BofA SECURITIES

Consumer Finance

4Q preview: Soft landing narrative needs affirmation

Price Objective Change

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Favorable sentiment heading into earnings

Consumer Finance stocks enter 4Q earnings at an interesting time – credit costs are rising and likely to increase further in 2024, but investor sentiment is markedly better than it has been for over two years. Share prices across our coverage are up an average of 22% since the end of 3Q (vs. S&P 500 up 11%) as consumer finance companies have been viewed (rightly we believe) as big beneficiaries of a soft landing. Investors are increasingly counting on a soft landing and supportive labor markets to keep credit losses in-check. The consensus view is very much for losses to peak in mid-2024, and the overhang of rising credit costs to be in the rear-view mirror exiting 2024. This of course brings some risk into 4Q results. We do not expect this to happen but given recent outperformance we think any narrative violation or commentary suggesting credit losses could be worse than expected will likely pressure shares. We think investors want affirmation that peak losses are approaching and as such, we think credit commentary will be closely scrutinized. Overall, we maintain a positive outlook on the sector with 3 Buys (AXP, COF, DFS) and 2 Neutrals (SYF, BFH).

2024 guide matters above all else

We think 2024 outlook will matter more than 4Q results as long as in-period losses are within expectations. For AXP, the biggest focus will likely be on preliminary top-line guidance. During 4Q, Amex opened the door for revenue growth below its +10% guidance in 2024, while still returning mid-teens EPS growth. As such, revenue and likely billings outlook will be closely watched given the slight walk back. Though Capital One does not give explicit guidance, we think investors will be keying in on company commentary particularly on consumer health and delinquency / loss trends. Credit is equally important to Discover's guide – company commentary has been quite confident in 4Q despite uninspiring monthly data, so investors are likely expecting positive credit updates. Investors will likely also want to hear that DFS continues to make progress putting its compliance woes behind it and in resuming its share buyback. For Bread and Synchrony, incremental information on mitigants, strategies, and portfolio discussions due to proposed late fee changes will likely be the focal point as a final late fee rule is expected in 1Q24.

4Q: In-line to below on EPS due to reserves

As seen in Exhibit 1, we are generally in-line or slightly below the Street on EPS for the card issuers, mostly driven by higher reserving. We are forecasting weaker credit results in 4Q for all issuers, except for Amex, given monthly trends and typical December seasonality. While company commentary has been positive, we think this it is more attributable to early-stage delinquency formation, not late-stage loss rate formation. On a PPNR basis, we are generally in-line with consensus, and most differences are driven by varied loan growth and NIM expectations.

Exhibit 1: We are generally in-line to below consensus estimates

BofAe vs consensus

	BofAe	Consensus
AXP	$2.65	$2.66
COF	$2.32	$2.68
DFS	$2.56	$2.58
SYF	$0.88	$0.94
BFH	($0.82)	($0.71)
OMF	$1.35	$1.35
SOFI	$0.00	$0.01

Source: BofA Global Research estimates, Visible Alpha

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Abbreviations on page 20

See inside for PO and estimate change details

AXP to $206 from $198

COF to $149 from $146

DFS to $130 from $117

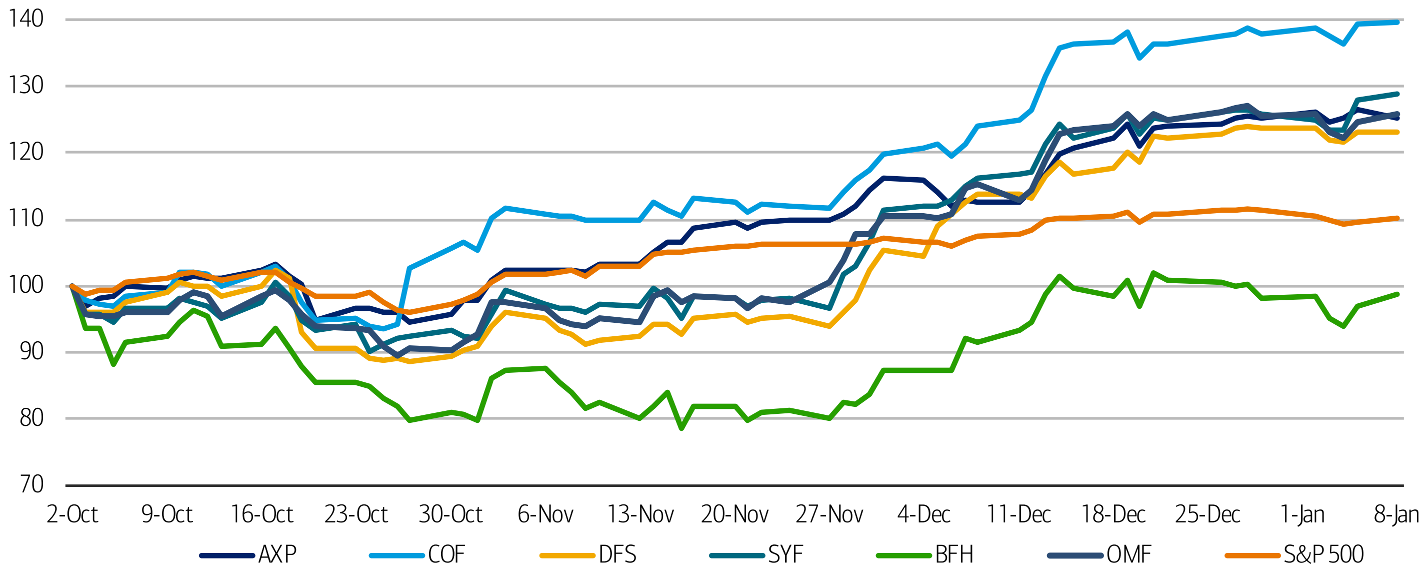
SOFI to $9.50 from $10

SYF to $40 from $39

Consumer finance lenders performance thru 4Q

Consumer finance lender stocks are up an average of 22% since the end of 3Q compared to the S&P 500 which was up 11% over the same period. The outperformance was likely due to solid macro datapoints and positive commentary from card issuers on credit trends. Specifically, Capital One spoke to positive delinquency formation trends and have had constructive monthly data reports, which likely drove relative outperformance. Discover similarly spoke to positive delinquency trends. BFH has underperformed peers mostly due to company commentary on weaker consumer spending and credit trends, in addition to the CFPB late fee announcement overhang.

