

## NatWest Group

## 4Q23 – good quarter, rebasing guidance

Reiterate Rating: BUY | PO: 280.00 GBp | Price: 214.30 GBp

## Rebasing revenues

There's been some market expectation that NatWest would review guidance, particularly given uncertainties including the rates outlook, customer behaviour and competition. Below consensus 2024 revenue guidance and the >13% 2026 RoTE target (previously 14-16% medium term) are the key changes. We cut earnings 6-7% (Exhibit 10), mainly net interest income, and reduce our price objective to 280p (from 290p). At 5.9x PE and a low-mid teens yield (Exhibit 8), we reiterate a Buy rating.

## A quick glance at a decent Q4

Profit before tax ex notable items is 13% above consensus, mainly lower provisions but also stronger net interest income (Exhibit 1). The underlying margin was down just 5bp QoQ, deposit migration slowed, although there were some outflows, and mortgage pricing looks more disciplined. Although small, we see the £300m share buyback reaffirming the company's commitment to capital distributions.

## 2024 lower revenues, low provisions, c12% RoTE

£13-13.5bn revenue guidance compares to £13.8bn consensus (Exhibit 2). We flex net interest margin down to 2.70%, troughing around mid-year (Exhibit 4) to get there. As well as policy rates falling 1.25% in 2024 and 1% in 2025, this implies further deposit migration, after only a 1% mix shift in 4Q23, and some further deposit spread compression, we think. A <20bp loan impairment rate is consistent with our existing 18bp but well below 29bp consensus (Exhibit 6). Flat costs are in line with consensus.

## 2026 target &gt; 13% RoTE

There's little detail on how profitability rebuilds after 2024, but we think that its mainly net interest margin recovering to near the 2023 level (Exhibit 3) as the hedge is reinvested. If cost are well controlled, provisions normalise and with risk weighted asset and capital targets reaffirmed, we expect an RoTE approaching 14% in 2026E, while consensus is nearer 13% (Exhibit 7).

Estimates (Dec) (GBp)	2022A	2023A	2024E	2025E	2026E
Net Profit (£m)	3,602	4,506	3,068	3,417	3,952
EPS (Adjusted)	37.8	49.2	36.1	42.8	52.5
Dividend / Share	13.8	17.0	14.0	17.0	20.0
Adjusted NAV PS	262	290	318	356	400
ADR EPS (Adjusted - US\$)	0.93	1.22	0.91	1.08	1.32
ADR Dividend / Shares (US\$)	0.34	0.42	0.35	0.43	0.50
Valuation (Dec)					
P/E	5.67	4.36	5.94	5.01	4.09
EPS Change (YoY)	61.6%	30.1%	-26.7%	18.7%	22.5%
Price / BV	0.63x	0.57x	0.52x	0.47x	0.42x
Price / NAV	0.82x	0.74x	0.67x	0.60x	0.54x
Net Yield	6.43%	7.93%	6.53%	7.93%	9.33%
DPS Change (YoY)	21.8%	23.5%	-17.6%	21.4%	17.6%
Price / GOP	3.87x	2.91x	3.38x	2.78x	2.32x

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**Refer to important disclosures on page 11 to 14. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.**

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Timestamp: 16 February 2024 02:06AM EST

16 February 2024

## Equity

## Key Changes

(GBp)	Previous	Current
Inv. Opinion	B-1-7	B-1-8
Price Obj.	290.00	280.00
2024E EPS	38.86	36.05
2025E EPS	45.47	42.81
2026E EPS	56.44	52.46
2024E DPS	17.00	14.00

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## Stock Data

Price (Common / ADR)	214.30 GBp / 5.50 USD
Price Objective	280.00 GBp / 7.05 USD
Date Established	16-Feb-2024 / 16-Feb-2024
Investment Opinion	B-1-8 / B-1-8
52-Week Range	168.30 GBp-306.60 GBp
Market Value (mn)	18,743 GBp
Shares Outstanding (mn)	8,746.4 / 4,373.2
Average Daily Value (mn)	40.86 USD
Free Float	64.9%
BofA Ticker / Exchange	RBSPF / LSE
BofA Ticker / Exchange	NWG / NYS
Bloomberg / Reuters	NWG LN / NWGL
ROE (2024E)	9.1%
ESGMeter™	High

**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".**

**Income rating:** With an unchanged 40% payout ratio on lower earnings, we update our income rating from 7 (same/higher) to 8 (same/lower).

