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U.S. Banks

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February Wrap-Up (3/3/24)

U.S. Bank Returns <i>Returns: price changes plus dividends</i>	Date Added	Last Month's Return	Year To Date Return	Return Since Added
Citizens Financial Group	6/1/20	-4.0%	-4.0%	57.1%
Comerica	5/1/22	-6.1%	-11.5%	-33.7%
Portfolio Returns:		-5.0%	-7.7%	

In January, Citizens Financial reported better than expected, but still mostly below year-ago December quarter numbers. Comerica reported mixed, but mostly below year-ago results. Neither bank announced market moving news in February.

Looking at 12-month total returns, Citizen's Financial dropped 19% while Comerica fell 25%. By contrast, large bank Wells Fargo (WFC) gained 22% and Citigroup (C) rose 13%.

Outlook

Thanks to their dependence on local real estate markets, the outlook does not look bright for local banks. Consequently, I'm suggesting that stock holders switch from small banks to profitable large banks such as Wells Fargo (WFC), JP Morgan (JPM) or Citigroup (C).

Sell Small Banks.

In any case, I'm advising selling both Citizen's Financial Group and Comerica.

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Federal Dividend Taxes: Bank dividends are subject to the 15%/20% maximum tax rate.

Risk Rating: one is lowest risk, three is average, and five is highest risk.

Ticker	Portfolio Details 2/29/24 <small>All are "buy" rated unless otherwise noted.</small>	Recent Price	Div. Yield	Exp. Div. Growth	Risk
CFG	Citizens Financial	31.39	5.4%	5%	3
<i>Rating: SELL</i>					
Headquartered in Providence, Rhode Island, Citizens Financial operates around 1,000 full service retail banks and 2,000 ATMs in 11 states in the New England, Mid-Atlantic and Midwest regions. More QUOTE					
CMA	Comerica	49.38	5.8%	3%	3
<i>Rating: SELL</i>					
Based in Dallas, Texas, Comerica operates 400+ branches, mostly in urban areas of Arizona, California, Florida, Michigan and Texas. More QUOTE					

Information believed correct, but accuracy not guaranteed. Investing in stocks and/or funds **involves risk**. Readers should not assume that recommendations will be profitable or will equal the performance of past recommendations. Before investing, consult with a financial advisor to determine if the stocks and/or funds described here are suitable investments for you.

Dividend Calendar last update 23/324	Dividend Amount	Vs. Year-Ago	Ex-Div Date	Pay Date	Notes
Citizens Financial	0.420	0%	1/30/24	2/14/24	
Comerica	0.710	0%	3/14/24	4/1/24	

Data not guaranteed, verify before taking action

green indicates increase from last payout, red indicates dividend cut

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3/5/24

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Citizens Financial **Rating SELL**

I'm advising selling Citizen's Financial.

Background

Headquartered in Providence, Rhode Island, Citizens Financial operates around 1,200 full service retail banks and 2,000 ATMs in 11 states in the New England, Mid-Atlantic and Midwest regions. Citizens is a serial dividend raiser, hiking its quarterly payout by 29% to \$0.18 per share in July 2017, by 22% to \$0.22 in January 2018, by 23% to \$0.27 in July 2018, by 19% to \$0.32 in January 2019, by 13% to \$0.36 in July 2019, and by 8% to \$0.39 in January 2020.

Quarterly Reports

December'23: EPS (underlying) \$0.85, down 36% vs. year-ago. Revenues down 26% to \$1,988 million. Net interest income down 12% to \$1.488 billion. Non-interest income down 1% to \$500 million. Net interest margin 2.91% vs. 3.30%. Total loans down 7% to \$146.0 billion. Deposits down 2% to \$177.3 billion. Tangible book value up 11% to \$30.91 per share. *Better than expected but still mostly below year-ago numbers from Citizens Financial.*

September'23: EPS \$0.89, down 32%. Revenues down 7% to \$2.014 billion. Net interest income down 9% to \$1.522 billion. Non-interest income down 4% to \$492 million. Net interest margin 3.03% vs. 3.24%. Total loans down 4% to \$149.7 billion. Deposits even at \$178.2 billion. Tangible book value up 4% to \$27.73 per share.

