

Citizens Financial Group

Rate-cut expectations to drive investor sentiment

Reiterate Rating: NEUTRAL | PO: 37.00 USD | Price: 31.73 USD

Quarter meets expectations

Citizens Financial Group (CFG) reported 4Q23 core EPS of \$0.85 vs. our/cons forecast of \$0.85/\$0.80. Net interest income (NII) and expenses were in line with our expectations, fees lighter (-3.7%), provisioning costs lower (-5.0%). Revise FY24/25e EPS to \$3.18/\$3.90 from \$3.06/\$3.80 on lower credit costs and higher fee revenue outlooks. CET1 capital ratio +20bp QoQ to 10.6% (9.0% including AOCI) vs. mgmt's 10.5% target. Mgmt. guidance calls for \$300mn in share buybacks in 1Q24, with expectation for buybacks to continue through 2024. Our forecast implies buybacks of \$800mn for FY24.

Valuation undemanding, but reflects challenged ROTCE

Stock reacted positively to management's update, likely influenced by short covering given the still elevated short interest. We view the stock as a beneficiary of a potential soft-landing scenario (lower rates, less credit stress both positives) and expect the macro-outlook to influence investor sentiment towards the name. Valuation undemanding at 0.9x YE24e TBV (vs. our 10% FY24e ROTCE forecast) and 10x 2024e P/E. Mgmt. maintained its medium-term ROTCE target of 16-18%, not reflected in our forecast through 2026. See risk/reward as balanced based on EPS forecast and EPS headwind from fewer rate-cuts. Reiterate Neutral. Our \$37 PO (\$35 prior) reflects EPS revisions.

Strategic actions could drive superior growth

Mgmt. highlighted the opportunity in the Private Bank, expecting to breakeven in 2H24, aiming to hire multiple wealth teams and open 5-6 new offices. Reiterated private bank balance sheet targets: \$9bn loans (\$0.3bn YE23), \$11bn deposits (\$1.2bn), \$10bn AUM (\$0.4bn) by YE25. Additionally, focus on growing market share in the NYC metro region (acquired NJ based Investors Bancorp, HSBC branches) and on growing the private equity focused offerings have the potential to drive superior growth. However, execution risk is not immaterial given what remains an intensely competitive operating environment.

Margin bottom key to driving improved returns

While mgmt. is focused on growing fee revenues, the revenue mix remains reliant on spread income (~75% of revenues). As a result, the trajectory of the net interest margin (NIM) will be key to whether CFG can make progress towards achieving its medium-term ROTCE target. Outlook for NIM to be impacted by depositor behavior, timing/frequency of Fed rate-cuts and mgmt's ability to meet its growth target. We forecast an average NIM of 2.83%/2.87% for FY24/25e, imply NII -9%/+4%, respectively.

| Estimates (Dec) (US\$) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|-------|--------|--------|-------|-------|
| EPS | 4.84 | 3.87 | 3.18 | 3.90 | 4.48 |
| GAAP EPS | 4.10 | 3.13 | 3.18 | 3.90 | 4.48 |
| EPS Change (YoY) | -9.4% | -19.9% | -18.0% | 22.7% | 14.8% |
| Consensus EPS (Bloomberg) | | | 3.33 | 4.08 | 3.85 |
| DPS | 1.62 | 1.68 | 1.71 | 1.77 | 1.84 |
| Valuation (Dec) | | | | | |
| P/E | 6.4x | 8.1x | 9.8x | 8.0x | 7.0x |
| GAAP P/E | 7.6x | 10.0x | 9.8x | 8.0x | 7.0x |
| Dividend Yield | 5.2% | 5.4% | 5.5% | 5.7% | 5.9% |

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Timestamp: 17 January 2024 06:12PM EST

17 January 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|---------|
| Price Obj. | 35.00 | 37.00 |
| 2024E Rev (m) | 7,825.0 | 7,822.7 |
| 2025E Rev (m) | 8,236.7 | 8,171.3 |
| 2026E Rev (m) | 8,505.8 | 8,556.5 |
| 2024E EPS | 3.06 | 3.18 |
| 2025E EPS | 3.80 | 3.90 |
| 2026E EPS | 4.05 | 4.48 |

