

Bank of America (BAC US)

FUNDAMENTAL VIEW ¹

As of 27 Nov 2023

- Bank of America is a strong and steady credit, having dramatically improved its risk profile over the last decade and significantly closed the gap with industry bellwether(s); effective expense management has also been a demonstrated core competency.
- The company remains well diversified across business lines in lending, markets, and asset/wealth management and has shown little appetite for excessive risk-taking, exemplified in part by strong stress test performance versus peers.

RISKS & CATALYSTS

As of 27 Nov 2023

- Bank of America has made excellent progress generating operating efficiencies and improving profitability as the crisis-era overhangs fade further into the background; it still lags peer JPM on some measures, including capital markets, but is well positioned to capture any rebounding loan growth.
- The company is relatively more sensitive to interest rates than peers, estimating that a +100 bp parallel shift in the interest rate yield curve would increase net interest income by \$3.1 bn over the next 12 months (as of 3Q23).
- Also a sector-wide concern, Bank of America is exposed to cyber threats, although it has been deploying significant resources into tech spend the past few years.

CREDIT QUALITY SCORE (CQS) ²

As of 22 Jan 2024

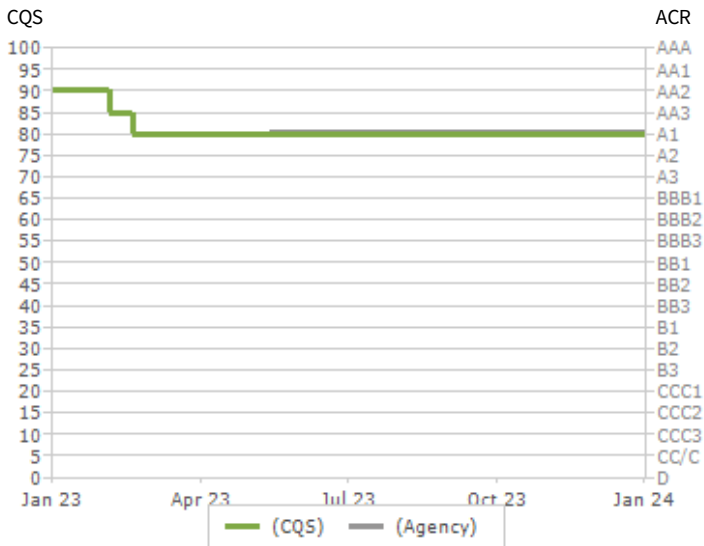
CURRENT CQS

80

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 27 Nov 2023

\$ MN	FY19	FY20	FY21	FY22	3Q23
ROAE (annual)	10.2%	6.7%	11.7%	10.2%	10.9%
ROAA (annual)	1.1%	0.6%	1.0%	0.9%	1.0%
PPNR / Avg. Assets	1.48%	1.06%	0.94%	1.02%	1.20%
Efficiency Ratio	60%	66%	67%	65%	63%
Net Interest Margin (Annual)	2.43%	1.90%	1.66%	1.83%	2.14%
Net charge-offs (LTM) / Loans	0.37%	0.40%	0.23%	0.18%	0.30%
Common Dividend Payout	22%	35%	21%	25%	24%
CET1 Ratio	11.2%	11.9%	10.6%	11.2%	11.9%
Supplementary Leverage Ratio (SLR)	6.4%	7.2%	5.5%	5.9%	6.2%
Liquidity Coverage Ratio (LCR)	118%	116%	122%	115%	116%

BUSINESS DESCRIPTION

As of 27 Nov 2023

- Bank of America ranks as the 2nd largest U.S. bank by total assets (\$3.15 tn) and by total deposits (\$1.88 tn) as of 3Q23.
- Bank of America ranked 2nd in terms of U.S. deposits at YE22 with approximately \$1.88 tn in deposits and 3,796 branches (S&P Capital IQ) with a coast-to-coast branch presence including leading market shares in California (#1), North Carolina (#1), Texas (#2), Florida (#1), and New York (#3).
- Bank of America's major business lines include U.S. retail banking, credit cards, global corporate & investment banking, and global wealth & investment management.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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