

## Prosperity Bancshares Inc

## M&amp;A the catalyst to reignite stock performance

Reiterate Rating: UNDERPERFORM | PO: 60.00 USD | Price: 64.93 USD

## Quiet quarter, no material change to EPS outlook

PB reported 4Q23 adj. EPS of \$1.19 vs. BofA/cons. \$1.16/1.19 ests, with the beat vs us driven by stronger PPNR (\$143m vs \$139mn BofAe). Mgmt. reiterated guidance for the net interest margin (NIM) to expand to ~3%/3.1%+/3.3%+ over the next 6/12/24 months. Not too different vs. our pre-4Q NIM forecast. Nudge FY24/25e EPS to \$5.10/\$6.00 from \$5.09/\$5.84 due to higher expense base, lower share count. PB announced a stock repurchase program for up to 5% of shares outstanding. Our forecast assumes buybacks of ~\$140mn (2mn shares), implying a total payout ratio of 40% FY24.

## Limited funding cost leverage could weigh on NIM

Outlook for NIM expansion is a welcome contrast to the pressure that most peers are likely to experience. However, we note that the potential for rate-cuts could temper NIM expansion given an uncertain outlook for deposit costs on the way down, given PB's already well below peer average deposit costs. Moreover, while mgmt. indicated that NII should grow despite the outlook for balance sheet shrinkage (decline ~\$1bn ex. pending merger), a smaller balance sheet would nevertheless serve as a potential drag on EPS growth. We forecast an average NIM of 2.98%/3.31% for FY24E/25E.

## M&amp;A opportunities "very significant"

The Lone Star merger (~3% to assets) awaits regulatory approval with mgmt. comments indicating final approval close (we assume 03/31). Mgmt. upbeat on prospects for M&A. While we expect smaller M&A activity to continue, unclear whether it will be possible to strike larger deals in current regulatory backdrop. Longer-term, we expect consolidation activity to pick-up given motivating factors (need for low-cost deposits, rising regulatory burden/scrutiny) that should bring buyers and sellers to the negotiating table.

## Eroding stock currency matters

We consider CEO David Zalman as among the best acquirers when it comes to bank M&A. However, Prosperity's growing size (shrinking pool of relevant merger partners) and an eroding stock currency (stock at same level as 2014 while TBV has more than doubled) remain a headwind to striking a needle-moving M&A transaction. EPS outlook reflecting NIM expansion while stock trading at a premium to peers at 12.7x/10.8x 2024/2025 P/E vs. 10.7x/8.4x peer median. We recognize the optionality afforded by the excess capital, but the lack of deployment opportunities limits likelihood for this to serve as a positive catalyst of stock outperformance. Reiterate Underperform rating and \$60 PO now based on 11.5x 2024e P/E and 1.5x YE24e TBV (from 12.5x/1.3x previously) driven by updated outlook for EPS growth and capital return.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026
EPS	5.73	4.98	5.10	6.00	NA
GAAP EPS	5.73	4.52	4.95	6.00	NA
EPS Change (YoY)	2.2%	-13.0%	2.4%	17.7%	NA
Consensus EPS (Bloomberg)			5.10	5.96	NA
DPS	2.11	2.21	2.26	2.44	NA
Valuation (Dec)					
P/E	11.3x	13.0x	12.7x	10.8x	NA
GAAP P/E	11.3x	14.4x	13.1x	10.8x	NA
Dividend Yield	3.2%	3.4%	3.5%	3.8%	NA

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24 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	617.1	617.7
2025E Rev (m)	713.5	722.7
2024E EPS	5.09	5.10
2025E EPS	5.84	6.00
2024E DPS	2.24	2.26

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## Stock Data

Price	64.93 USD
Price Objective	60.00 USD
Date Established	14-Dec-2023
Investment Opinion	B-3-7
52-Week Range	49.60 USD -78.76 USD
Mkt Val / Shares Out (mn)	4,547 USD / 70.0
Free Float	95.6%
Average Daily Value	41.03 USD
BofA Ticker / Exchange	PB / NYS
Bloomberg / Reuters	PB US / PB.N
ROE (2024E)	6.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

