

Bank of America is one of the largest financial companies in the world. The company is primarily a U.S. retail and commercial bank, with a network of more than 4,000 branches across much of the country. The 2005 acquisition of MBNA made Bank of America the nation's largest credit-card lender. As such, trends in consumer interest rates, employment, income growth, and borrowing patterns represent a significant risk to the company's earnings. The 2008 acquisition of Countrywide made BofA the country's largest mortgage company as well. BofA became a top-tier securities firm and retail broker with the acquisition of Merrill Lynch.

Analyst's Notes

Analysis by Stephen Biggar, April 15, 2025

ARGUS RATING: **BUY**

- Record net interest income guide remains for 2025
- On April 15, the company reported 1Q25 earnings of \$0.90 per share, up from \$0.83 a year earlier and above the consensus of \$0.81. Net revenues were up 6%.
- Management maintained guidance for record net interest income in 2025, with expected sequential improvement in each quarter of the year implying 6%-7% growth.
- A good quarter for trading revenues helped offset lackluster investment banking fees, and we now expect tariff-related market turmoil to delay a rebound in investment banking fees into 2026.
- We are lowering our target price to \$47 (from \$53), or 13-times our 2025 EPS estimate, to reflect a more uncertain earnings environment.

INVESTMENT THESIS

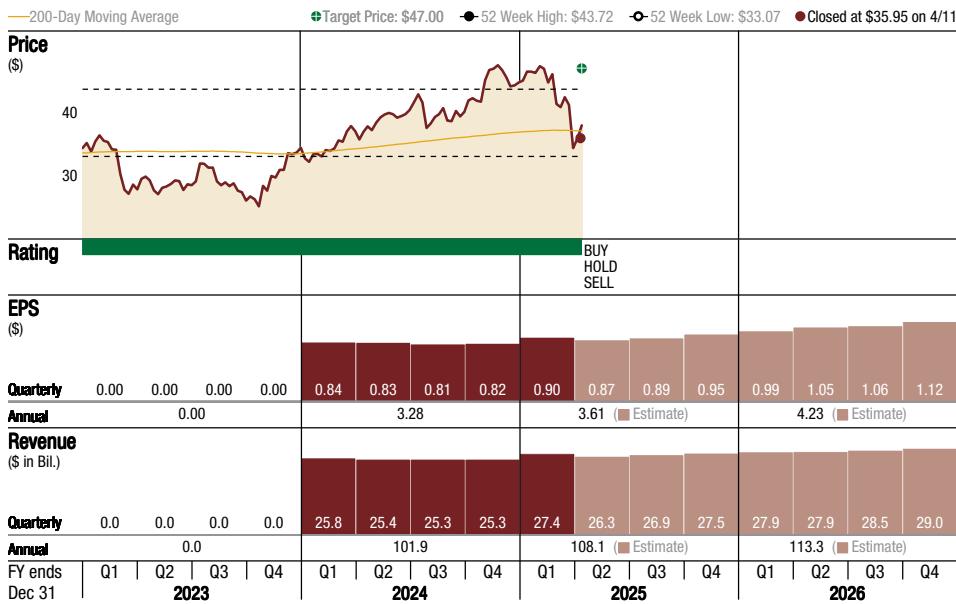
We are maintaining our BUY rating on Bank of America Corp. (NYSE: BAC) following the company's 1Q results. The quarter included a 4% rise in average loans year over year, and a continued sequential improvement in net interest income. Trading revenues were strong given volatile markets, but a rebound in investment banking fees is likely to be pushed out as tariff-related market turmoil delays deal activity.

Management continues to focus on what it terms 'responsible growth.' We believe this may be seen in the company's ability to expand its loan portfolio without taking on excessive credit risk, and to balance growth across segments so that more volatile businesses, such as trading and investment banking, do not account for an outsized portion of profits.

We believe that the current BAC share price undervalues the franchise given ongoing improvement in return metrics and continued positive operating leverage. Our target price of \$47 assumes a multiple of about 13-times our 2025 EPS estimate.

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	\$37.99
Target Price	\$47.00
52 Week Price Range	\$33.07 to \$48.08
Shares Outstanding	7.60 Billion
Dividend	\$1.04

Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	72.0%
Return on Equity	9.9%
Net Margin	14.6%
Payout Ratio	0.30
Current Ratio	--
Revenue	\$191.35 Billion
After-Tax Income	\$27.85 Billion

Valuation

Current FY P/E	10.52
Prior FY P/E	11.58
Price/Sales	1.51
Price/Book	1.04
Book Value/Share	\$36.39
Market Capitalization	\$288.83 Billion

Forecasted Growth

1 Year EPS Growth Forecast	10.06%
5 Year EPS Growth Forecast	9.50%
1 Year Dividend Growth Forecast	8.00%

Risk

Beta	1.17
Institutional Ownership	73.72%

Analyst's Notes ...Continued**RECENT DEVELOPMENTS**

BAC shares are up 13% over the past year, versus a 6% increase for the broad market.