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Stock Data

| | |
|----------------------------|----------------------|
| Price | 31.73 USD |
| Price Objective | 37.00 USD |
| Date Established | 17-Jan-2024 |
| Investment Opinion | B-2-7 |
| 52-Week Range | 22.77 USD -44.82 USD |
| Mrkt Val / Shares Out (mn) | 17,131 USD / 539.9 |
| Free Float | 95.1% |
| Average Daily Value | 173.28 USD |
| BofA Ticker / Exchange | CFG / NYS |
| Bloomberg / Reuters | CFG US / CFG.N |
| ROE (2024E) | 6.3% |
| 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".

iQprofileSM Citizens Financial Group

Income Statement Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------------------|---------|---------|---------|---------|---------|
| Net Interest Income | 6,023 | 6,258 | 5,714 | 5,926 | 6,250 |
| % change | 33.2% | 3.9% | -8.7% | 3.7% | 5.5% |
| Net Fee Income | NA | NA | NA | NA | NA |
| Securities Gains / (Losses) | 9 | 28 | 0 | 0 | 0 |
| Total Operating Income | 8,063 | 8,241 | 7,823 | 8,171 | 8,557 |
| Operating Expenses | (4,630) | (5,001) | (5,078) | (5,176) | (5,332) |
| % change | 16.4% | 8.0% | 1.5% | 1.9% | 3.0% |
| Provisions Expense | (305) | (687) | (720) | (650) | (700) |
| % change | NA | 125.2% | 4.8% | -9.7% | 7.7% |
| Operating Pre-Tax Income | 3,128 | 2,553 | 2,025 | 2,346 | 2,524 |
| Operating Net Income to Comm S/Hold. | 2,521 | 2,094 | 1,658 | 1,855 | 1,978 |
| GAAP Net Income | 2,634 | 2,211 | 1,792 | 1,992 | 2,115 |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------------|---------|---------|---------|---------|---------|
| Total Assets | 226,733 | 221,964 | 223,539 | 227,261 | 233,588 |
| Average Interest Earning Assets | 194,013 | 201,691 | 202,124 | 206,216 | 211,860 |
| Total Gross Customer Loans | 157,644 | 146,738 | 151,469 | 156,432 | 162,758 |
| % change | 19.8% | -6.9% | 3.2% | 3.3% | 4.0% |
| Total Customer Deposits | 180,724 | 177,342 | 179,498 | 185,175 | 191,225 |
| % change | 17.1% | -1.9% | 1.2% | 3.2% | 3.3% |
| Tangible Equity | 13,730 | 14,416 | 15,613 | 16,591 | 17,610 |
| Common Shareholders' Equity | 21,676 | 22,328 | 23,518 | 24,454 | 25,457 |

Key Metrics (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------------------|-------|-------|-------|-------|-------|
| Net Interest Margin | 3.10% | 3.10% | 2.83% | 2.87% | 2.95% |
| Effective Tax Rate | 22.5% | 23.0% | 22.1% | 22.5% | 22.5% |
| Loan / Deposit Ratio | 87.2% | 82.7% | 84.4% | 84.5% | 85.1% |
| Tangible Common Equity / Assets | 6.1% | 6.5% | 7.0% | 7.3% | 7.5% |
| ROA | 1.1% | 0.8% | 0.6% | 0.7% | 0.8% |
| ROE | 10.6% | 8.6% | 6.3% | 7.0% | 7.3% |
| RoTE | 16.3% | 13.1% | 9.6% | 10.4% | 10.6% |
| Dividend Payout Ratio | 30.7% | 38.3% | 46.7% | 41.2% | 37.9% |
| Efficiency Ratio (Cost / Income Ratio) | 57.5% | 60.9% | 64.9% | 63.3% | 62.3% |

Quality of Earnings (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------------------|---------|---------|--------|--------|--------|
| Total Non-Interest Inc / Operating Inc | 25.3% | 24.1% | 27.0% | 27.5% | 27.0% |
| NPLs plus Foreclosed Real Estate / Loans | 0.6% | 0.9% | 1.4% | 1.4% | 1.5% |
| Loan Loss Reserves / NPLs | 206.56% | 152.25% | 99.18% | 85.82% | 80.10% |
| Loan Loss Reserves / Total Loans | 1.26% | 1.43% | 1.35% | 1.24% | 1.22% |

Company Sector

Banks-US Regionals

Company Description

CFG operates 1,200 branches primarily throughout 11 states across the New England, Mid-Atlantic and Midwest regions. It has consolidated total assets of \$227 billion. CFG offers a broad range of retail and commercial banking products and services to more than five million individuals, institutions, and companies.

Investment Rationale

While we don't see absolute downside in the stock from current levels, we don't believe valuation support will be enough to drive sustained stock outperformance and we see better relative risk/reward elsewhere in the group. Given our cautious view on the sector, we see downside risk to consensus EPS from higher funding costs and worsening credit quality.

