Company Update Report

Bank of America Corp.

Financials

Ticker	BAC-US
Share price	$53.83
Intrinsic value	$53
Upside/(Downside)	-2%
Recommendation	Hold

As at: 5 June 2026

Analyst thesis

Our recommendation is based on:

- Diversified earnings base: Bank of America Corp's (BAC) diversified earnings base across retail banking, wealth management, corporate banking, and capital markets activities enhances earnings resilience and reduces dependence on any single revenue stream. Its scale provides funding advantages through a large, low-cost deposit base, while the breadth of customer relationships supports cross-selling and recurring fee income. This diversification helps support more stable profitability and returns for BAC across economic cycles.
- Supportive operating environment: BAC benefits from a resilient US operating environment, supported by stable labour markets, moderating inflation and still-elevated interest rates, underpinning net interest income (NII), credit demand, and client activity. Structural growth in digital banking, payments and wealth management remains supportive. However, moderating GDP growth, higher funding costs, competitive pressures, and regulatory uncertainty continue to constrain growth prospects.
- Strong capital position and resilient profitability: BAC continues to deliver solid returns, supported by disciplined risk management, operating leverage and a large, diversified deposit franchise. Capital and liquidity levels remain strong, supporting sustainable dividends, share buybacks, and continued investment in technology, digital capabilities and franchise expansion.
- Price aligned with value: BAC currently trades broadly in line with our intrinsic value (IV), suggesting that resilient earnings, balance sheet strength and the medium-term operating outlook are largely reflected in the share price.

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Key highlights

In this report, we review the 1Q26 results released in April 2026:

Financial results at a glance:

- NII increased by 9% from $14.4 billion in 1Q25 to $15.7 billion in 1Q26, driven by higher Global Markets activity, loan and deposit growth, and fixed-rate asset repricing, partially offset by lower interest rates. Net interest yield improved by 8 basis points (bps) to 2.07%.
- NIR grew by 5% from $13.8 billion in 1Q25 to $14.5 billion, supported by stronger sales and trading revenue, higher asset management fees and investment banking fees. Sales and trading revenue rose 13% to $6.4 billion, while investment banking fees increased 21% to $1.8 billion.
- Credit performance: Provision for credit losses declined by 9.7% from $1.5 billion in 1Q25 to $1.3 billion, while net charge-offs decreased by 3.0% from $1.5 billion to $1.4 billion. The net charge-off ratio improved by 6 bps to 0.48%, supported by improved consumer credit trends.
- Non-interest expenses increased by 4.3% from $17.8 billion in 1Q25 to $18.5 billion, driven by higher revenue-related incentive expenses and continued investments in technology and personnel. The efficiency ratio improved by approximately 170 bps to 61.0%.
- Group ROE improved to 12.0% (1Q25: 10.4%), while ROTCE increased to 16.0% (1Q25: 14.0%). CET1 ratio declined to 11.2% in 1Q26 (1Q25: 11.8%) but remained comfortably above regulatory minimums. The group returned $9.3 billion to shareholders through dividends and share repurchases.
- Consumer Banking delivered the strongest earnings contribution, with net income increasing 20.9% from $2.5 billion in 1Q25 to $3.1 billion. Global wealth and investment management (GWIM) increased by 32.0% from $1.0 billion to $1.3 billion, Global Banking rose 8.5% from $1.9 billion to $2.1 billion, while Global Markets increased 2.9% from $1.9 billion to $2.0 billion.