PPNR: Pre provision net revenue

# iQprofile<sup>SM</sup> Prosperity Bancshares Inc

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Net Interest Income	1,007	960	1,025	1,145	NA
% change	1.2%	-4.7%	6.8%	11.7%	NA
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	0	0	0	0	NA
Total Operating Income	668	592	618	723	NA
Operating Expenses	0	0	0	0	NA
% change	NA	NA	NA	NA	NA
Provisions Expense	0	0	0	0	NA
% change	NA	NA	NA	NA	NA
Operating Pre-Tax Income	668	592	618	723	NA
Operating Net Income to Comm S/Hold.	533	472	484	576	NA
GAAP Net Income	533	472	484	576	NA

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Total Assets	37,690	38,548	38,097	38,244	NA
Average Interest Earning Assets	33,535	34,543	34,336	34,566	NA
Total Gross Customer Loans	18,840	21,181	22,668	23,460	NA
% change	1.2%	12.4%	7.0%	3.5%	NA
Total Customer Deposits	28,534	27,180	27,914	28,711	NA
% change	-7.3%	-4.7%	2.7%	2.9%	NA
Tangible Equity	3,416	3,619	3,809	4,158	NA
Common Shareholders' Equity	6,699	7,079	7,372	7,707	NA

## Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Net Interest Margin	3.00%	2.78%	2.98%	3.31%	NA
Effective Tax Rate	21.5%	22.0%	21.7%	21.9%	NA
Loan / Deposit Ratio	66.0%	77.9%	81.2%	81.7%	NA
Tangible Common Equity / Assets	9.1%	9.4%	10.0%	10.9%	NA
ROA	1.39%	1.19%	1.24%	1.48%	NA
ROE	8.0%	6.7%	6.6%	7.5%	NA
RoTE	16.0%	13.2%	13.0%	14.2%	NA
Dividend Payout Ratio	36.3%	43.5%	44.3%	39.9%	NA
Efficiency Ratio (Cost / Income Ratio)	0%	0%	0%	0%	NA

## Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Total Non-Interest Inc / Operating Inc	-50.8%	-62.3%	-65.9%	-58.4%	NA
NPLs plus Foreclosed Real Estate / Loans	0.1%	0.3%	0.4%	0.4%	NA
Loan Loss Reserves / NPLs	1,102.88%	468.39%	353.70%	290.49%	NA
Loan Loss Reserves / Total Loans	1.49%	1.57%	1.37%	1.20%	NA

## Company Sector

Banks-US Regionals

## Company Description

Prosperity Bank has \$38 billion in assets, is the second largest Texas based bank by commercial deposits, and the third largest based on total deposits. Based in Houston, TX, Prosperity offers a variety of traditional loan and deposit products to its customers, which consist primarily of small and medium sized businesses and consumers.

## Investment Rationale

While we consider PB a well-run bank, at current valuation, we see better risk/reward elsewhere in the group given PB's below average rate sensitivity and a lower organic growth outlook.