Exhibit 2: Most consumer finance stocks have outperformed the S&P 500, BFH has underperformed
Consumer Finance 4Q stock performance (indexed to 100 on September 30, 2023)



Source: Bloomberg

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Consumer finances are solid, outlook is mostly positive

In aggregate, consumer finance metrics remain solid by most measures (Exhibit 3). The unemployment rate is currently strong and was flat on a m/m in December, which was better than economists predicted (3.8% estimate). Initial and continuing jobless claims are improving m/m, though continuing claims are up y/y. Fed officials and BofA Global Research economists expect a soft landing with a benign unemployment outlook – our economists expect unemployment to peak at 4.4% in 1Q25. Adjusted retail and food sales and credit card balances are up on a y/y basis as consumers continue to spend amid higher inflation. That said, inflation has been moderating solidly and has helped drive consumer confidence up on a y/y and m/m basis.

Exhibit 3: Consumer Finance dashboard
Key metrics for unemployment, income, spending, and lending are mixed

Item	Most recent	Reading	YoY Change	MoM Change
Employment				
Unemployment Rate	12/31/2023	3.7%	+20bps	+0bps
Initial Jobless Claims	12/29/2023	202	-1.9%	-8.6%
Continuing Jobless Claims	12/22/2023	1,855	12.4%	-0.1%
Non-Farm Payrolls (000s)	12/31/2023	157,232	1.7%	0.1%
Income				
Average Hourly earnings (y/y change)	12/31/2023	4.10%	-70bps	+10bps
Personal Income	11/30/2023	23,289	+460bps	+35bps

Exhibit 3: Consumer Finance dashboard
Key metrics for unemployment, income, spending, and lending are mixed

Item	Most recent	Reading	YoY Change	MoM Change
New Bankruptcy Cases - Nonbusiness filings	9/30/2023	111,811	13.9%	NA
Spending and lending				
Adj. Retail and Food Service Sales	11/30/2023	706	+410bps	+30bps
Consumer Confidence	12/31/2023	70	16.6%	13.7%
Revolving credit balances ($B)	12/27/2023	1,076	9.7%	1.7%
Rates				
30yr Mortgage rate	1/5/2024	7.07%	+7bps	-5bps
30yr Mortgage rate - MBS coupon spread	1/8/2024	0.99%	-14bps	-15bps

Source: BofA Global Research, Bloomberg, Census Bureau, Federal Reserve, Labor Department, Administrative office of US Courts

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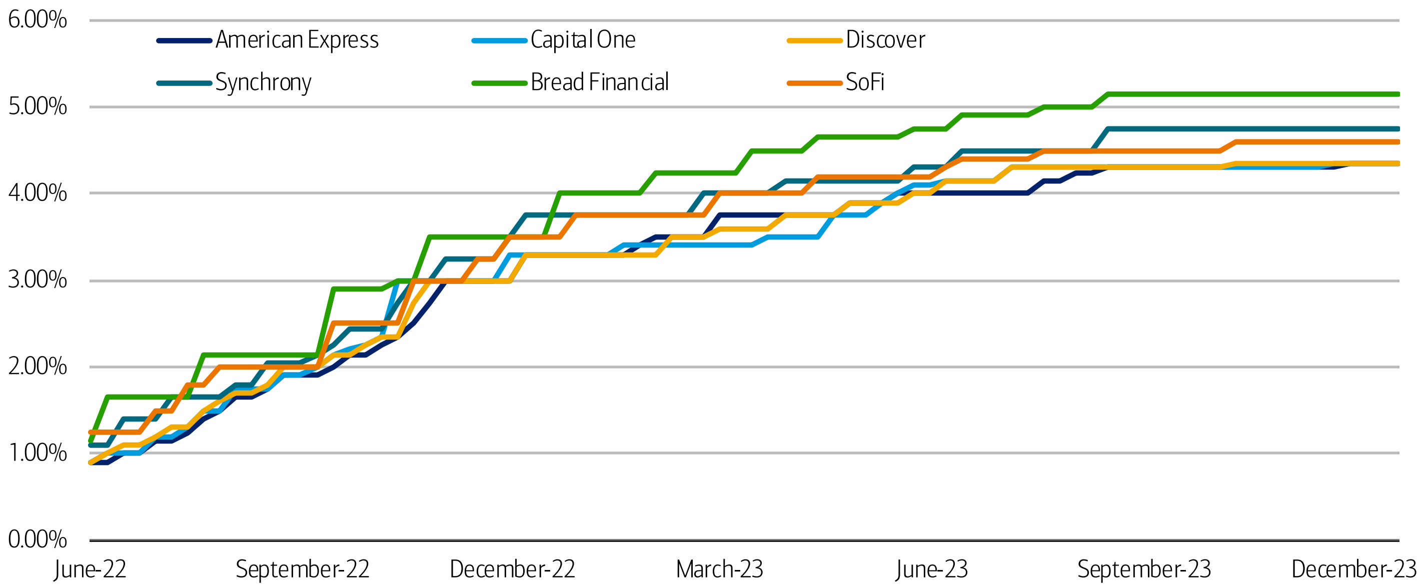
4Q data in aggregate

Deposit pricing is up only 3% since 3Q

Card issuer high yield savings account and CD rates continue to reprice less dramatically as the Fed has held rates steady and opened the door to rate cuts in the near future. Notably, some issuers have already lowered the price on its one-year CDs given rate cut expectations. BFH continues to establish its position as a rate leader among card issuers with Synchrony trailing a touch behind. Card issuers have increased interest rates on savings accounts and CDs by an average of 2.7% and 9.7% q/q in 4Q.

Exhibit 4: Deposit interest rates paid by consumer finance companies have been mostly flat since 3Q23
Saving account interest rates



Source: Company websites, BofA Global Research

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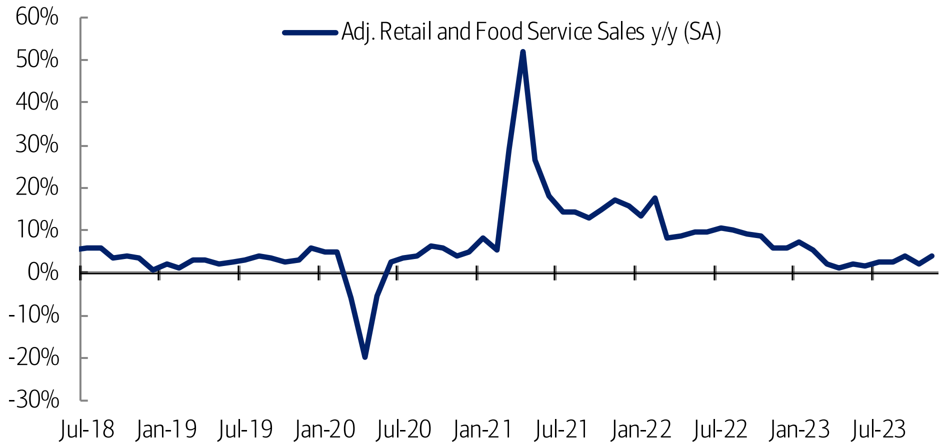
Spending volumes relatively flat m/m

Retail and food service sales grew 4.1% y/y in November, up from 2.2% in October (Exhibit 5). Spending volumes increased quickly likely due to a strong Black Friday and Cyber Monday weekend, in addition to an early sale period. Total card spending data per household in the week ending December 30 was up 1.0% y/y per BAC aggregated credit and debit card data, which implies some slowdown from prior weeks (See: BofA on USA: Weekly spending update through Dec 30 - 04 January 2024 for an explanation of the methodology, disclaimers, and limitations related to BAC aggregated credit and debit card data).