Stock Data

Average Daily Volume 5,461,167

Quarterly Earnings Estimates

| | 2023 | 2024 |
|----|-------|-------|
| Q1 | 1.10A | 0.78E |
| Q2 | 1.04A | 0.84E |
| Q3 | 0.89A | 0.75E |
| Q4 | 0.85A | 0.80E |

Exhibit 1: CFG Variance Table

New vs. old EPS estimates, assumptions

| KEY FORECAST VARIABLES: | Actual 4Q23 | Estimate 4Q23E | Variance | New 2024E | Old 2024E | Variance | New 2025E | Old 2025E | Variance |
|--------------------------------------|----------------|-------------------|-------------|---------------|---------------|-----------|---------------|---------------|-----------|
| EOP Loans | 146,738 | 149,337 | -1.74% | 151,469 | 151,730 | -0.17% | 156,432 | 156,705 | -0.17% |
| Average Loans | 149,235 | 149,965 | -0.49% | 148,412 | 150,427 | -1.34% | 153,951 | 154,218 | -0.17% |
| Average Earning Assets | 203,121 | 198,907 | 2.12% | 202,124 | 197,248 | 2.47% | 206,216 | 200,367 | 2.92% |
| Net Interest Margin (%) | 2.91 | 2.98 | -7bp | 2.83 | 2.93 | -10bp | 2.87 | 3.01 | -14bp |
| Net Interest Income (FTE) | 1,492.0 | 1,496.5 | -0.30% | 5,714.1 | 5,772.6 | -1.01% | 5,925.8 | 6,033.8 | -1.79% |
| Loan Loss Provision | 171.0 | 180.0 | -5.00% | 720.0 | 800.0 | -10.00% | 650.0 | 700.0 | -7.14% |
| Noninterest Revenues | 491.0 | 509.9 | -3.70% | 2,108.6 | 2,052.3 | 2.74% | 2,245.5 | 2,202.9 | 1.93% |
| Tot. Revenue | 1,992 | 2,006 | -0.72% | 7,823 | 7,825 | -0.03% | 8,171 | 8,237 | -0.79% |
| Total Expenses | 1,267.0 | 1,270.7 | -0.29% | 5,077.8 | 5,006.0 | 1.43% | 5,175.8 | 5,124.7 | 1.00% |
| Pre-Tax Income (FTE) | 554.0 | 555.7 | -0.31% | 2,024.9 | 2,019.0 | 0.29% | 2,345.5 | 2,411.9 | -2.75% |
| FTE Tax Rate (%) | 22.5 | 22.0 | 1pp | 21.5 | 22.5 | -1pp | 22.0 | 22.5 | 0pp |
| Net Income | 426.0 | 430.3 | -1.01% | 1,577.0 | 1,552.3 | 1.59% | 1,817.0 | 1,856.8 | -2.14% |
| Available For Common | 396.0 | 399.9 | -4mn | 1,442.5 | 1,417.8 | 25mn | 1,680.5 | 1,720.0 | -40mn |
| Op. EARNINGS PER SHARE (F.D.) | \$0.85 | \$0.85 | -1% | \$3.18 | \$3.06 | 4% | \$3.90 | \$3.80 | 3% |
| GAAP EPS (F.D.) | \$0.34 | \$0.50 | -33% | \$3.18 | \$3.06 | 4% | \$3.90 | \$3.80 | 3% |
| Book Value Per Share | \$47.87 | \$45.54 | \$2.33 | \$53.22 | \$50.10 | \$3.11 | \$58.58 | \$54.52 | \$4.07 |
| Tangible Book Value Per Share | \$30.91 | \$28.52 | \$2.38 | \$35.33 | \$32.73 | \$2.60 | \$39.75 | \$36.84 | \$2.90 |
| Dividends Per Share | \$0.42 | \$0.42 | \$0.00 | \$1.71 | \$1.71 | \$0.00 | \$1.77 | \$1.77 | \$0.00 |
| Average Fully-Diluted Shares | 468.2 | 467.7 | 0mn | 454.0 | 462.7 | -9mn | 431.2 | 452.7 | -22mn |
| CAPITAL RATIOS: | | | | | | | | | |
| EOP Common Equity/Assets (%) | 10.06 | 9.41 | 65bp | 10.52 | 10.23 | 29bp | 10.76 | 10.68 | 8bp |
| Tang. Common Equity/Assets (%) | 6.73 | 6.11 | 63bp | 7.24 | 6.93 | 31bp | 7.56 | 7.48 | 9bp |