June'23: EPS \$1.04 vs. year-ago \$1.14. Revenues up 5% to \$2.09 billion. Net interest income up 6% to \$1.588 billion. Non-interest income up 2% to \$506 million. Net interest margin 3.16% vs. 3.04%. Total loans down 2% to \$151.3 billion. Deposits down 1% to \$177.7 billion. Tangible book value down 1.4% to \$28.724 per share.

March'23: EPS (underlying) \$1.10, up \$0.03. Revenues up 29% to \$2.128 billion. Net interest income up 43% to \$1.643 billion. Non-interest income down 3% to \$485 million. Net interest margin 3.29% vs. 2.75%. Total loans up 18% to \$131.3 billion. Deposits up 8% to \$172.2 billion. Tangible book value down 5% to \$29.44 per share.

December'22: EPS (underlying) \$1.32, up 5%. Revenues up 28% to \$2.20 billion. Net interest income up 51% to \$1.695 billion. Non-interest income down 15% to \$505 million. Net interest margin 3.30% vs. 2.66%. Total loans up 22% to \$156.7 billion. Deposits up 17% to \$180.7 billion. Tangible book value down 19% to \$27.88 per share. *Mixed, but mostly good growth numbers from Citizens Financial.*

Sept. '22: EPS (underlying) \$1.30, up 7%. Revenues up 31% to \$2.18 billion. Net interest income up 45% to \$1.665 billion. Non-interest income flat at \$512 million. Net interest margin 3.25% vs. 2.72%. Total loans up 27% to \$156.1 billion. Deposits up 17% to \$178.6 billion. Tangible book value down 9% to \$26.62 per share. Agreed to acquire higher education planning service College Raptor and registered investment advisor Paladin Advisors. In July, dividend up 8% to \$0.42.

June '22: EPS (adjusted) \$1.14 vs. \$1.46. Revenues up 22% to \$1.999 billion. Net interest income up 34% to \$1.505 billion. Non-interest income up 2% to \$494 million. Net interest margin 3.04% vs. 2.72%. Total loans up 27% to \$156.2 billion. Deposits up 19% to \$178.9 billion. Tangible book value down 14% to \$29.14 per share.

March '22: EPS (adjusted) \$1.07, down 24%. Revenues down 1% to \$1.645 billion. Net interest income up 3% to \$1.147 billion. Non-interest income down 8% to \$498 million. Net interest margin 2.75% vs. 2.75%. Total loans up 7% to \$131.3 billion. Deposits up 4% to \$157.4 billion. Tangible book value down 6% to \$30.97 per share. In January, Citizens agreed to acquire private investment manager DH Capital for an undisclosed sum.

December '21: EPS (adjusted) \$1.26, up 21%. Revenues up 1% to \$1.72 billion. Net interest income flat at \$1.126 billion. Non-interest income up 3% to \$594 million. Net interest margin 2.66% vs. 2.75%. Total loans up 4% to \$128.2 billion. Deposits up 5% to \$154.4 billion. Tangible book value up 6% to \$34.61 per share.

September '21: EPS (adjusted) \$1.22, up 67%. Net interest income up 1% to \$1.145 billion. Non-interest income down 21% to \$514 million. Net interest margin 2.72% vs. 2.83%. Total loans down 1% to \$122.6 billion. Deposits up 7% to \$152.2 billion. Tangible book value up 7% to \$34.44 per

share. In July, paid \$3.5 billion to acquire Investors Bancorp in Short Hills, New Jersey. In August acquired valuation consulting and forensic analysis firm Willamette Management Associates. In September, paid around \$140 million to acquire investment banker JMP Group.