Exhibit 5: Adjusted retail and food service spending increased 4.1% y/y in November
Sales accelerated from October at 2.2%



Source: Census Bureau

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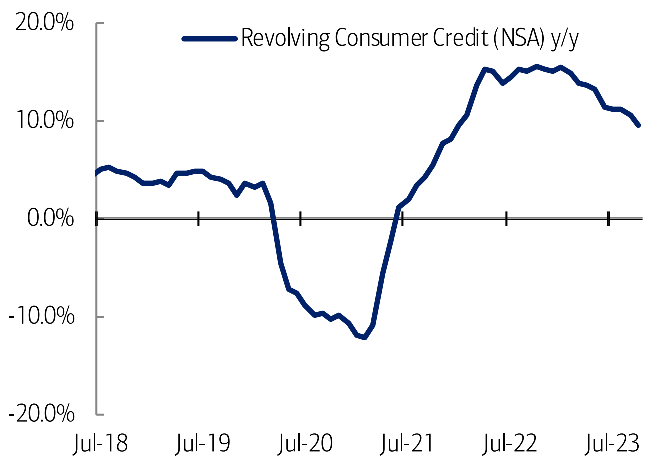
Loan balance growth decelerates

Based on Federal Reserve monthly data, revolving balances grew 9.6% y/y in October, down 110bps from 10.7% in September. For card issuers in our coverage, balances were up an average of 13.4% in November, which is a slight deceleration from October at 14.0% y/y. We forecast faster than consensus loan growth for most card issuers, due to solid monthly trends.

Exhibit 6: Overall credit card balances were up 9.6% in October
Down from 10.7% in September



Source: BofA Global Research, Federal Reserve

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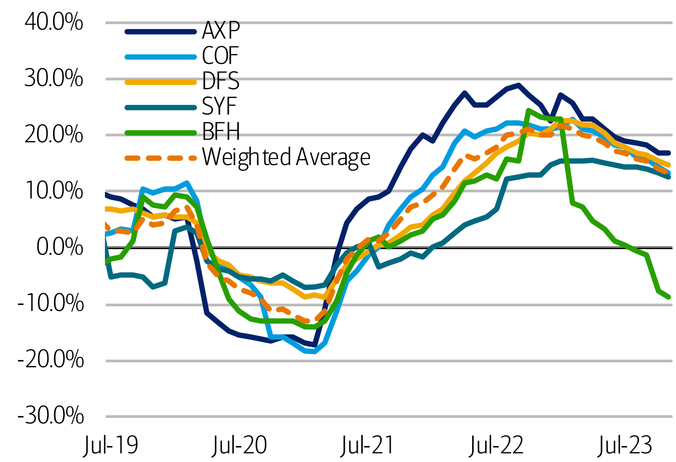
Exhibit 7: Coverage card loan balances were up 13.4% in November
A deceleration from 14.0% in October



Source: BofA Global Research estimates, company reports

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4Q expectations summary: Cards

For 4Q, we are forecasting in-line to below EPS compared to consensus primarily due to higher reserve assumptions. On a PPNR basis, we are generally in-line with consensus expectations. Broadly, we are forecasting faster loan growth for card issuers, but our NIM estimates are mixed due to assumption on transactor balances, which drives in-line to slightly below net interest income estimates for all stocks. Our OpEx expectations are in-line with consensus as well. On credit, we expect slightly worse credit results than consensus forecasts given monthly reporting and commentary, except for AXP where we have better credit vs the Street.

Exhibit 8: We are in-line to above consensus on most card issuers due to faster loan growth
BofAe vs consensus EPS and key drivers

	AXP		COF		DFS		SYF		BFH	
	BofAe	Consensus	BofAe	Consensus	BofAe	Consensus	BofAe	Consensus	BofAe	Consensus
EPS	$2.65	$2.66	$2.32	$2.68	$2.56	$2.58	$0.88	$0.94	($0.82)	($0.71)
Key Drivers										
Loan growth (y/y)	16.0%	16.0%	3.7%	3.2%	15.1%	14.3%	12.0%	11.6%	-9.7%	-8.9%
Net interest margin	11.38%	11.78%	6.81%	6.75%	10.72%	10.79%	15.06%	15.11%	18.99%	18.85%
Net Charge-off rate	1.90%	2.08%	3.12%	3.01%	4.11%	4.06%	5.63%	5.53%	8.20%	8.15%
Purchase volume / billings ($B)	$438	$439	$165.0	$164.2	$57.3	$56.4	$49.8	$50.1	$8.1	$8.4
Income Statement ($M)										
Revenues	$17,814	$17,909	$9,478	$9,506	$5,918	$5,949	$5,596	$5,614	$967	$974
Provisions	$1,371	$1,390	$3,060	$2,880	$1,636	$1,662	$1,929	$1,855	$504	$510
Operating Expenses	$12,076	$12,126	$5,213	$5,222	$1,602	$1,583	$1,168	$1,174	$517	$516
Net Income	$1,952	$1,961	$886	$1,021	$639	$646	$362	$388	($40)	($35)
Pre-Provision Net Revenue	$3,841	$3,875	$4,265	$4,269	$2,475	$2,515	$2,423	$2,380	$450	$458
Other Metrics										
Expense Ratio (excl. provisions)	75.9%	75.7%	55.0%	54.9%	39.3%	38.6%	32.5%	33.0%	53.5%	53.0%
Reserve Ratio	4.05%	4.04%	4.79%	4.79%	6.98%	7.06%	10.31%	10.35%	12.12%	12.01%
Reserve Build (Release)	364	369	545	477	344	380	500	464	131	130
ROE	28%	28%	7%	8%	18%	18%	11%	20%	-6%	-5%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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AXP: BofAe: $2.65 vs consensus $2.66

What matters coming out of the 4Q print

American Express' 2024 guidance, particularly on the top-line and commentary on spending momentum are the biggest focus for investors within 4Q results. AXP's growth targets call for revenue growth in excess of 10% and mid-teens EPS growth, in a normalized backdrop. There has been a healthy degree of skepticism among investors, that Amex can achieve these targets in 2024. Additionally, Amex's commentary at a December conference seemingly opened the door to delivering sub-10% revenue growth in a slow economy, though it reiterated that it would still deliver mid-teens EPS growth. Arguably, this somewhat lowers the bar for 2024 top-line guidance. Our conversations with longer-term focused investors and sell-side consensus suggest a 9%+ revenue growth guide may prove sufficient if AXP also delivers strong expense discipline and mid-teens EPS. That said, with soft landing becoming more consensus, a sub-10% top-line outlook likely needs to be explained and we think investors will be focused on spending trends by segment for any signs of weakness.