| Tangible Common Equity/RWA (%) | 8.35 | 7.57 | 78bp | 9.16 | 8.59 | 57bp | 9.57 | 9.27 | 30bp |
| Tier 1 Common/RWA (%) | 10.64 | 10.48 | 16bp | 10.64 | 10.71 | -6bp | 10.43 | 10.77 | -34bp |
| Tier 1/RWA (%) | 11.80 | 11.62 | 18bp | 11.82 | 11.86 | -4bp | 11.60 | 11.91 | -31bp |
| PROFITABILITY RATIOS: | | | | | | | | | |
| Return On Assets (%) | 0.76 | 0.76 | 0bp | 0.70 | 0.69 | 2bp | 0.81 | 0.82 | -2bp |
| Return On Common Equity (%) | 7.41 | 7.54 | -13bp | 6.30 | 6.43 | -12bp | 7.01 | 7.29 | -28bp |
| Return On Tangible Common Equity (%) | 11.83 | 12.10 | -27bp | 9.63 | 10.03 | -40bp | 10.44 | 10.97 | -53bp |
| Operating Expenses/Revenues (%) | 63.89 | 63.33 | 56bp | 64.9 | 63.97 | 94bp | 63.3 | 62.22 | 112bp |
| BALANCE SHEET ITEMS: | | | | | | | | | |
| EOP Total Deposits | 177,342 | 178,761 | -0.79% | 179,498 | 177,807 | 0.95% | 185,175 | 183,080 | 1.14% |
| AVG Total Deposits | 177,128 | 178,479 | -0.76% | 179,099 | 178,617 | 0.27% | 182,337 | 180,444 | 1.05% |
| EOP Total Assets | 221,964 | 225,727 | -1.67% | 223,539 | 223,504 | 0.02% | 227,261 | 227,821 | -0.25% |
| EOP Equity | 24,342 | 23,246 | 4.71% | 25,532 | 24,872 | 2.65% | 26,468 | 26,340 | 0.49% |
| EOP Preferred Equity | 2,014 | 2,014 | 0.00% | 2,014 | 2,014 | 0.00% | 2,014 | 2,014 | 0.00% |
| EOP Common Equity | 22,328 | 21,232 | 5.16% | 23,518 | 22,858 | 2.89% | 24,454 | 24,326 | 0.53% |
| EOP Tangible Common Equity | 14,416 | 13,298 | 8.41% | 15,613 | 14,932 | 4.57% | 16,591 | 16,441 | 0.91% |
| CREDIT QUALITY INDICATORS: | | | | | | | | | |
| Net Charge-Offs | 171 | 170 | 0.59% | 780 | 820 | -4.88% | 750 | 750 | 0.00% |
| % Average Loans | 0.45 | 0.45 | 0bp | 0.53 | 0.55 | -2bp | 0.49 | 0.49 | 0bp |
| Nonperforming Assets | 1,378 | 1,640 | -16.00% | 2,055 | 2,444 | -15.93% | 2,258 | 2,685 | -15.91% |
| % EOP Loans + OREO | 0.94 | 1.10 | -16bp | 1.36 | 1.61 | -25bp | 1.44 | 1.71 | -27bp |
| Nonperforming Loans | 1,378 | 1,640 | -16.00% | 2,055 | 2,444 | -15.93% | 2,258 | 2,685 | -15.91% |
| % EOP Loans (excl. OREO) | 0.94 | 1.10 | -16bp | 1.36 | 1.61 | -25bp | 1.44 | 1.71 | -27bp |
| Loan Loss Reserve | 2,098 | 2,090 | 0.38% | 2,038 | 2,070 | -1.55% | 1,938 | 2,020 | -4.06% |
| % EOP Loans | 1.44 | 1.41 | 3bp | 1.35 | 1.37 | -2bp | 1.25 | 1.30 | -5bp |
| % Nonperforming Loans | 152.25 | 127.40 | 2485bp | 99.18 | 84.70 | 1449bp | 85.82 | 75.22 | 1060bp |

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



Price objective basis & risk

Citizens Financial Group (CFG)

Our \$37 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.0x/1.0x multiples respectively, below the bank's 5 year pre pandemic median of 13.2x/1.2x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, less than expected synergies from acquisition of First Republic private bankers, JMP, HSBC New York branches and ISBC.