## Stock Data

Average Daily Volume 631,960

## Quarterly Earnings Estimates

	2023	2024
Q1	1.37A	1.17E
Q2	1.21A	1.22E
Q3	1.21A	1.32E
Q4	1.19A	1.39E

**Exhibit 1: PB Variance table**

New vs old EPS estimates, assumptions

		Actual	Estimate		New	Old		New	Old	
KEY FORECAST VARIABLES:	3Q23	4Q23	4Q23E	Variance	2024E	2024E	Variance	2025E	2025E	Variance
EOP Loans	21,433	21,181	21,052	0.61%	22,668	22,609	0.26%	23,460	23,389	0.30%
Average Loans	21,479	21,151	21,183	-0.15%	22,097	22,096	0.00%	23,053	22,988	0.28%
Average Earning Assets	35,117	34,351	34,308	0.12%	34,338	35,062	-2.06%	34,566	35,264	-1.98%
Net Interest Margin (%)	2.72	2.75	2.73	2bp	2.98	2.93	6bp	3.31	3.26	6bp
Net Interest Income (FTE)	240,524	237.9	236.2	0.73%	1,025.0	1,026.8	-0.18%	1,144.9	1,148.5	-0.31%
Loan Loss Provision	0.0	0.0	0.0	NA	0.0	0.0	NA	0.0	0.0	NA
Noninterest Revenues	38,743	36.6	39.0	-6.22%	151.0	153.3	-1.56%	155.3	155.0	0.20%
Tot. Revenue	279	275	275	-0.25%	1,176	1,180	-0.36%	1,300	1,304	-0.25%
Staff Expenses	85.4	80.5	86.6	-7.03%	340.6	354.1	-3.83%	354.2	366.5	-3.36%
Other Expenses	46.1	47.7	46.0	3.74%	203.0	192.1	5.64%	211.2	209.1	0.99%
Total Expenses	134,553	132.0	136.2	-3.07%	561.1	563.1	-0.35%	580.5	590.0	-1.60%
Pre-Tax Income (FTE)	144.7	142.5	139.0	2.51%	614.9	617.1	-0.36%	719.7	713.5	0.87%
FTE Tax Rate (%)	21.3	21.3	21.0	0pp	21.3	21.0	0pp	21.5	21.0	1pp
Net Income	113.1	111.4	109.0	2.19%	481.2	484.8	-0.74%	562.3	561.0	0.23%
Available For Common	113.1	111.4	109.0	2mn	481.2	484.8	-4mn	562.3	561.0	1mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$1.21</b>	<b>\$1.19</b>	<b>\$1.16</b>	<b>2%</b>	<b>\$5.08</b>	<b>\$5.09</b>	<b>0%</b>	<b>\$5.98</b>	<b>\$5.84</b>	<b>2%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$1.20</b>	<b>\$1.02</b>	<b>\$0.99</b>	<b>3%</b>	<b>\$4.92</b>	<b>\$4.87</b>	<b>1%</b>	<b>\$5.98</b>	<b>\$5.84</b>	<b>2%</b>
Book Value Per Share	\$75.04	\$75.54	\$75.65	(\$0.11)	\$78.33	\$78.32	\$0.01	\$81.86	\$81.80	\$0.06
Tangible Book Value Per Share	\$38.08	\$38.62	\$38.72	(\$0.11)	\$40.46	\$41.23	(\$0.77)	\$44.15	\$44.87	(\$0.72)
Dividend Per Share	\$0.55	\$0.56	\$0.56	\$0.00	\$2.26	\$2.24	\$0.02	\$2.44	\$2.35	\$0.09
Average Fully-Diluted Shares	93.7	93.7	93.7	0mn	94.8	95.2	0mn	94.1	96.1	-2mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	17.90	18.37	18.45	-9bp	19.35	19.32	3bp	20.14	20.09	5bp
Tang. Common Equity/Assets (%)	9.96	10.31	10.38	-7bp	11.03	11.19	-17bp	11.98	12.12	-15bp
Tangible Common Equity/RWA (%)	14.71	15.09	15.18	-9bp	15.56	15.84	-27bp	16.92	17.16	-25bp
Tier 1 Common/RWA (%)	14.98	15.54	15.43	11bp	16.04	16.30	-26bp	17.15	17.39	-24bp
Tier 1/RWA (%)	14.98	15.54	15.43	11bp	16.04	16.30	-26bp	17.21	17.45	-24bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	1.13	1.14	1.11	3bp	1.24	1.23	1bp	1.47	1.44	4bp
Return On Common Equity (%)	6.41	6.27	6.13	14bp	6.61	6.62	-1bp	7.46	7.29	17bp
Return On Tangible Common Equity (%)	12.67	12.30	12.02	28bp	12.93	12.78	15bp	14.12	13.56	56bp
Operating Expenses/Revenues (%)	48.18	48.08	49.48	-140bp	47.7	47.71	0bp	44.6	45.26	-61bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	27,313	27,180	27,873	-2.49%	27,914	28,604	-2.41%	28,711	29,421	-2.42%
AVG Total Deposits	27,188	27,041	27,035	0.02%	27,828	28,519	-2.42%	28,313	29,013	-2.41%
EOP Total Assets	39,296	38,548	38,419	0.34%	38,097	38,963	-2.22%	38,242	39,122	-2.25%
EOP Equity	7,033	7,079	7,089	-0.14%	7,371	7,526	-2.06%	7,703	7,861	-2.00%
EOP Preferred Equity	0	0	0	NA	0	0	NA	0	0	NA
EOP Common Equity	7,033	7,079	7,089	-0.14%	7,371	7,526	-2.06%	7,703	7,861	-2.00%
EOP Tangible Common Equity	3,569	3,619	3,629	-0.27%	3,808	3,962	-3.91%	4,155	4,312	-3.65%
<b>CREDIT QUALITY INDICATORS:</b>										
Net Charge-Offs	3	19	5	282.66%	30	30	0.00%	30	30	0.00%
% Average Loans	0.06	0.36	0.09	27bp	0.14	0.14	0bp	0.13	0.13	0bp
Nonperforming Assets	69	73	64	14.04%	90	79	14.08%	99	87	14.15%
% EOP Loans + OREO	0.32	0.34	0.30	4bp	0.40	0.35	5bp	0.42	0.37	5bp
Nonperforming Loans	60	71	61	15.64%	88	76	15.63%	97	84	15.63%
% EOP Loans (excl. OREO)	0.28	0.34	0.29	4bp	0.39	0.34	5bp	0.41	0.36	5bp
Loan Loss Reserve	351	332	346	-4.08%	311	325	-4.35%	281	295	-4.79%
% EOP Loans	1.64	1.57	1.65	-8bp	1.37	1.44	-7bp	1.20	1.26	-6bp
% Nonperforming Loans	584.26	468.39	564.66	-9627bp	353.70	427.57	-7386bp	290.49	352.80	-6231bp