What's in our forecast vs consensus

- **Billings:** We forecast billings at $437.8B, a touch below consensus at $439.6B, which drives are slightly below discount revenue estimate of $8,757M vs the Street at $8,787M. Our effective discount rate is in-line at 2.29%.

- **Loan growth:** Our loan growth forecast of 16.0% y/y is mostly in-line with consensus expectations at 15.8% y/y. November operating results showed US loan growth at 16.8% and while it has been decelerating m/m, we note that international loan growth has been accelerating since 4Q22 and growth was 25.8% in 3Q23.

- **Expenses:** Our total OpEx forecast of $12.1B is in-line with consensus at $12.1B driven by high card member engagement spend offset by lower other costs. We note that at a 4Q conference AXP noted that card member engagement costs could be at 42% or 43%, both BofAe and consensus are forecasting closer to 42% so this could be a source of downside.

- **Credit / reserves:** We forecast principal net charge-off (NCO) rates at 1.90% below consensus at 2.08%. The Oct-Nov average U.S loss rate was 1.85%, so consensus appears too high. Though our $364M reserve build is mostly in-line with consensus at $360M due to stronger loan growth.

Exhibit 9: Slightly lower revenue and OpEx drive in-line EPS
BofAe vs consensus

	AXP	
	BofAe	**Consensus**
Adj. EPS	$2.65	$2.66
Key Drivers		
Loan growth (y/y)	16.0%	15.8%
Net interest margin	11.38%	11.77%
Net Charge-off rate	1.90%	2.08%
Purchase volume / billings ($B)	$437.8	$439.6
Income Statement ($M)		
Total revenue	$17,814	$17,911
Provisions	$1,371	$1,392
Operating expenses	$12,076	$12,129
Net Income	$1,952	$1,959
Pre-provision net revenue	$3,841	$3,874
Other Metrics		
Expense Ratio (excl. provisions)	76%	76%
Reserve Ratio	4.05%	4.04%
Reserve Build (Release)	364	360
ROE	28%	28%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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AXP preliminary 2024 outlook

For 2024, we forecast revenue net of interest expense growth of 9.6%, slightly above consensus at 9.4%. We also estimate of $12.89 above consensus at $12.33 – our 2024 estimate implies EPS growth of 14.7% whereas consensus is at 9.7%. This is primarily due to better credit and lower provision expense, slightly offset by higher expenses. Consensus is below the mid-teens EPS aspiration, but given its mostly in-line revenue outlook, there will likely be focus on AXP's expense outlook and its investment priorities.

Exhibit 10: Lower provisions partially offset by higher expenses drives higher EPS estimates
BofAe vs consensus

	AXP	
	BofAe	**Consensus**
Adj. EPS	$12.89	$12.33
Key Drivers		
Loan growth (y/y)	10.5%	8.9%
Net interest margin	11.42%	11.60%
Net Charge-off rate	1.97%	2.32%
Purchase volume / billings ($B)	$1,798.6	$1,797.6
Income Statement ($M)		
Total revenue	$74,224	$74,124
Provisions	$5,358	$5,764
Operating expenses	$49,374	$48,940
Net Income	$9,278	$8,917
Pre-provision net revenue	$17,102	$17,362
Other Metrics		
Expense Ratio (excl. provisions)	74%	74%
Reserve Ratio	4.24%	4.26%
Reserve Build (Release)	921	813
ROE	31%	29%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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We tweak our 2024 EPS estimate to $12.89 from $12.39 prior due to lower OpEx. We increase our PO to $206 from $198 prior based on an unchanged 16x multiple to our updated 2024e EPS.

COF: BofAe: $2.32 vs consensus: $2.68

What matters coming out of the 4Q print

Given Capital One does not give explicit guidance, we view credit performance and commentary on the consumer as the focus of the print for investors. In our view, COF serves as a canary in the coalmine for this credit cycle as the company gets a quicker and stronger benefit from recoveries compared to peers. As it has noted, early-stage delinquency trends have been encouraging and November data was seasonally in-line with historic performance, which is better than most peers. If this trend continues, DQs should begin to improve in 1Q24, which should lead to charge-off improvement in 2H24. We also think reserve setting will give insight into early-stage delinquencies. Additionally, investors will likely also be keen to hear COF's opinion on consumer strength and how the macro continues to influence consumer behavior.

What's in our forecast vs consensus

- **Loan growth / NIM:** We forecast credit card loans up 12.9% y/y slightly above consensus which is up 12.0% y/y. Domestic card balances were up 13.4% y/y in November and, as such, consensus appears too low. We forecast total loan balances at $324B mostly in-line with consensus at $322B. We forecast NIM at 6.8% slightly above consensus at 6.7%.

- **Purchase volume:** We forecast purchase volumes at $165B, which is in-line with consensus. While household spending growth has slowed throughout the year, holiday spending data was encouraging, and growth should be supported by card acquisition momentum.

- **Credit / reserves:** Our $545M reserve build is above consensus at $477M driven by primarily by higher loan growth, slightly offset by weaker credit and an equivalent reserve ratio. We forecast card/company NCO rates at 3.1%/5.2% compared to consensus at 3.0%/5.1%.

Exhibit 11: Higher provision expense drives lower EPS, but PPNR is in-line
BofAe vs consensus

	COF	
	BofAe	Consensus
EPS	$2.32	$2.68
Key Drivers		
Loan growth (y/y)	3.7%	3.2%
Net interest margin	6.8%	6.7%
Net charge-off rate	3.12%	3.01%
Purchase volume ($B)	$165.0	$164.2
Income Statement ($M)		
Revenue	$9,478	$9,506
Provisions	$3,060	$2,880
Operating expenses	$5,213	$5,222
Net income	$886	$1,021
Pre-provision net revenue	$4,265	$4,269
Other metrics		
Expense ratio (excl. provisions)	55.0%	54.9%
Reserve ratio	4.8%	4.8%
Reserve build (release)	$545	$477
ROE	6.5%	8.3%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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COF preliminary 2024 outlook

We are forecasting 2024 EPS at $14.20 above consensus at $14.05. Broadly, our outlook is mostly in-line with the consensus, though we forecast slightly lower provision expenses and additional share repurchases. While our charge-off rate is a touch weaker than the Street, we believe a loss peak at midyear will give the company confidence to reduce reserve overlays.