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|-----------------------------------------|-------------|------------------|----------------------|
| BUY | | | | |
| | Ares Capital Corporation | ARCC | ARCC US | Derek Hewett |
| | Ares Commercial Real Estate Corporation | ACRE | ACRE US | Derek Hewett |
| | Bank of Montreal | BMO | BMO US | Ebrahim H. Poonawala |
| | Bank of Montreal | YBMO | BMO CN | Ebrahim H. Poonawala |
| | Barings BDC Inc | BBDC | BBDC US | Derek Hewett |
| | Blackstone Mortgage Trust Inc | BXMT | BXMT US | Derek Hewett |
| | Blue Owl Capital Corporation | OBDC | OBDC US | Derek Hewett |
| | Carlyle Secured Lending Inc | CGBD | CGBD US | Derek Hewett |
| | Citigroup Inc. | C | C US | Ebrahim H. Poonawala |
| | Compass Diversified Holdings | CODI | CODI US | Derek Hewett |
| | Crescent Capital BDC | CCAP | CCAP US | Derek Hewett |
| | Cullen/Frost Bankers Inc | CFR | CFR US | Ebrahim H. Poonawala |
| | East West Bancorp, Incorporated | EWBC | EWBC US | Ebrahim H. Poonawala |
| | Fifth Third Bank | FITB | FITB US | Ebrahim H. Poonawala |
| | First Bancorp Puerto Rico | FBP | FBP US | Brandon Berman |
| | First Horizon Corporation | FHN | FHN US | Ebrahim H. Poonawala |
| | FNB Corporation of Pennsylvania | FNB | FNB US | Brandon Berman |
| | Goldman Sachs | GS | GS US | Ebrahim H. Poonawala |
| | JPMorgan Chase & Co. | JPM | JPM US | Ebrahim H. Poonawala |
| | KeyCorp | KEY | KEY US | Ebrahim H. Poonawala |
| | M&T Bank | MTB | MTB US | Ebrahim H. Poonawala |
| | Morgan Stanley | MS | MS US | Ebrahim H. Poonawala |
| | New Mountain Finance Corporation | NMFC | NMFC US | Derek Hewett |
| | New York Community Bancorp | NYCB | NYCB US | Ebrahim H. Poonawala |
| | Northern Trust Corporation | NTRS | NTRS US | Ebrahim H. Poonawala |
| | Royal Bank of Canada | RY | RY US | Ebrahim H. Poonawala |
| | Royal Bank of Canada | YRY | RY CN | Ebrahim H. Poonawala |
| | Safehold, Inc | SAFE | SAFE US | Derek Hewett |
| | Sixth Street Specialty Lending, Inc | TS LX | TS LX US | Derek Hewett |
| | Starwood Property Trust | STWD | STWD US | Derek Hewett |
| | Synovus Financial Corp. | SNV | SNV US | Ebrahim H. Poonawala |
| | The Bank of New York Mellon Corporation | BK | BK US | Ebrahim H. Poonawala |
| | Truist Financial | TFC | TFC US | Ebrahim H. Poonawala |
| | U.S. Bancorp | USB | USB US | Ebrahim H. Poonawala |
| | Webster Financial Corp. | WBS | WBS US | Brandon Berman |
| | Wells Fargo & Company | WFC | WFC US | Ebrahim H. Poonawala |
| | Western Alliance Bancorp | WAL | WAL US | Ebrahim H. Poonawala |
| NEUTRAL | | | | |
| | AGNC Investment Corp | AGNC | AGNC US | Derek Hewett |