June '21: EPS (adjusted) \$1.46, up 165%. Net interest income down 3% to \$1.124 billion. Non-interest income down 18% to \$485 million. Net interest margin 2.72% vs. 2.88%. Total loans down 2% to \$122.6 billion. Deposits up 5% to \$150.6 billion. Tangible book value up 6% to \$33.95 per share. Agreed to acquire 80 East Coast branches and the national online deposit business from HSBC Bank (HSBC). Deal includes \$9.0 billion in deposits and \$2.2 billion in loans, expected to close in the March quarter of 2022 and immediately start adding to earnings.

March '21: EPS \$1.41 vs. \$0.09. Net interest income down 4% to \$1.117 billion. Non-interest income up 9% to \$542 million. Net interest margin 2.76% vs. 3.10%. Total loans down 4% to \$122.2 billion. Deposits up 13% to \$151.3 billion. Tangible book value up 3% to \$32.79 per share.

Comerica **Rating SELL**

I'm advising selling Comerica.

In June, Comerica said that it's planning organically to exit the mortgage banker finance business by the end of this year. According to Comerica, benefits from the exit include "smoothing seasonality and cyclicity in its loan portfolio, improving capital efficiency, and enhancing stability of its liquidity."

Background

Comerica, based in Dallas, Texas, operates 400+ branches, mostly in urban areas of Arizona, California, Florida, Michigan and Texas. Over 90% of Comerica's loans are priced at floating rates, over 35% of them expire within one year, while only 17% of loans have maturity of over five years.

Quarterly Reports

December'23: EPS \$0.20 per share, \$1.18 below analyst forecasts, and vs. year-ago \$1.84. Net interest income down 21% vs. year-ago to \$584 million. Net interest margin 2.91% vs. 3.74%. Non-interest income up 29% to \$198 million. Ending loan balance down 2% vs. year-ago to \$52.11 billion. Ending deposit balance down 7% to \$66.05 billion. **Mixed, but mostly below year-ago December quarter results.**

September '23: EPS \$1.84, down 29% vs. year-ago. Net interest income down 15% vs. year-ago to \$601 million. Net interest margin 2.84% vs. 3.51%. Non-interest income up 11% to \$295 million. Ending loan balance up 6% vs. year-ago to \$53.99 billion. Ending deposit balance down 11% to \$65.88 billion. **Mixed, September quarter numbers from Comerica.**

June '23: EPS \$2.01, up 5%. Net interest income up 11% to \$621 million. Net interest margin 2.93% vs. 2.70%. Non-interest income up 13% to \$303 million. Ending loan balance up 8% vs. year-ago to \$55.76 billion. Ending deposit balance down 13% to \$66.02 billion.

March'23: EPS \$2.39, up 74%. Net interest income up 55% to \$708 million. Net interest margin 3.57% vs. 2.19%. Non-interest income up 16% to \$282 million. Ending loan and deposit balances \$53.5 billion, up 2%, and \$67.8 billion, down 5% vs. year-ago. In March, dividend up 4.4% to \$0.71.

December'22: EPS \$2.58, up 55%. Net interest income up 61% to \$742 million. Net interest margin 3.74% vs. 2.04%. Non-interest income down 4% to \$278 million. Ending loan and deposit balances \$53.4 billion, up 8%, and \$71.4 billion, down 13% vs. year-ago. **Mixed, but mostly strong growth numbers from Comerica.**

Sept. '22: EPS (adjusted) \$2.60, up 37%. Net interest income up 49% to \$707 million. Net interest margin 3.50% vs. 2.23%.

June '22: EPS \$1.92 vs. 2.32. Net interest income up 21% to \$461 million. Net interest margin 2.74% vs. 2.29%. Non-interest income down 6% to \$268 million. Ending loan and deposit balances \$51.5 billion, up 2%, and \$75.8 billion, even with year-ago.

March '22: EPS \$1.37 vs. \$2.43. Net interest income up 3% to \$456 million. Net interest margin 2.19% vs. 2.29%. Non-interest income down 10% to \$244 million. Ending loan and deposit balances \$49.56 billion, down 2%, and \$77.61 billion, up 5%.

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Step-by-Step Guide by Harry Domash.

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