Exhibit 12: PPNR is slightly below the Street due to slightly lower NIM, though EPS is mostly in-line
BofAe vs consensus

	COF	
	BofAe	Consensus
EPS	$14.20	$14.05
Key Drivers		
Loan growth (y/y)	4.2%	4.2%
Net interest margin	6.8%	6.7%
Net charge-off rate	3.22%	3.11%
Purchase volume ($B)	$654.4	$650.8
Income Statement ($M)		
Revenue	$38,404	$38,502
Provisions	$10,631	$10,754
Operating expenses	$20,729	$20,693
Net income	$5,335	$5,321
Pre-provision net revenue	$17,675	$17,789
Other metrics		
Expense ratio (excl. provisions)	54.0%	53.7%
Reserve ratio	4.6%	4.8%
Reserve build (release)	$158	$684
ROE	9.7%	9.7%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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We increase our 2024 EPS estimate to $14.20 from $13.89 prior due to slightly lower interest expense. We tweak our price objective to $149 from $146 prior based on an unchanged 10.5x multiple to our 2024e EPS.

DFS: BofAe: $2.56 vs consensus at $2.58

What matters coming out of the 4Q print

We think investors will be most focused on credit outlook, the buyback authorization, and overall strategy given the wind down of the student loan business. November credit results were somewhat lackluster and credit performance compared to 2019 levels has been poor compared to peers. That said, Discover noted in 4Q that October and November saw a slight decrease in delinquency formation. The company expected that trend to continue in December which would lead to peak charge-offs in mid-2024, as such investors will want this reaffirmed on the call. We also expect some focus on the buyback and when it will resume as it's a key leg of the bull thesis. We expect DFS will reiterate that it is making progress on addressing its compliance gaps. In addition, the student loan business winding down is likely to drive questions on sale expectations, timing, and potential reallocation of resources / sources of cost savings. Note that while DFS has announced Michael Rhodes will be taking over as CEO, it is unclear if investors will hear from Mr. Rhodes on the 4Q call as his appointment was slated to begin March 6 initially.

What's in our forecast vs consensus

- **Credit / reserves:** We estimate 4Q net charge-off rates at 4.11% a touch above consensus at 4.06%. Our card net charge-off forecast is 4.70% vs consensus at 4.68%, which we are comfortable with. We forecast a $344M reserve build below consensus at $380M due to a slightly lower reserve rate as we account for transactor balances.

- **Loan growth / NIM:** Our loan growth forecast of 15.1% y/y is ahead of consensus at 14.3%. Though November card receivables was up only 14.8% y/y, personal loans have grown +20% in the last three quarters. Our NIM estimate at 10.72% is slightly below consensus at 10.79%, which drives our lower net interest income forecast.

- **Expenses:** Our total OpEx estimate of $1,602M is a touch above consensus at $1,583M, and both estimates are in-line with company guidance. Our efficiency ratio of 39.3% is above consensus at 38.6% due to our lower revenue forecast.

Exhibit 13: Slightly lower revenue offset by lower provision drives in-line EPS
BofAe vs consensus

	DFS	
	BofAe	Consensus
EPS	$2.56	$2.58
Key Drivers		
Loan growth y/y	15.1%	14.3%
Net interest margin	10.72%	10.79%
Net Charge-off rate	4.11%	4.06%
Card Purchase volume ($B)	$57.3	$56.4
Income Statement ($M)		
Revenue	$5,918	$5,949
Provisions	$1,636	$1,662
Operating Expenses	$1,602	$1,583
Net Income	$639	$646
Pre-provision net revenue	$2,475	$2,515
Other Metrics		
Expense Ratio (excl. provisions)	39%	39%
Reserve Ratio	6.98%	7.06%
Reserve Build (Release)	344	380
ROE	18%	18%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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DFS preliminary 2024 outlook

We forecast 2024 EPS of $12.36 slightly below consensus at $12.49 driven primarily by higher rewards costs and OpEx, partially offset by higher net interest income. Based on our conversations, we believe Buyside estimates for 2024 efficiency ratio are above consensus so there could be a positive reaction in shares if DFS provides a sub-40% efficiency ratio guide (including compliance costs). The higher net interest income is driven by solid growth in card and personal loans, and NIM is supported by the wind down of student loans. Rewards costs have been increasing by 1-2bps y/y and consensus is flat at 1.44% compared to our 1.46% estimate. We expect DFS to lean into growing its checking accounts in 2024, including marketing and rewards expense to support new checking account acquisitions. Note for our 2024 forecast, we have stopped origination of new student loans post-1Q, but not accounted for a portfolio sale.

Exhibit 14: EPS and PPNR is slightly below expectations due to higher rewards costs and OpEx
BofAe vs consensus

	DFS	
	BofAe	Consensus
EPS	$12.36	$12.49
Key Drivers		
Loan growth y/y	5.7%	5.2%
Net interest margin	10.91%	10.76%
Net Charge-off rate	4.60%	4.42%
Card Purchase volume ($B)	$223.6	$221.1
Income Statement ($M)		
Revenue	$23,945	$24,129
Provisions	$6,272	$6,217
Operating Expenses	$6,399	$6,313
Net Income	$2,998	$3,063
Pre-provision net revenue	$10,280	$10,404
Other Metrics		
Expense Ratio (excl. provisions)	38%	38%
Reserve Ratio	6.89%	7.04%
Reserve Build (Release)	397	435
ROE	20%	20%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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We adjust our 2024 EPS estimate to $12.36 from $12.30 prior. We increase our price objective to $130 based on a 10.5x multiple to 2024e EPS (9.5x prior). A 10.5x multiple is in line with the multiple used for COF (closest comp) which we view as justified given DFS' progress resolving idiosyncratic overhangs.

SYF: BofAe: $0.88 vs consensus: $0.94

What matters coming out of the 4Q print

We believe investors will be most focused on credit performance and NIM outlook within SYF's print. Credit continues to be top of mind for investors so we do expect much of the focus to be on timing of peak losses. That said, we would also note that SYF's credit performance has been quite strong in recent quarters, with loss rates normalizing relatively slowly. In 3Q, the company noted that tightening actions would ensure losses within its long-term 5.5%-6% target, so loss guidance for 2024 will be closely scrutinized. There will likely also be focus on the NIM given continued asset repricing when rates are cut and the potential headwinds from elevated deposit competition.