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

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(£ Millions)	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
<b>Net Interest Income</b>	<b>9,842</b>	<b>11,049</b>	<b>9,870</b>	<b>10,751</b>	<b>11,805</b>
Net Fee Income	2,292	2,330	2,394	2,489	2,576
Securities Gains / (Losses)	1,133	794	0	0	0
Other Income	(111)	579	1,080	981	995
<b>Total Non-Interest Income</b>	<b>3,314</b>	<b>3,703</b>	<b>3,474</b>	<b>3,470</b>	<b>3,571</b>
<b>Total Operating Income</b>	<b>13,156</b>	<b>14,752</b>	<b>13,344</b>	<b>14,222</b>	<b>15,376</b>
Operating Expenses	(7,687)	(7,996)	(7,956)	(8,065)	(8,407)
<b>Pre-Provision Profit</b>	<b>5,469</b>	<b>6,756</b>	<b>5,388</b>	<b>6,156</b>	<b>6,969</b>
Provisions Expense	(337)	(578)	(698)	(1,004)	(1,078)
<b>Operating Profit</b>	<b>5,132</b>	<b>6,178</b>	<b>4,690</b>	<b>5,152</b>	<b>5,891</b>
Non-Operating Items	0	0	0	0	0
<b>Pre-Tax Income</b>	<b>5,132</b>	<b>6,178</b>	<b>4,690</b>	<b>5,152</b>	<b>5,891</b>
Net Income to sh/holders	3,602	4,506	3,068	3,417	3,952
<b>Adjusted Cash Earnings</b>	<b>3,731</b>	<b>4,506</b>	<b>3,068</b>	<b>3,417</b>	<b>3,952</b>

## Key Balance Sheet Data

Total Assets	720,053	692,673	734,314	756,138	778,733
Average Interest Earning Assets	534,524	532,377	515,369	510,357	513,747
<b>Risk Weighted Assets</b>	<b>176,101</b>	<b>182,989</b>	<b>189,649</b>	<b>200,001</b>	<b>204,702</b>
Total Gross Customer Loans	369,774	385,078	392,722	404,742	417,206
Total Customer Deposits	450,318	431,377	427,758	434,084	440,537
<b>Tier 1 Capital</b>	<b>28,867</b>	<b>28,315</b>	<b>29,324</b>	<b>30,092</b>	<b>31,178</b>
Tangible Equity	25,482	25,653	26,326	27,737	29,523
<b>Common Shareholders' Equity</b>	<b>32,598</b>	<b>33,267</b>	<b>33,940</b>	<b>35,351</b>	<b>37,137</b>

## Key Metrics

Net Interest Margin	1.81%	2.12%	1.93%	2.11%	2.28%
<b>Tier 1 Ratio</b>	<b>16.4%</b>	<b>15.5%</b>	<b>15.5%</b>	<b>15.0%</b>	<b>15.2%</b>
Effective Tax Rate	24.8%	23.2%	29.3%	28.8%	28.7%
Loan / Assets Ratio	50.9%	55.1%	53.0%	53.1%	53.1%
<b>Loan / Deposit Ratio</b>	<b>81.4%</b>	<b>88.4%</b>	<b>91.0%</b>	<b>92.4%</b>	<b>93.9%</b>
Oper Leverage (Inc Growth - Cost Growth)	26.1%	8.11%	-9.05%	5.20%	3.88%
Gearing (Assets / Equity)	22.1x	20.8x	21.6x	21.4x	21.0x
Tangible Equity / Assets	3.54%	3.70%	3.59%	3.67%	3.79%
Tangible Equity / RWAs	14.5%	14.0%	13.9%	13.9%	14.4%

## Business Performance

Revenue Growth	25.2%	12.1%	-9.55%	6.58%	8.12%
Operating Expense Growth	-0.92%	4.02%	-0.50%	1.37%	4.24%
Provisions Expense Growth	-126%	71.5%	20.7%	43.8%	7.40%
Operating Revenue / Average Assets	0.68%	0.87%	0.66%	0.69%	0.77%
Operating Expenses / Average Assets	-1.02%	-1.13%	-1.12%	-1.08%	-1.10%
<b>Pre-Provision ROA</b>	<b>0.73%</b>	<b>0.96%</b>	<b>0.76%</b>	<b>0.83%</b>	<b>0.91%</b>
ROA	0.48%	0.64%	0.43%	0.46%	0.51%
<b>Pre-Provision ROE</b>	<b>15.6%</b>	<b>20.5%</b>	<b>16.0%</b>	<b>17.8%</b>	<b>19.2%</b>
ROE	10.3%	13.7%	9.13%	9.86%	10.9%
RoTE	13.3%	17.6%	11.8%	12.6%	13.8%
RoRWAs	2.24%	2.51%	1.65%	1.75%	1.95%
Dividend Payout Ratio	36.4%	34.6%	38.8%	39.7%	38.1%
<b>Efficiency Ratio (Cost / Income Ratio)</b>	<b>58.4%</b>	<b>54.2%</b>	<b>59.6%</b>	<b>56.7%</b>	<b>54.7%</b>

## Quality of Earnings

<b>Total Non-Interest Inc / Operating Inc</b>	<b>25.2%</b>	<b>25.1%</b>	<b>26.0%</b>	<b>24.4%</b>	<b>23.2%</b>
Market-Related Revenue / Total Revenues	8.61%	5.38%	0%	0%	0%
Provisioning Burden as % of PPP	6.16%	8.56%	13.0%	16.3%	15.5%
NPLs plus Foreclosed Real Estate / Loans	1.39%	1.46%	1.41%	1.37%	1.33%
<b>Loan Loss Reserves / NPLs</b>	<b>67.4%</b>	<b>65.5%</b>	<b>65.0%</b>	<b>65.0%</b>	<b>65.0%</b>
Loan Loss Reserves / Total Loans	0.94%	0.96%	0.92%	0.89%	0.86%
<b>Provisions Expense / Average Loans</b>	<b>0.09%</b>	<b>0.15%</b>	<b>0.18%</b>	<b>0.25%</b>	<b>0.26%</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.