Sector outlook

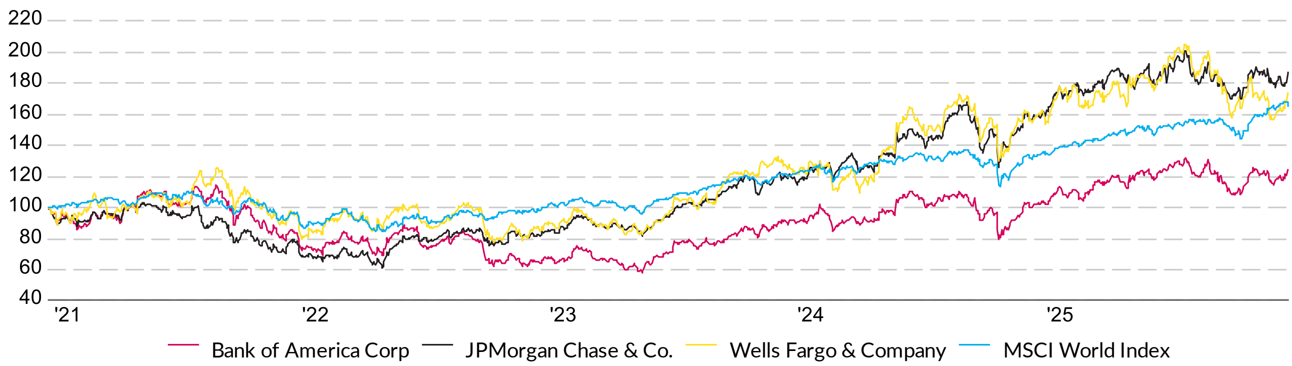
The US banking sector remains well capitalised but is operating in a slower-growth environment, with the Organisation for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), and market consensus forecasting GDP growth around 2.0% in 2026. Federal Reserve (Fed) policy rates remain relatively elevated, supporting NII while sustaining pressure on credit-sensitive borrowers. Credit quality remains broadly stable and is normalising from strong post-pandemic levels. However, tighter regulation, higher capital requirements, and rising competition from private credit providers and fintechs are likely to limit upside. Overall, earnings remain resilient, even though growth is constrained by macro and structural headwinds.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★☆☆	Expected three-year revenue CAGR is 5.5% and expected three-year EPS CAGR is 14.9%. Revenue growth is expected to be supported by loan growth, resilient NII in a higher-for-longer rate environment, and increased client activity, which should contribute to NIR growth.
Valuation	★★★☆☆	The share price is trading at a 2% premium to the IV. Current NTM P:E of 11.0x is trading at a 1% discount to the five-year average NTM P:E of 11.1x.
Dividend	★★★☆☆	LTM dividend yield 2.1%. NTM dividend yield 2.3%.
Issuance	★★★★★	Shares issued have decreased by 14% over the past five years as BAC gradually provides shareholder returns through share buybacks.
Catalyst		Earnings resilience through NII upside: A higher-for-longer rate environment, combined with BAC's deposit franchise, supports NII resilience and potential upside versus consensus expectations in a slower growth environment. Re-rating of diversified earnings mix: BAC's balanced earnings profile across consumer banking, wealth management and markets supports higher earnings visibility and may drive relative re-rating compared with more concentrated banking peers. Capital returns and efficiency execution: Strong capital generation supports buybacks and dividends, while continued investment in digital and AI should drive efficiency gains and offset slower balance-sheet growth.
Quality of earnings	★★☆☆☆	Five-year average ROE of 10.1%. Five-year average net profit margin of 20.3%. BAC has recorded positive earnings growth in seven of the past 10 years. BAC's ROE remains fairly stable, but lower than comparable banks in the US.
Moat	★★★☆☆	Switching costs and relationship depth: Clients are embedded across consumer banking, cards, mortgages and Merrill, supporting strong retention and recurring fee income. Funding and scale advantage: A large, low-cost deposit base supports resilient NII and provides balance sheet flexibility across rate cycles. Intangible assets and regulatory barriers: Strong US brand and high Fed capital and compliance requirements create meaningful barriers to entry and reinforce incumbency.
Management and governance	★★☆☆☆	Brian Moynihan was appointed CEO of Bank of America in 2010. He previously held senior roles at Fleet Boston Financial after joining in 1993 and later at Bank of America's consumer and wealth businesses following the acquisition of Merrill Lynch in 2009. His tenure has focused on balance sheet strength, simplification, and scaling of core businesses under a responsible growth strategy.
Balance sheet	★★★★☆	Loans to deposits ratio of 59.1%. CET1 of 11.4% for FY25, in line with the five-year average of 11.4%.
Risks		Credit and macro risks: Higher-for-longer US rates could pressure affordability, slow loan growth, and raise delinquencies in consumer credit and mortgages. Competitive risk: Strong competition from large US banks and fintechs may pressure pricing, fee income, and deposit growth. Operational and cyber risk: Scale and digital reliance increase exposure to cyberattacks, fraud, and system disruptions Market and geopolitical risk: Volatility in rates, spreads and capital markets could weigh on trading, investment banking and wealth revenues. Regulatory and political risk: Tighter capital, liquidity and technology regulations, alongside heightened political scrutiny of large US banks, may increase structural costs, constrain certain activities or lead to fines and settlements.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