The CFPB late fee rule announcement is expected to be released in 1Q24, as such this remains the largest question outside of 4Q results. We continue to see headline risk to the news, and we also note that current estimates do not appear to include this proposed late fee change (BofA estimates do not include the change). SYF has won a few portfolios while this rule has remained in the background, so there will likely be some discussion on the process and strategy to these deals given the CFPB uncertainty.

What's in our forecast vs consensus

- **Loan growth / NIM:** Our loan growth forecast of 12.0% is above consensus estimates at 11.6%. Loan growth was quite solid in November at 12.4%, balances tend to improve 250bps in December, and holiday season spending industry commentary was positive. Our NIM forecast is at 15.06%, a touch below consensus at 15.11%.

- **Credit / reserves / RSA:** We forecast the net charge-off rate at 5.63% above consensus at 5.53%. Net charge-offs were 5.60% in both Oct and Nov – in December losses are up slightly m/m (5yr avg: +3bps). We forecast a $500M reserve build, above consensus at $464M driven by higher loan balances. We are comfortable with our $964M RSA expense slightly below consensus at $977M.

Exhibit 15: PPNR is above, but higher reserves drives lower EPS
BofAe vs consensus

	SYF	
	BofAe	**Consensus**
EPS	$0.88	$0.94
Key Drivers		
Loan growth y/y	12.0%	11.6%
Net interest margin	15.06%	15.11%
Net Charge-off rate	5.63%	5.53%
Purchase volume / billings ($B)	$49.8	$50.1
Income Statement ($M)		
Revenues	$5,596	$5,614
Provisions	$1,929	$1,855
Operating Expenses	$1,168	$1,174
Net Income	$362	$388
Pre-Provision Net Revenue	$2,423	$2,380
Other Metrics		
Expense Ratio (excl. provisions)	33%	33%
Reserve Ratio	10.31%	10.35%
Reserve Build (Release)	500	464
ROE	11%	20%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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We increase our PO to $40 based on an unchanged 6.5x multiple to our updated 2025 EPS estimate ($6.22 from $5.98).

SYF preliminary 2024 outlook

We forecast 2024 EPS of $5.60 slightly below consensus at $5.83. Our below consensus estimate is primarily driven by higher RSAs and lower net interest income. Lower net interest income is mostly due a lower average credit card balance. RSA's have been trending higher and stable / improving credit in the back half of 2024 could put upward pressure on RSAs. Our estimates assume no changes to the late fee rule, which could be a source of downside rule.

Exhibit 16: Higher reserves are offset by higher provision expense
BofAe vs consensus

	SYF	
	BofAe	Consensus
EPS	$5.60	$5.83
Key Drivers		
Loan growth y/y	7.6%	6.7%
Net interest margin	15.19%	15.11%
Net Charge-off rate	5.83%	5.85%
Purchase volume / billings ($B)	$193.1	$195.6
Income Statement ($M)		
Revenues	$22,579	$23,140
Provisions	$6,511	$6,778
Operating Expenses	$4,895	$4,867
Net Income	$2,200	$2,317
Pre-Provision Net Revenue	$9,482	$9,835
Other Metrics		
Expense Ratio (excl. provisions)	34%	33%
Reserve Ratio	10.22%	10.34%
Reserve Build (Release)	551	707
ROE	16%	20%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

BofA GLOBAL RESEARCH

BFH: BofAe: $(0.82) vs cons at $(0.71)

What matters coming out of the 4Q print

Investor focus will likely revolve around company commentary about the health of their cardholder base, the potential impacts of the CFPB late fee rule, which is anticipated to release in 1Q24, and feasibility / timing of mitigation plans. Bread has called out softer spending through the 2023 holiday season vs. 2022 due to consumer savings getting depleted due to inflation and customers being more cost-conscious in their holiday spending this year. Given that BFH's base is comprised of low-to-moderate income / FICO consumers, the company is likely feeling the impacts of a slowing economy more than peers. BFH expects credit costs to rise 50bps m/m in December, as such investors will remain focused on credit outlook and any positive indicators.

What's in our forecast vs consensus

- **Loan growth / NIM:** We forecast loan balances at $19.3B below consensus at $19.5B. November balances were $18.7B, representing an uptick from 3Q balances largely driven by BFH's acquisition of ~$400M Dell's consumer credit portfolio in early October. Our NIM forecast of 18.99% is slightly above consensus at 18.85%, full year NIM estimates remains in-line with initial ~19.2% guidance.

- **Credit / provisions:** We estimate the NCO rate at 8.20%, vs. consensus at 8.15%. The October-November average was 7.94% and management has said they expect the loss rates to be over 100bps greater than the 3Q rate of 6.93% and an approximate 8.5% loss rate in December. We forecast a $131M reserve build in-line with consensus.

- **Expenses:** We estimate operating expenses at $517M in-line with consensus at $516M.

Exhibit 17: Lower provisions and expenses drive the EPS beat
BofAe vs consensus

	BFH	
	BofAe	Consensus
Adj. EPS	($0.82)	($0.71)
Key Drivers		
Loan growth (y/y)	-9.7%	-8.9%
Net interest margin	18.99%	18.85%
Net Charge-off rate	8.2%	8.2%
Purchase volume / billings ($B)	$8.1	$8.4
Income Statement ($M)		
Pre-provision net revenue	$450	$458
Provisions	$504	$510
Operating Expenses	$517	$516
Net Income	($40)	($35)
Other Metrics		
Expense Ratio (excl. provisions)	53.5%	53.0%
Reserve Ratio	12.12%	12.01%
Reserve Build (Release)	131	130
ROE	-6%	-5%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

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BFH preliminary 2024 outlook

For 2024 we forecast 2024 EPS at $8.33 ($8.39 prior) above consensus at $7.99. Our forecast assumes mostly in-line loss rate and reserve ratio, but slower loan growth results in lower provision expenses. We believe BFH will still deliver positive operating leverage, but slightly below street expectations. We do not account for any changes to late fee rules in our model, which could be a source of meaningful downside risk for BFH.