## Stock Data

Shares / ADR	2.00
Price to Book Value	0.5x

## Quarterly Earnings Estimates

	2023	2024
Q1	12.89A	9.15E
Q2	12.52A	8.15E
Q3	10.16A	8.85E
Q4	14.70A	9.92E

## Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-1-8
Price Obj.	7.33	7.05
2024E EPS	0.98	0.91
2025E EPS	1.14	1.08
2026E EPS	1.42	1.32
2024E DPS	0.43	0.35

# Key data

## Exhibit 1: NatWest performance 4Q23 (£m unless stated)

Attributable profit 88% above consensus, mainly one offs. Profit before tax ex notable items 13% beat on lower provisions, stronger income

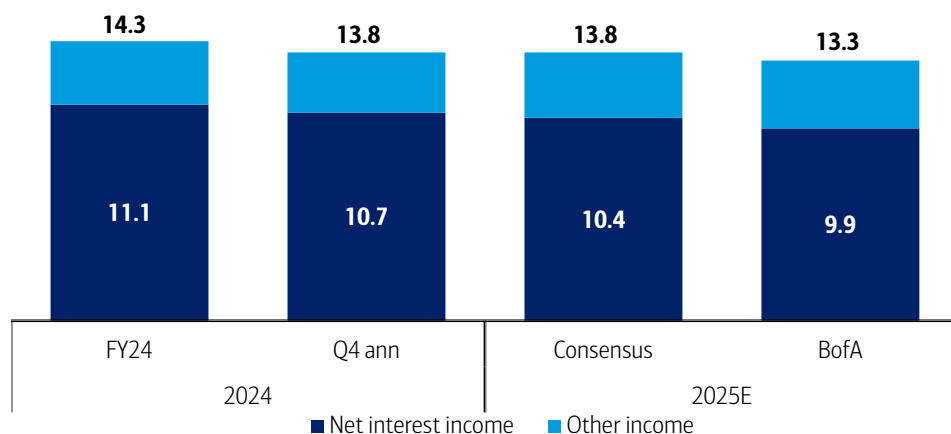
	4Q22	1Q23	2Q23	3Q23	4Q23			4Q23 vs			
					Act	Cons	BofA	Cons	BofA	4Q22	3Q23
<b>P&amp;L</b>											
Net interest income	2,868	2,902	2,824	2,685	2,638	2,594	2,615	2%	1%	-8%	-2%
Non interest income	840	974	1,027	803	899	787	772	14%	16%	7%	12%
<b>Total income</b>	<b>3,708</b>	<b>3,876</b>	<b>3,851</b>	<b>3,488</b>	<b>3,537</b>	<b>3,381</b>	<b>3,387</b>	<b>5%</b>	<b>4%</b>	<b>-5%</b>	<b>1%</b>
Other expenses	(2,047)	(1,932)	(1,875)	(1,793)	(2,041)	(2,017)	(2,015)	1%	1%	0%	14%
Litigation & conduct costs	(91)	(56)	(52)	(134)	(113)	(104)	(99)	-	-	-	-
<b>Operating expenses</b>	<b>(2,138)</b>	<b>(1,988)</b>	<b>(1,927)</b>	<b>(1,927)</b>	<b>(2,154)</b>	<b>(2,121)</b>	<b>(2,114)</b>	<b>2%</b>	<b>2%</b>	<b>1%</b>	<b>12%</b>
<b>Gross operating profit</b>	<b>1,570</b>	<b>1,888</b>	<b>1,924</b>	<b>1,561</b>	<b>1,383</b>	<b>1,260</b>	<b>1,272</b>	<b>10%</b>	<b>9%</b>	<b>-12%</b>	<b>-11%</b>
Impairments	(144)	(70)	(153)	(229)	(126)	(242)	(209)	-48%	-40%	-13%	-45%
<b>Profit before tax</b>	<b>1,426</b>	<b>1,818</b>	<b>1,771</b>	<b>1,332</b>	<b>1,257</b>	<b>1,018</b>	<b>1,063</b>	<b>23%</b>	<b>18%</b>	<b>-12%</b>	<b>-6%</b>
Tax	(46)	(512)	(549)	(378)	5	(288)	(300)	-102%	-102%	-111%	-101%
Discontinued operations	(56)	35	(143)	(30)	26	(11)	(12)	-	-	-	-
Minorities	(62)	(62)	(59)	(58)	(59)	(67)	(71)	-12%	-17%	-5%	-
<b>Attributable profit</b>	<b>1,262</b>	<b>1,279</b>	<b>1,020</b>	<b>866</b>	<b>1,229</b>	<b>652</b>	<b>680</b>	<b>88%</b>	<b>81%</b>	<b>-3%</b>	<b>42%</b>
<b>Notable items in income</b>											
	<b>(58)</b>	<b>56</b>	<b>288</b>	<b>(26)</b>	<b>95</b>	<b>(4)</b>	<b>0</b>	-	-	-	-
<b>P&amp;L ex notable items, conduct &amp; litigation</b>											
Income	3,766	3,820	3,563	3,514	3,442	3,385	3,387	2%	2%	-9%	-2%
Expenses	(2,047)	(1,932)	(1,875)	(1,793)	(2,041)	(2,017)	(2,015)	1%	1%	0%	14%
<b>Gross operating profit</b>	<b>1,719</b>	<b>1,888</b>	<b>1,688</b>	<b>1,721</b>	<b>1,401</b>	<b>1,367</b>	<b>1,371</b>	<b>2%</b>	<b>2%</b>	<b>-18%</b>	<b>-19%</b>
Impairments	(144)	(70)	(153)	(229)	(126)	(242)	(209)	-48%	-40%	-13%	-45%
<b>Profit before tax</b>	<b>1,575</b>	<b>1,818</b>	<b>1,535</b>	<b>1,492</b>	<b>1,275</b>	<b>1,125</b>	<b>1,162</b>	<b>13%</b>	<b>10%</b>	<b>-19%</b>	<b>-15%</b>
<b>Key metrics</b>											
Net interest margin (Banking)	3.20%	3.27%	3.13%	2.94%	2.86%	2.83%	2.85%	0.03%	0.01%	-0.34%	-0.08%
Average interest earning assets (Banking), £bn	356	360	362	363	367	364	364	1%	1%	3%	1%
Cost: income ratio	55.2%	49.8%	48.7%	51.4%	57.7%	59.7%	59.5%	-2.0%	-1.8%	2.5%	6.3%
Cost of risk	0.15%	0.07%	0.16%	0.24%	0.13%	0.25%	0.22%	-0.12%	-0.09%	-0.02%	-0.11%
CET1 ratio	14.2%	14.4%	13.5%	13.5%	13.4%	13.4%	13.4%	0.0%	0.0%	-0.8%	-0.1%
Risk weighted assets (£bn)	176	178	178	182	183	184	185	-1%	-1%	4%	1%
TNAV per share (p)	264	278	262	271	292	281	280	4%	4%	11%	8%
DPS (p)	10.0	0.0	5.5	0.0	11.5	11.3	11.0	-	-	-	-
Share buyback (£m)	800	0	1,759	0	300	120	250	-	-	-	-