On April 15, the company reported 1Q25 earnings of \$0.90 per share, up from \$0.83 a year earlier and above the consensus of \$0.81. Net revenues were up 6% to \$27.4 billion, reflecting a 3% increase in net interest income (helped by loan growth but with a flat net interest margin) and 10% higher fee income.

Net charge-offs were 0.54% of average loans, down from 0.58% a year earlier. The company had a loan loss provision of \$1.48 billion, up from \$1.31 billion a year earlier.

EARNINGS & GROWTH ANALYSIS

Bank of America has four operating segments: Consumer Banking, Global Wealth and Investment Management, Global Banking, and Global Markets. First-quarter results by segment follow below.

In Consumer Banking, 1Q net income was down 5% to \$2.5 billion, reflecting a 3% increase in revenue (driven by higher net interest income and credit card income) but 6% higher expenses and a 12% rise in the provision for credit losses. Consumer investment assets rose 9% to \$498 billion, aided by \$22 billion of client net inflows and higher market valuations.

In Global Wealth and Investment Management, net income was flat at \$1.0 billion. Revenue was up 8%, aided by higher asset management fees. There was a loan loss provision of \$14 million,

versus a credit for loan losses of \$13 million a year earlier and following a 9% increase in operating expenses (attributed to revenue-related incentives), the segment pretax margin was 22%, down from 24% a year earlier. Client balances rose 5% to \$4.2 trillion, driven by client inflows and higher market valuations. We expect BAC's focus on this segment to lead to stronger, less volatile earnings going forward, with general improvement in the pretax margin.

In Global Banking, net income declined 4% to \$1.9 billion, as flat revenue was hampered by 6% higher operating expenses. We continue to expect a rebound in investment banking but now believe it will be more of a 2026 event.

In Global Markets, net income was up 13%, to \$1.9 billion. Revenues were up 12%, mainly reflecting higher sales and trading revenues. Following a 9% increase in noninterest expense, pretax income rose 13%.

Turning to our estimates, in 2025 we look for 6% growth in revenues (above the 3% pace in 2024), aided by a 6% rise in net interest income and higher trading revenues, while a rebound in investment banking is now expected to take more time. Net interest income troughed in 2Q24 and has begun to steadily improve. The company has guided to net interest income growing sequentially to \$15.5 billion to \$15.7 billion by 4Q25.

The company has also guided to 2%-3% higher operating expenses in 2025, leading to positive operating leverage. With the modest 6% rise we expect in loss provisions, we look for EPS to be

Growth & Valuation Analysis**GROWTH ANALYSIS**

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	85,528	89,113	94,950	98,581	101,887
COGS	—	—	—	—	—
Gross Profit	—	—	—	—	—
SG&A	41,156	45,049	45,946	47,715	49,623
R&D	—	—	—	—	—
Operating Income	—	—	—	—	—
Interest Expense	-43,360	-42,934	-52,462	-56,931	-56,060
Pretax Income	18,995	33,976	30,969	28,342	29,254
Income Taxes	1,101	1,998	3,441	1,827	2,122
Tax Rate (%)	6	6	11	6	7
Net Income	17,894	31,978	27,528	26,515	27,132
Diluted Shares Outstanding	8,797	8,558	8,168	8,081	7,936
EPS	1.87	3.57	3.19	3.08	3.21
Dividend	0.72	0.78	0.86	0.92	1.00
GROWTH RATES (%)					
Revenue	-6.3	4.2	6.6	3.8	3.4
Operating Income	—	—	—	—	—
Net Income	-34.8	78.7	-13.9	-3.7	2.3
EPS	-32.0	90.9	-10.6	-3.4	4.2
Dividend	9.1	8.3	10.3	7.0	8.7
Sustainable Growth Rate	4.7	9.1	7.7	8.7	5.3
VALUATION ANALYSIS					
Price: High	\$35.67	\$48.69	\$50.11	\$37.00	\$48.08
Price: Low	\$17.95	\$29.57	\$29.31	\$24.96	\$31.27
Price/Sales: High-Low	3.7 - 1.8	4.7 - 2.8	4.3 - 2.5	3.0 - 2.0	3.7 - 2.4
P/E: High-Low	19.1 - 9.6	13.6 - 8.3	15.7 - 9.2	12.0 - 8.1	15.0 - 9.7
Price/Cash Flow: High-Low	7.4 - 3.7	154.4 - 93.8	55.8 - 32.7	7.0 - 4.7	— —

Financial & Risk Analysis**FINANCIAL STRENGTH**

	2022	2023	2024
Cash (\$ in Millions)	237,462	341,419	296,486

	2022	2023	2024
Working Capital (\$ in Millions)	—	—	—

	2022	2023	2024
Current Ratio	—	—	—

	2022	2023	2024
LT Debt/Equity Ratio (%)	112.7	114.8	104.0

	2022	2023	2024
Total Debt/Equity Ratio (%)	123.7	127.0	119.9

RATIOS (%)

	2022	2023	2024
Gross Profit Margin	—	—	—

	2022	2023	2024
Operating Margin	—	—	—

	2022	2023	2024
Net Margin	27.4	25.2	25.0

	2022	2023	2024
Return On Assets	0.8	0.8	0.8

	2022	2023	2024
Return On Equity	10.6	9.8	9.5

RISK ANALYSIS

	2022	2023	2024
Cash Cycle (days)	—	—	—

	2022	2023	2024
Cash Flow/Cap Ex	—	—	—

	2022	2023	2024
Oper. Income/Int. Exp. (ratio)	—	—	—

	2022	2023	2024
Payout Ratio	22.5	26.9	25.2

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Analyst's Notes ...Continued

10% higher in 2025.