North America - Banks Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|----------------------------------------|-------------|------------------|----------------------|
| | Ally Financial | ALLY | ALLY US | Brandon Berman |
| | Annaly Capital Management | NLY | NLY US | Derek Hewett |
| | Apollo Commercial Real Estate Finance | ARI | ARI US | Derek Hewett |
| | Associated Banc-Corp | ASB | ASB US | Brandon Berman |
| | Bain Capital Specialty Finance, Inc. | BCSF | BCSF US | Derek Hewett |
| | Bank of Nova Scotia | YBNS | BNS CN | Ebrahim H. Poonawala |
| | Bank of Nova Scotia | BNS | BNS US | Ebrahim H. Poonawala |
| | Blackstone Secured Lending Fund | BXSL | BXSL US | Derek Hewett |
| | BrightSpire Capital Inc. | BRSP | BRSP US | Derek Hewett |
| | Canadian Imperial Bank of Commerce | CM | CM US | Ebrahim H. Poonawala |
| | Canadian Imperial Bank of Commerce | YCM | CM CN | Ebrahim H. Poonawala |
| | Citizens Financial Group | CFG | CFG US | Ebrahim H. Poonawala |
| | Comerica Incorporated | CMA | CMA US | Brandon Berman |
| | Commerce Bancshares Inc. | CBSH | CBSH US | Brandon Berman |
| | Goldman Sachs BDC, Inc. | GSBD | GSBD US | Derek Hewett |
| | Golub Capital BDC, Inc. | GBDC | GBDC US | Derek Hewett |
| | Huntington Bancshares Inc. | HBAN | HBAN US | Ebrahim H. Poonawala |
| | Ladder Capital Corp | LADR | LADR US | Derek Hewett |
| | PennyMac Mortgage Investment Trust | PMT | PMT US | Derek Hewett |
| | Popular Inc | BPOP | BPOP US | Brandon Berman |
| | Regions Financial | RF | RF US | Ebrahim H. Poonawala |
| | The PNC Financial Services Group, Inc. | PNC | PNC US | Ebrahim H. Poonawala |
| | Toronto-Dominion Bank | TD | TD US | Ebrahim H. Poonawala |
| | Toronto-Dominion Bank | YTD | TD CN | Ebrahim H. Poonawala |
| | TPG RE Finance Trust, Inc. | TRTX | TRTX US | Derek Hewett |

UNDERPERFORM

| | | | | |
|--|--------------------------------|------|---------|----------------------|
| | Bank of Hawaii Corp. | BOH | BOH US | Brandon Berman |
| | First Hawaiian Inc. | FHB | FHB US | Brandon Berman |
| | Guild Holdings Company | GHLD | GHLD US | Derek Hewett |
| | Invesco Mortgage Capital, Inc. | IVR | IVR US | Derek Hewett |
| | loanDepot Inc | LDI | LDI US | Derek Hewett |
| | MidCap Financial Investment Co | MFIC | MFIC US | Derek Hewett |
| | Prosperity Bancshares Inc | PB | PB US | Ebrahim H. Poonawala |
| | State Street Corporation | STT | STT US | Ebrahim H. Poonawala |
| | Texas Capital Bancshares Inc. | TCBI | TCBI US | Brandon Berman |
| | Zions Bancorp | ZION | ZION US | Brandon Berman |

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

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

Other LT Liabilities

Enterprise Value

Denominator

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

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization



Valuation Toolkit

Numerator

Denominator

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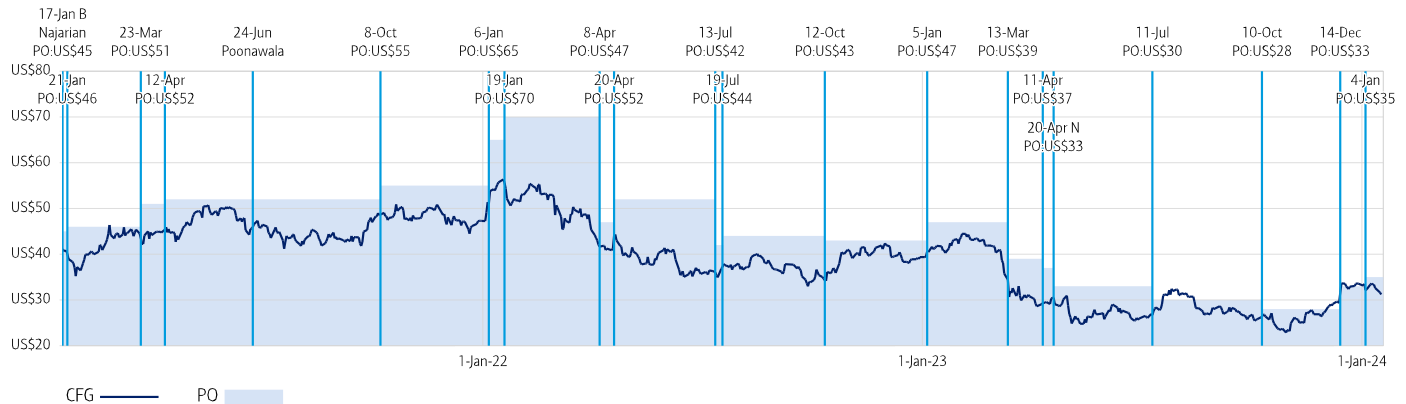
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Citizens Financial (CFG) Price Chart



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 ^{R1} | 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 ^{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% |

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| 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% |

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