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

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**Exhibit 2: 2024 revenue guidance £13-13.5bn**

Compares to £13.8bn consensus. We assume lower net interest income

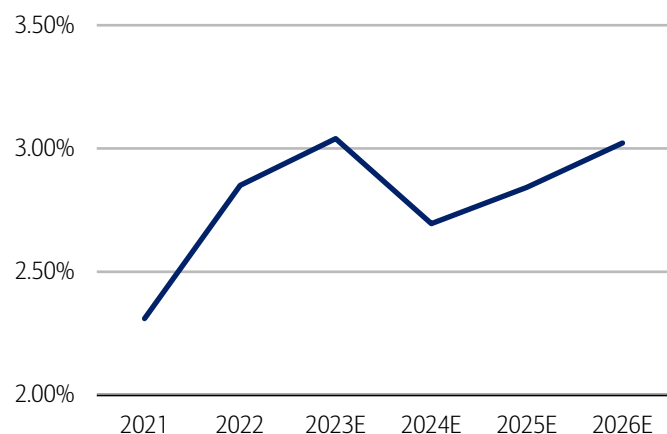


Source: BofA Global Research estimates, company reports, company compiled consensus

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**Exhibit 3: We now have net interest margin at 2.70% in 2024E, recovering to near 2023 level by 2026E**

Annual banking net interest margin

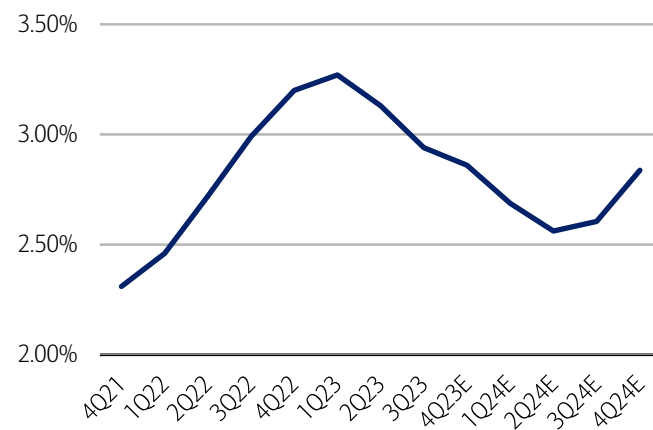


Source: Company reports, BofA Global Research estimates

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**Exhibit 4: Margin trough mid 2024E**