Exhibit 18: Our higher expense outlook, offset by lower provisions drives our in-line EPS forecast
BofAe vs consensus

	BFH	
	BofAe	Consensus
Adj. EPS	$8.33	$7.99
Key Drivers		
Loan growth (y/y)	2.4%	3.8%
Net interest margin	19.23%	19.08%
Net Charge-off rate	8.0%	7.9%
Purchase volume / billings ($B)	$30.5	$30.4
Income Statement ($M)		
Pre-provision net revenue	$2,071	$2,064
Provisions	$1,518	$1,533
Operating Expenses	$2,065	$2,061
Net Income	$411	$398
Other Metrics		
Expense Ratio (excl. provisions)	49.9%	50.0%
Reserve Ratio	11.79%	11.79%
Reserve Build (Release)	(8)	45
ROE	13%	13%

Source: BofA Global Research estimates, Visible Alpha, Bloomberg

BofA GLOBAL RESEARCH

SOFI: Can non-lending growth accelerate

What matters coming out of 4Q

SOFI remains one of the more controversial stocks in our coverage. There remains a fair degree of skepticism around fair value marks and appropriate valuation methodology to apply to the company. While the 2024 guidance and growth drivers will be most important, investors will also be focused on new loan sale agreements and the economics that SOFI expects to earn from these. For 2024, SOFI has indicated that its balance sheet will not grow meaningfully driven by more loan sales and some caution on personal loan origination growth. In the past, SoFi noted its ability to lean into separate loan products in different rate environments – with rate cuts likely in 2024, we expect some discussion on where the company sees opportunity. SOFI also expects growth to be driven by the non-lending segments, namely Financials Services and Technology, so investors will be looking for more proof points and detail on growth. Given valuation is relatively full, we think there could be some risk if the guide is too back-half weighted. We do expect SOFI will reiterate its 30% incremental EBITDA and GAAP net income profitability framework for 2024.

What's in our forecast vs consensus

- **Adj. revs / EBITDA:** We are slightly above the Street on adj. revs and EBITDA at $579M/$148M vs $572M/$143M. The beat on revenues is mostly due to lower interest expense in the corporate segment.

- **Segment contribution:** We are mostly in-line with revenue contributions from the Lending and Financial Services segments, and we are a touch above on Technology revenue. We differ with consensus slightly on contribution margins for the Lending and Technology segments. For Lending we expect a margin of 59% vs consensus at 64%, while margins have been running high, the company expects to maintain in the 50% range going forward. We are forecasting personal loan origination volume of $3.7B down 5% q/q (vs. consensus at $3.5B). This could be a source of downside as 4Q is typically seasonally weaker and SOFI appears to be taking a more conservative underwriting stance. On Technology, we have margins at 29% within the 20-30% guide, consensus appears far too high at 55%.

Exhibit 19: We are mostly in-line with consensus
BofAe vs consensus

	SOFI	
	BofAe	Consensus
Diluted EPS	$0.00	$0.01
Adjusted metrics		
Adjusted net revenue	$579	$572
Adjusted EBITDA	$148	$143
Adjusted EBITDA Margin	26%	25%
Segment Financials		
Revenue - Lending	$366	$366
Contribution margin - Lending	59%	64%
Revenue - Financial Services	$134	$135
Contribution margin - Financial Services	11%	12%
Revenue - Technology	$97	$95
Contribution margin - Technology	30%	55%

Source: BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

SOFI preliminary 2024 outlook

We are forecasting 2024 adj. revenue / EBITDA of $2,555M/$601M slightly above consensus at $2,509M/$591M driven mostly by an acceleration of Technology segment revenue offsetting weaker Lending revenue. SoFi softly guided to the Lending segment revenue contribution being equal to Financial Services and Technology combined, and we believe the Street is overestimating the contribution of Lending and not incorporating sufficient acceleration in the Technology business based on SOFI's expectation that for 2024, lending revenue will be about 50% of overall revs. We expect tangible book value growth of $300-$500M to be driven primarily by stock issuance related to share based compensation.

Exhibit 20: We are slightly above consensus on adj. revs and EBITDA
BofAe vs consensus

	SOFI	
	BofAe	Consensus
Diluted EPS	$0.01	$0.05
Adjusted metrics		
Adjusted net revenue	$2,555	$2,509
Adjusted EBITDA	$601	$591
Adjusted EBITDA Margin	24%	24%
Segment Financials		
Revenue - Lending	$1,404	$1,520
Contribution margin - Lending	58%	58%
Revenue - Financial Services	$685	$670
Contribution margin - Financial Services	23%	20%
Revenue - Technology	$543	$437
Contribution margin - Technology	28%	29%

Source: BofA Global Research, Visible Alpha

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We tweak our PO to $9.50 from $10 prior based on an unchanged sum-of-the-parts methodology of 2x current tangible book value and 5x Technology 2024 net revenue ($543M vs $578M prior).

OMF: BofAe: $1.35 vs consensus: $1.35

What matters coming out of 4Q earnings

In addition to initial 2024 guidance, we think investors will be focused on OneMain's credit performance, specifically any incremental benefit it expects to receive from underwriting actions taken in August 2022. The company estimates that 65% of the portfolio will be made up of the post-tightening vintage in 4Q23 and this should contribute to better credit results prospectively. That said, consensus is expecting minor credit deterioration in 2024 (+10bps y/y) and we believe investors will want more certainty and commentary on the credit environment and how the new vintage is seasoning. Aside from credit, we expect some more details on the BrightWay credit card and the indirect auto loan strategy.

What's in our model vs consensus

- **Loan growth / NIM:** We are comfortable with our managed receivables forecast of $22.3B, slightly above consensus at $22.2B in 4Q. OneMain revised its full year guidance to ~7.0% from 5.0-8.0% prior, which is in-line with BofA/cons estimates. Our NIM forecast at 17.2% is slightly below consensus at 17.4%, due to higher interest expense costs, which could be a source of upside to our numbers.

- **Credit / provisions:** We are forecasting 4Q personal loan NCOs at 7.7% in-line with consensus expectations. Our net charge-off forecast translates to a 7.4% loss rate for the full year, which is in-line with guidance from 3Q. Given our slightly faster loan growth forecast, our provision expense estimate is $457M, a touch above the Street at $449M. BofAe/cons reserve rates are similar at 11.6%/11.7%.

- **Expenses:** We estimate operating expenses at $424M slightly below consensus at $435M. OneMain noted that full year expenses would be roughly 7% of receivables, and consensus is estimating roughly 7.3% vs our 7.2% estimate.

Exhibit 21: Lower OpEx offset by higher provision expense leads to in-line EPS
BofAe vs consensus

	OMF	
	BofAe	Consensus
Adjusted EPS	$1.35	$1.35
Key Drivers		
Net finance receivables	$22,271	$22,239
Net interest margin	17.2%	17.4%
Net charge-off rate	7.7%	7.7%
Income Statement ($M)		
Pre-provision net revenue	$672	$667
Provisions	$457	$449
Operating Expenses	$424	$435
Net income	$162	$162

Source: BofA Global Research estimates, Visible Alpha

BofA GLOBAL RESEARCH

OMF preliminary 2024 outlook

Our initial 2024 EPS forecast of $7.07 is above consensus at $6.86. The higher results are primarily due to slightly lower provisions and lower OpEx. We expect slightly better credit than the Street (7.4% vs 7.5%) which should give management more confidence to reduce the reserve ratio slightly, rather than increase it from current levels as consensus expects. A soft landing also argues for better loss ratios.