We are raising our 2025 EPS estimate to \$3.61 from \$3.55, mostly on the better-than-expected 1Q results, while keeping our 2026 forecast of \$4.23.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on BAC is Medium-High. The company's Tier 1 ratio under the Basel III Advanced Approach (fully phased in) was 13.3% as of March 31, 2025, down from 13.4% a year earlier. We believe BAC remains well positioned to meet the enhanced capital buffers being contemplated by regulators.

Following the June 2024 Federal Reserve CCAR results, the company said its stress capital buffer (SCB) will be 3.2% effective in 4Q24, while its common equity tier 1 minimum requirement will be 10.7%. Following the results, the company increased its common stock dividend by 8% to \$0.26 per share beginning in 3Q24. Our dividend estimates are \$1.08 for 2025 and \$1.16 for 2026. The shares currently yield about 2.8%.

In October 2021, BAC renewed its authorization to repurchase up to \$25 billion of common stock over time. It repurchased \$4.5 billion in 1Q25.

MANAGEMENT & RISKS

Bank of America is led by Chairman and CEO Brian Moynihan, who was elected to both posts amid calls to separate the positions. Alastair Borthwick took over as CFO in 4Q21, replacing Paul

Donofrio.

The company owns about \$460 billion of U.S. consumer loans and is thus broadly exposed to the health of the U.S. economy and housing market. Its total loan portfolio is about \$1.1 trillion.

COMPANY DESCRIPTION

Bank of America is one of the largest financial companies in the world. The company is primarily a U.S. retail and commercial bank, with a network of more than 4,000 branches across much of the country. The 2005 acquisition of MBNA made Bank of America the nation's largest credit-card lender. As such, trends in consumer interest rates, employment, income growth, and borrowing patterns represent a significant risk to the company's earnings. The 2008 acquisition of Countrywide made BofA the country's largest mortgage company as well. BofA became a top-tier securities firm and retail broker with the acquisition of Merrill Lynch.

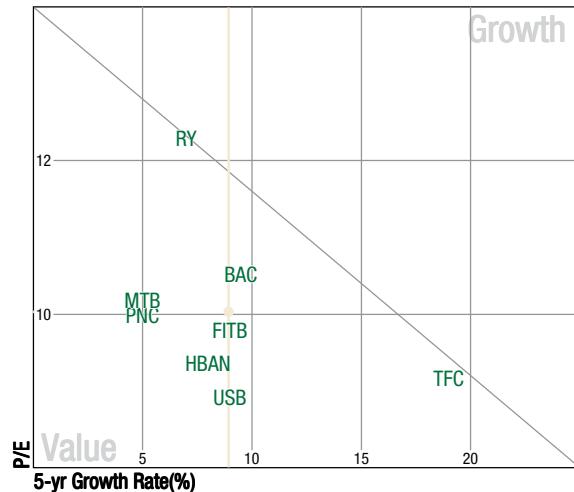
VALUATION

BAC shares have traded between \$33 and \$48 over the past year and are currently just below the midpoint of that range. We look for lending revenues to rebound in 2025 amid better loan growth and an expanding net interest margin as deposit cost pressure abate and the yield curve steepens. However, we now look for rebound in investment banking to be pushed more into 2026. We believe that BAC's earnings quality has been steadily improving, as evidenced by its better ROE metrics. Shareholder

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare BAC versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how BAC stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how BAC might fit into or modify a diversified portfolio.



Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth		Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
			Rate (%)	Current FY P/E			
BAC	Bank Of America Corp.	288,830	9.5	10.5	14.6	17.2	BUY
RY	Royal Bank of Canada	162,948	7.0	12.3	13.0	5.7	BUY
PNC	PNC Financial Services Group	61,496	5.0	10.0	17.7	10.7	BUY
USB	U.S. Bancorp.	60,186	9.0	8.9	14.7	9.2	BUY
TFC	Truist Financial Corporation	47,634	19.0	9.2	19.9	14.3	BUY
MTB	M & T Bank Corp	26,219	5.0	10.2	19.9	16.7	BUY
FITB	Fifth Third Bancorp	23,430	9.0	9.8	17.4	12.6	BUY
HBAN	Huntington Bancshares, Inc.	19,574	8.0	9.4	16.2	7.0	BUY
Peer Average		86,290	8.9	10.0	16.7	11.7	



Analyst's Notes ...Continued

returns also improved following the 2024 CCAR results, with an 8% dividend increase.

We believe that BAC shares, trading at 10.5-times our 2025 EPS estimate, remain attractively valued. Our target price of \$47 (lowered from \$53) assumes a multiple of 13-times our 2025 estimate.

On April 15, BUY-rated BAC closed at \$37.99, up \$1.32.

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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