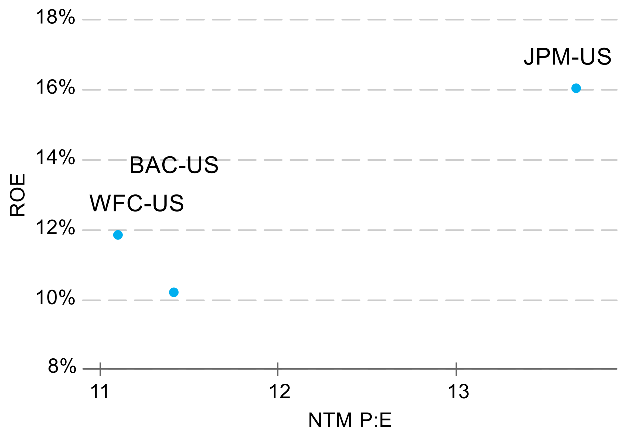
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
BAC-US	-2.1%	4.3%	8.1%	-0.2%	21.3%	34.7%	88.6%	24.4%	273.3%
JPM-US	-3.1%	4.4%	6.4%	-0.8%	19.2%	58.4%	124.6%	87.7%	383.2%
WFC-US	-12.1%	5.7%	-0.2%	-8.8%	9.4%	39.6%	102.6%	74.5%	63.3%
MSCI world	7.6%	-2.0%	6.9%	7.7%	22.7%	35.0%	64.5%	64.5%	189.1%

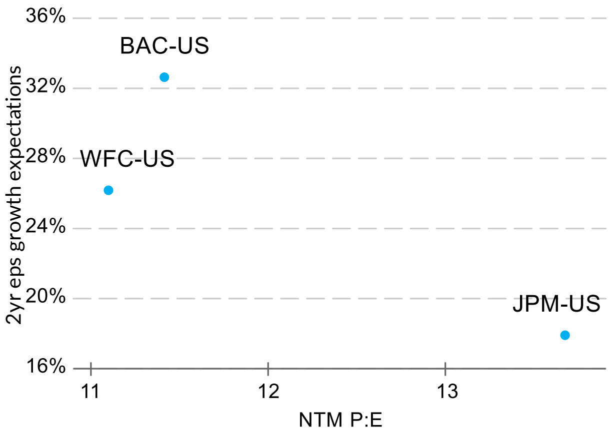
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

The valuation of BAC is based on forecast earnings per share and a forward P:E multiple reflecting the group's diversified banking and financial services operations. Earnings forecasts incorporate loan growth, net interest margin trends and credit loss normalisation, aligned with management guidance. The valuation multiple is anchored to BAC's historical trading range, reflecting the group's medium-term growth, return profile and capital position. Bear, base and bull scenarios are considered, with probability weightings reflecting potential macroeconomic outcomes and capital return assumptions.

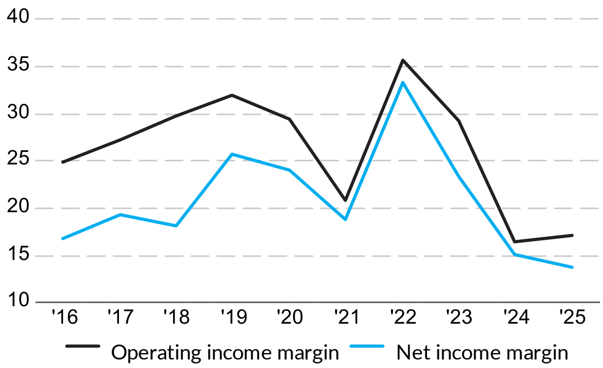
Table 3: Valuation summary

Valuation probabilities			
	Bear	Base	Bull
P:E multiple	8x	11x	14x
Probability	20%	65%	15%
Implied share price	$36	$52	$76
Weighted intrinsic value			**$53**
Upside/(Downside)			**-2%**

