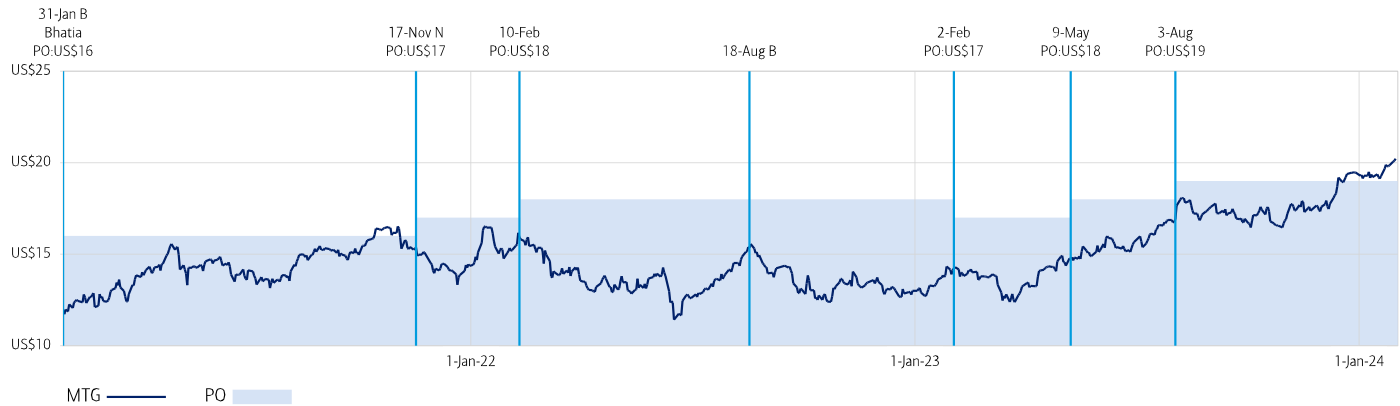
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# Disclosures

## Important Disclosures

### MGIC Investment (MTG) 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: Financial Services Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 156   | 53.79%  | Buy                                      | 94    | 60.26%  |
| Hold              | 72    | 24.83%  | Hold                                     | 48    | 66.67%  |
| Sell              | 62    | 21.38%  | Sell                                     | 35    | 56.45%  |

### 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%  |

<sup>R2</sup> 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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