Quarterly banking net interest margin

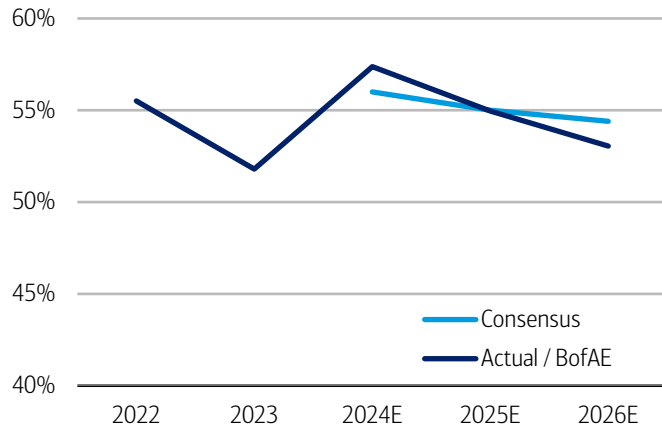


Source: Company reports, BofA Global Research estimates

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**Exhibit 5: Cost: income ratio rising to 57% 2024E, still > 50% 2026E**

Cost: income ex litigation and conduct

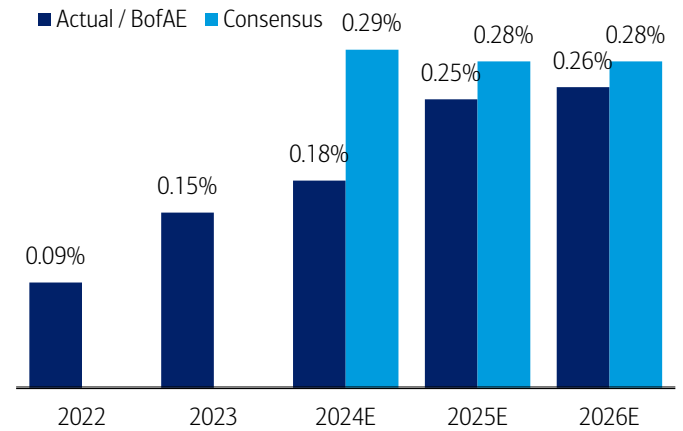


Source: Company reports, BofA Global Research estimates

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**Exhibit 6: Loan impairment rate low again in 2024E then normalised**

Loan impairment charge % average loans

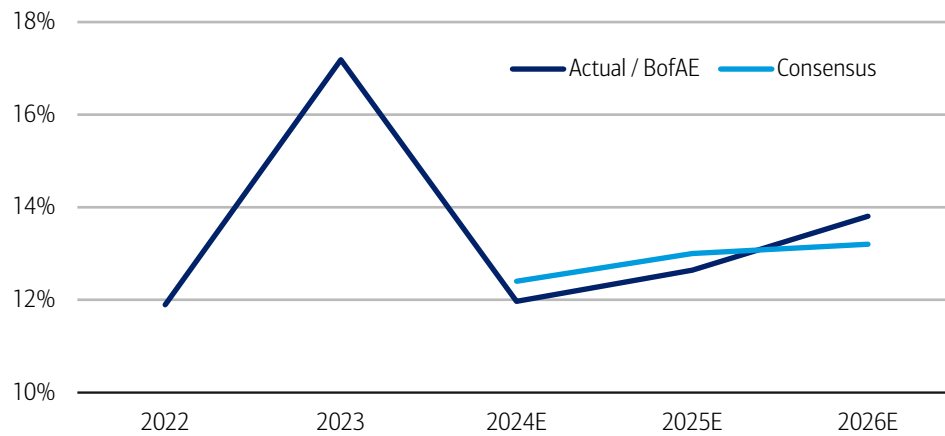


Source: Company reports, BofA Global Research estimates

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**Exhibit 7: RoTE guidance 12% 2024E, >13% 2026E**

Consensus 12-13%, we estimate 12-14%

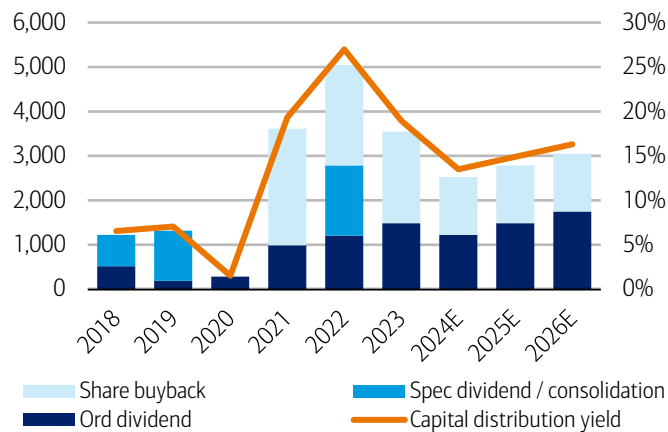


Source: Company data, company consensus, BofA Global research estimates

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**Exhibit 8: Low-mid teens yield 2024E-26E**