Exhibit 22: Lower provisions and OpEx drive higher EPS and PPNR forecasts
BofAe vs consensus

	OMF	
	BofAe	Consensus
Adjusted EPS	$7.07	$6.86
Key Drivers		
Net finance receivables	$23,546	$23,583
Net interest margin	17.3%	17.5%
Net charge-off rate	7.4%	7.5%
Income Statement ($M)		
Pre-provision net revenue	$2,804	$2,753
Provisions	$1,690	$1,709
Operating Expenses	$1,721	$1,752
Net income	$841	$788

Source: BofA Global Research estimates, Visible Alpha

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Exhibit 23: Stocks mentioned
Tickers, Ratings and POs

Ticker	Company name	Stock price	Price Obj.	Rating
AXP	American Express	$186.77	$206.00	B-1-7
COF	Capital One Financial	$132.93	$149.00	B-1-7
DFS	Discover Financial	$111.42	$130.00	B-1-7
SYF	Synchrony Financial	$38.50	$40.00	B-2-7
BFH	Bread Financial	$32.83	$34.00	C-2-7
OMF	OneMain Holdings	$49.22	$54.00	C-1-7
SOFI	SoFi Technologies	$8.32	$9.50	C-2-9

Source: BofA Global Research estimates

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Abbreviations

AXP: American Express

CFPB: Consumer Financial Protection Bureau

COF: Capital One

DFS: Discover Financial

DQ: Delinquency

NCO: Net charge-off

NIM: Net interest margin

OMF: OneMain Holdings

PPNR: Pre-provision net revenue

RSA: Retailer share arrangement

SOFI: SoFi Technologies

SYF: Synchrony Financial

Price objective basis & risk

American Express Company (AXP)

Our $206 price objective is based on a 16x multiple to our 2024 EPS forecast. An 16x PE multiple is on the higher end of the historical range (12-18x) for AXP, which we think is appropriate given the faster growth outlook and strong operating momentum it is experiencing.

Downside risks to our PO are weaker-than-expected macroeconomic conditions, softer consumer and business spending, weaker loan growth, increasing competition, weaker US consumer credit performance, disruptions in capital markets, or an increasing regulatory burden.

Bread Financial Holdings Inc (BFH)

Our $34 PO is based on a 4x PE multiple to '24e EPS. A 4x PE multiple is below peers currently trading at 7x and the typical range for card issuers (7-12x), reflecting the hostile macro backdrop and BFH's outsized exposure to the subprime consumer relative to peers.

Downside risks to our price objective are: an economic downturn, which could lead to elevated loan loss rates, increased defaults, higher credit costs and slower loan growth. Deteriorating economic conditions would likely hurt investor sentiment and drive valuations lower. Loss of retail partners also poses a risk to growth and the earnings outlook.

Capital One Financial (COF)
Our $149 PO is based on a 10.5x PE multiple to our 2024 EPS forecast. A 10.5x PE multiple is in the middle of the historical range (7-12x) which we think is appropriate given the more optimistic macro outlook and strong loan growth, partially offset by rising credit costs.

Downside risks are: slower than expected revolving credit growth, faltering economic recovery and rising loan losses, which could drive earnings below our estimates, and result in valuation compression. Cybersecurity and regulations are also risks.

Discover Financial (DFS)
We calculate a $130 PO based on an 10.5x PE multiple to our 2024 EPS forecast. A 10.5x multiple is in the middle of DFS's recent historical range (7-12x) and reflects the more optimistic macro outlook, resilient consumer balance sheets, and strong business fundamentals.

Downside risks to our price objective are: if the economy falls into a recession, credit costs could rise rapidly and compress margins more than our current forecast. Deteriorating economic conditions would likely hurt sentiment and drive DFS's valuation lower.

OneMain Holdings, Inc. (OMF)
Our $54 price objective is based on a 7.5x multiple of our 2024 EPS forecast. A 7.5x PE multiple at the higher end of historical range (4-8x), it is also an approx. 20% discount to peers trading at 9.5x. We think valuation is justified given OMF's subprime exposure heading into a weakening macro environment.

Downside risks to our price objective are deterioration in credit, execution risk on the credit card portfolio, macroeconomic risk, regulatory risk, and a dividend cut.

SoFi Technologies Inc (SOFI)
Our $9.50 price objective is based on a sum-of-the-parts of 2x current tangible book value and 5x on Technology segment's 2024 net revenue. 2x TBV reflects SOFI's faster growth and 5x to Technology net revenue is in-line with its closest peer.

Risks are dependence on volatile gain-on-sale (GoS) margins, execution risk, consumer credit / recession risk, customer concentration risk and regulation / consumer data privacy concerns.

Synchrony Financial (SYF)
Our $40 PO is based on a 6.5x P/E multiple on 2025E EPS. Our multiple is on the low end of the typical trading range for SYF (6-12x), which we think is appropriate given the relatively uncertain macro backdrop and rising credit costs, somewhat balanced by the potential for high capital returns.

Downside risks to our price objective are an economic downturn, which could lead to elevated loan loss rates, increased defaults, higher credit costs and slower loan growth. Deteriorating economic conditions would likely hurt investor sentiment and drive valuations lower. Loss of retail partners also poses a risk to growth and earnings outlook.

Upside risks are: Consumer balance sheets continue to hold strength and credit metrics remain strong. Increased visibility in peak loss rates shifts investor sentiment. Federal reserve achieves a soft landing. Outsized capital return.

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
BUY				
	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
NEUTRAL				
	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
UNDERPERFORM				
	ADP	ADP	ADP US	Jason Kupferberg
	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
RSTR				
	EngageSmart	ESMT	ESMT US	Jason Kupferberg

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	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 R1	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%

R1 Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster R2
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

R2 Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the Price Charts website, or call 1-800-MERRILL to have them mailed.
BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: American Express, Bread Financial, Capital One, Discover Finl, OneMain Holdings, SoFi Technologies, Synchrony Financial.
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The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Amer Express, Bread Financial, Capital One, Discover Finl, OneMain Holdings, SoFi Technologies, Synchrony Financial.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Amer Express, Bread Financial, Capital One, Discover Finl, SoFi Technologies, Synchrony Financial.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Amer Express, Capital One, Discover Finl, OneMain Holdings, SoFi Technologies, Synchrony Financial.
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