Graph 4: NTM P:E relative to benchmark

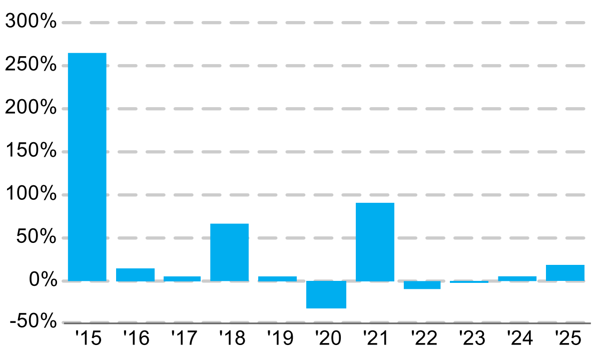
Source: FactSet

Graph 5: Profit margins (%)



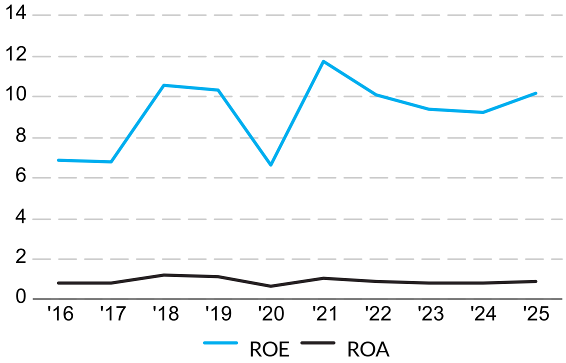
Source: FactSet

Graph 6: 10Y EPS year-on-year change



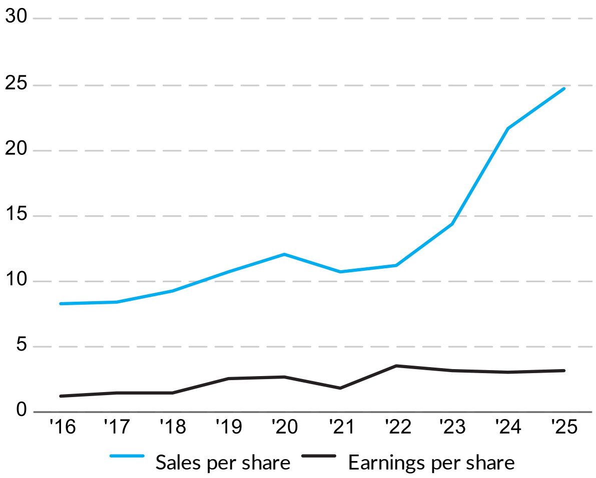
Source: FactSet

Graph 7: ROE and ROA (%)



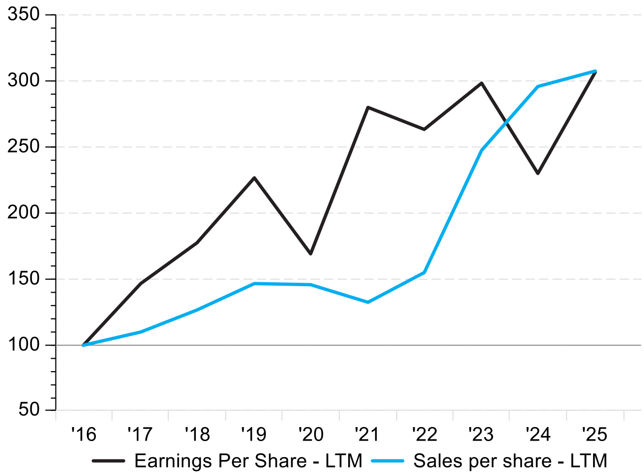
Source: FactSet

Graph 8: Sales, earnings and FCF per share (USD)