Capital distribution (£m) - £2.5-3bn a year

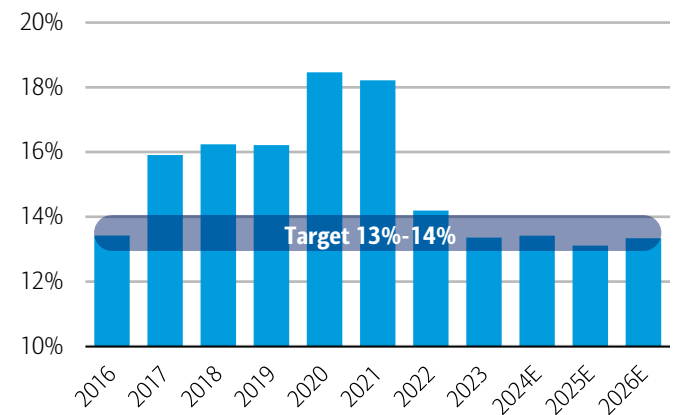


Source: Company data, BofA Global Research estimates

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**Exhibit 9: Operating within 13-14% CET1 target**

NatWest CET1 ratio



Source: Company, BofA Global Research estimates

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**Exhibit 10: Forecast changes**

Reducing earnings 6-7% on lower net interest income

	New	2024E Old	Change	New	2025E Old	Change	New	2026E Old	Change
<b>Profit &amp; loss (£m)</b>									
Net interest income	9,870	10,242	-4%	10,751	11,129	-3%	11,805	12,310	-4%
Non interest income	3,474	3,464	0%	3,470	3,441	1%	3,571	3,540	1%
<b>Total income</b>	<b>13,344</b>	<b>13,706</b>	<b>-3%</b>	<b>14,222</b>	<b>14,569</b>	<b>-2%</b>	<b>15,376</b>	<b>15,849</b>	<b>-3%</b>
Costs	(7,956)	(7,997)	-1%	(8,065)	(8,136)	-1%	(8,407)	(8,483)	-1%
<b>Pre provision profit</b>	<b>5,388</b>	<b>5,709</b>	<b>-6%</b>	<b>6,156</b>	<b>6,433</b>	<b>-4%</b>	<b>6,969</b>	<b>7,366</b>	<b>-5%</b>
Impairments	(698)	(696)	0%	(1,004)	(990)	1%	(1,078)	(1,064)	1%
<b>Statutory PBT</b>	<b>4,690</b>	<b>5,013</b>	<b>-6%</b>	<b>5,152</b>	<b>5,443</b>	<b>-5%</b>	<b>5,891</b>	<b>6,303</b>	<b>-7%</b>
Tax	(1,372)	(1,461)	-6%	(1,486)	(1,566)	-5%	(1,689)	(1,802)	-6%
Discontinued operations	0	0	-	0	0	-	0	0	-
Minorities and prefs	(250)	(250)	0%	(250)	(250)	0%	(250)	(250)	0%
<b>Attributable profit</b>	<b>3,068</b>	<b>3,302</b>	<b>-7%</b>	<b>3,417</b>	<b>3,627</b>	<b>-6%</b>	<b>3,952</b>	<b>4,251</b>	<b>-7%</b>
<b>Key metrics</b>									
EPS - reported (p)	36.1	38.9	-7%	42.8	45.5	-6%	52.5	56.4	-7%
DPS (p)	14.0	17.0	-18%	17.0	20.0	-15%	20.0	22.0	-9%
Share buybacks (£bn)	1.3	1.3	0%	1.3	1.3	0%	1.3	1.3	0%
Total capital distribution (£bn)	2.5	2.7	-9%	2.6	2.8	-8%	2.8	2.9	-5%
RoTE	12.0%	13.3%	-1.3%	12.6%	14.0%	-1.3%	13.8%	15.4%	-1.6%
Net interest margin	2.70%	2.81%	-0.11%	2.84%	2.96%	-0.11%	3.02%	3.17%	-0.14%
Cost: income ratio	59.6%	58.3%	1.3%	56.7%	55.8%	0.9%	54.7%	53.5%	1.2%
Cost of risk	0.18%	0.18%	0.00%	0.25%	0.25%	0.00%	0.26%	0.26%	0.00%
TNAV per share (p)	320	307	4%	359	345	4%	403	389	3%
CET1 ratio	13.4%	13.4%	0.0%	13.1%	13.0%	0.1%	13.3%	13.2%	0.2%
RWAs (£bn)	190	187	1%	200	199	1%	205	205	0%

Source: Company data, BofA Global Research estimates

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We reduce our price objective from 290p to 280p, between our 346p fundamental valuation (Exhibit 11 and the 240p PE relative valuation (Exhibit 13).