Source: BofA Global Research estimates, Company filings



**Exhibit 1: PB Variance table**

New vs old EPS estimates, assumptions

	Actual	Estimate		New	Old		New	Old	

BofA GLOBAL RESEARCH

**Price objective basis & risk****Prosperity Bancshares Inc (PB)**

Our \$60 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.5x/1.5x multiples respectively, below the bank's 5 year pre pandemic median of 14.6x/2.4x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO are: worse than expected credit losses, greater than expected net interest margin compression, and slower than expected economic growth. Upside risks to our PO are: better than expected margin performance, and stronger than expected economic growth.

**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
<b>BUY</b>				
	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	TSLX	TSLX 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

## North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
<b>NEUTRAL</b>				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	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
<b>UNDERPERFORM</b>				
	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

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

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

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

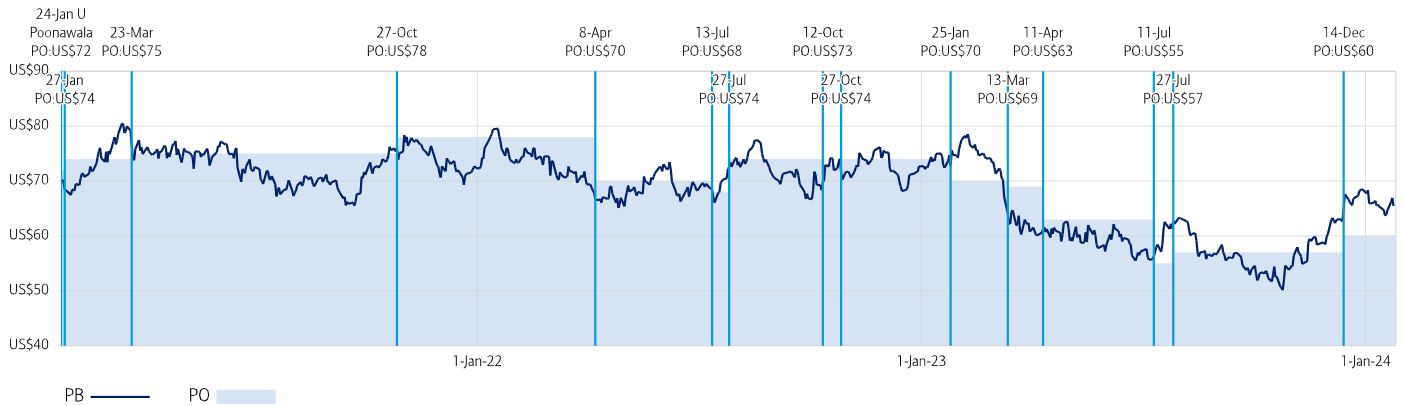
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## Important Disclosures

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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%

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