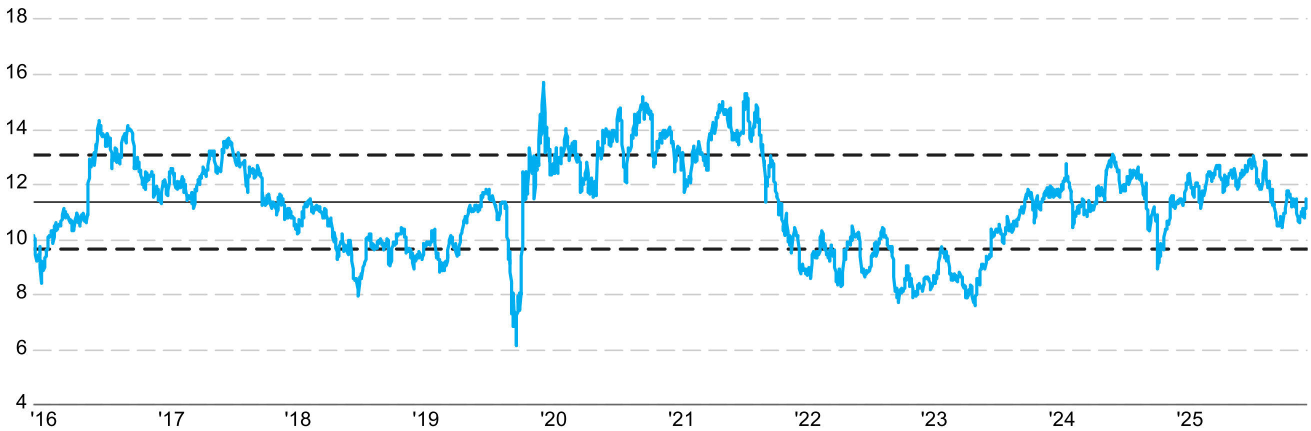
Source: FactSet

Graph 9: Sales, earnings and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement ($Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Net interest income	42 934	52 462	56 931	56 060	60 096	7%	5%	7%
Provision for credit losses	-4 594	2 543	4 394	5 821	5 675	-3%	31%	-13%
Non-interest income	46 179	42 488	41 650	49 796	53 001	6%	8%	5%
Operating and other expenses	-59 731	-61 438	-65 845	-66 812	-69 727	4%	4%	5%
Net operating income	33 976	30 969	28 342	33 223	37 695	13%	7%	15%
Net income	31 978	27 528	26 515	26 973	30 509	13%	3%	11%
EPS (USD)	3.6	3.2	3.1	3.2	3.8	19%	6%	15%
Balance sheet ($Mn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	3 180 948	3 051 375	3 180 151	3 261 299	3 411 738	5%	4%	4%
Total shareholders' equity	270 066	273 197	291 646	293 963	303 243	3%	4%	2%
Total liabilities	2 910 882	2 778 178	2 888 505	2 967 336	3 108 495	5%	4%	4%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
Cost-to-income ratio	67.0%	64.7%	66.8%	63.1%	61.7%	64.7%		
CET1	10.6%	11.2%	11.8%	11.9%	11.4%	11.4%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
BAC-US	Bank of America Corp
CAGR	Compound annual growth rate
CET1	Common equity tier 1
DCF	Discounted cash flow
EPS	Earnings per share
FCF	Free cash flow
FY	Financial year
GDP	Gross domestic product
JPM-US	JPMorgan Chase & Co.
LCR	Liquidity coverage ratio
LTM	Last 12 months (also known as trailing)
M	Month
MTD	Month-to-date
NII	Net interest income
NIR	Non-interest revenue
NTM	Next 12 months (also known as forward)
P:E	Price-to-earnings ratio
ROA	Return on assets
ROE	Return on equity
ROTCE	Return on tangible common equity
US	United States
USD or $	United States Dollar
WFC-US	Wells Fargo & Co.
Y/y	Year(s)
YoY	Year-on-year
YTD	Year-to-date

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House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the portfolio committee is likely to precede the release date and price on the report.

*Share price as at closing.

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