**Exhibit 11: Fundamental valuation**

346p Gordon Growth model based valuation

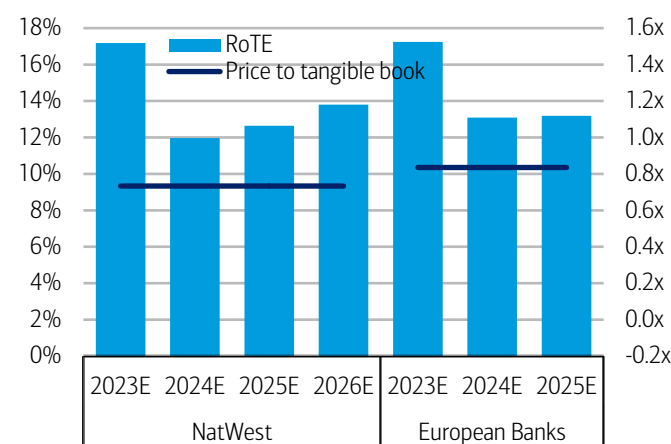
	Value (p)
RoTE 2026E	13.8%
CoE	13.0%
Growth	0%
<b>Book multiple</b>	<b>1.1x</b>
Book multiple discounted to 1 year from now	0.8x
2024E tangible book value	320
<b>Value pre capital distribution</b>	<b>270</b>
Present value of dividend	42
Present value of share buyback	33
<b>Fundamental fair value</b>	<b>346</b>
<b>Price objective</b>	<b>280</b>

Source BofA Global Research estimates

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**Exhibit 12: RoTE and price to tangible book multiple**

12% price to book discount for 4% lower profitability



Source: Bloomberg, BofA Global Research estimates

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**Exhibit 13: European Banks sector relative PE valuation**

240p valuation on sector PE

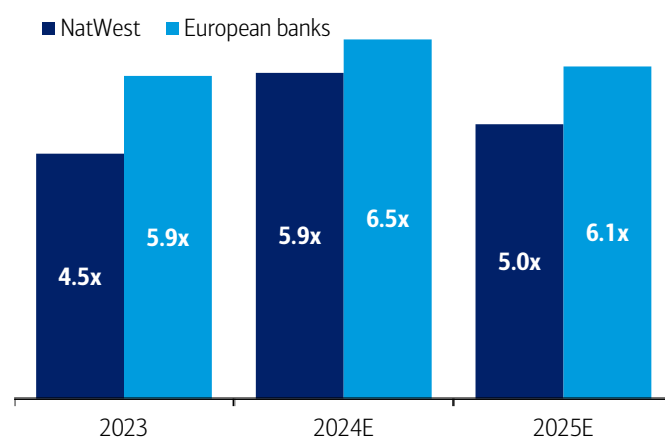
	Value (p)
NatWest 1 year forward EPS	37.2
European Bank sector 1 year forward PE	6.5x
<b>NatWest valued on sector multiple</b>	<b>240</b>

Source BofA Global Research estimates

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**Exhibit 14: PE multiple, NatWest vs European Banks sector**

2024E PE 5.9x, 9% below the European Bank sector



Source: Bloomberg, BofA Global Research estimates

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## Price objective basis & risk

### NatWest Group (RBSPF / NWG)

Our price objective for NatWest is 280p (US\$7.05 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 2026E as the base year for our model. With a 13% cost of equity, this suggests a 2026E price to book multiple of 1.1x, reducing to 0.8x when discounted to a year from now at our cost of equity. Applying this to 2024E tangible book value of 320p gives a value of 270p pre capital return. To this we add the present value of the dividends and share buybacks that we forecast through to 2026E.

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.

## Analyst Certification

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
	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
	CaixaBank	CIXPF	CABK SQ	Antonio Reale
	Credit Agricole	CRARF	ACA FP	Tarik El Mejjad
	Danske Bank	DNSKF	DANSKE DC	Tarik El Mejjad
	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
	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
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	Tarik El Mejjad
	Nordea	XSABF	NDA SS	Tarik El Mejjad
	Nordea Bank Abp	NRDBY	NRDBY US	Tarik El Mejjad
	Santander	SAN	SAN US	Antonio Reale
	Santander	BCDRF	SAN SQ	Antonio Reale
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	Unicredit	UNCFF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale



## EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>NEUTRAL</b>				
	ABN AMRO	ABMRF	ABN NA	Tarik El Mejjad
	Banco Bilbao Vizcaya Argentaria	BBVA	BBVA US	Antonio Reale
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	Bankinter	BKIMF	BKT SQ	Antonio Reale
	BBVA	BBVXF	BBVA SQ	Antonio Reale
	Handelsbanken	SVNLF	SHBA SS	Tarik El Mejjad
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	Tarik El Mejjad
	UBS	XUJHF	UBSG SW	Alastair Ryan
	UBS	UBS	UBS US	Alastair Ryan
<b>UNDERPERFORM</b>				
	Banco Sabadell	BNSDF	SAB SQ	Antonio Reale
	Barclays	BCLYF	BARC LN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	Rohith Chandra-Rajan
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Deutsche Bank	DB	DB US	Rohith Chandra-Rajan
	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	Tarik El Mejjad
	DNB ASA	DNBBY	DNBBY US	Tarik El Mejjad
	Mediobanca	MDIBF	MB IM	Antonio Reale
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Poste Italiane	PITAF	PST IM	Antonio Reale
	SEB	SVKEF	SEBA SS	Tarik El Mejjad
	Swedbank	SWDBF	SWEDA SS	Tarik El Mejjad
	Swedbank AB	SWDBY	SWDBY US	Tarik El Mejjad
	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

EV / EBITDA

## 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



Valuation Toolkit

Numerator

Denominator

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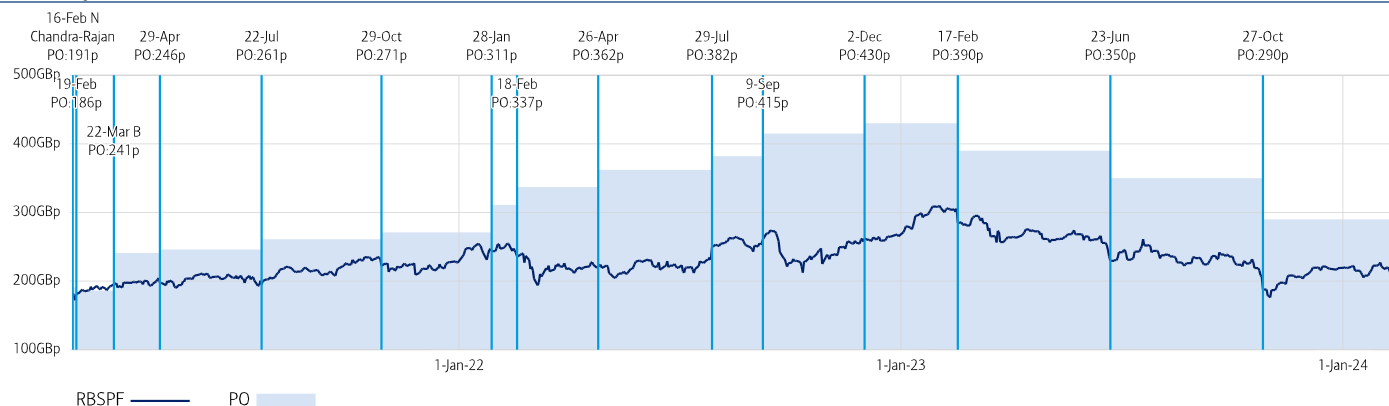
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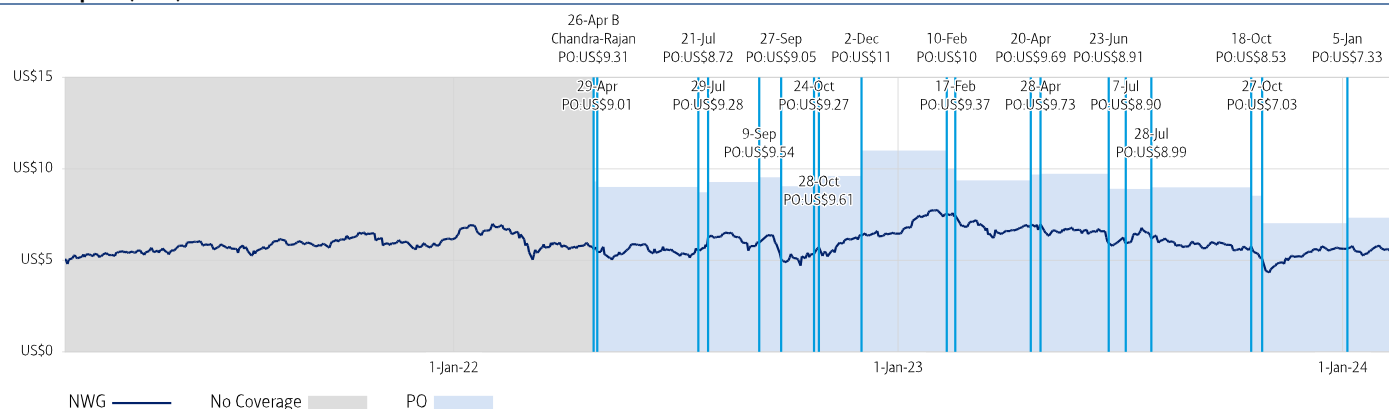
### NatWest Group (RBSPF) Price Chart



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 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%

<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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