Credit Update

Danske Bank

16 October 2026

Investment Research

Corporate bond news

Bank of America

- We consider the Q3 26 results to be credit neutral, underpinned by acceptable reported profitability as well as grounded in stable and resilient asset quality. This major financial institution is exposed to changing interest margins as US interest rates might go higher, the current levels are quite supportive. In addition, the deposit base is stable and the total loan base has continued to grow. Moreover, the non-interest income component showed a healthy performance, which we find credit positive, with emphasis on greater earnings diversification.
- Furthermore, capitalisation was maintained at a robust CET-1 level, with most excess funds directed to shareholder distributions. The position shows great financial flexibility.
- Regarding the relative value of Bank of America's notes, we continue to see the 2027 notes as the most appealing option, offering a yield of 5%, which corresponds to a Z-spread of 48bp. The 2027 offers less than a comparable 'A-' credit curve; however, in our view, the strong credit profile fully justifies this modest premium, and hence we reiterate our Overweight recommendation.
- Meanwhile, the tier 2 bond Bank of America 4.25% 2026 will mature shortly, thus we keep our recommendation at Marketweight. Furthermore, the longer-dated 2038 note offers a yield of 6.2%, corresponding to a Z-spread of 150bp. While we find this interesting and appealing, we also recognise the embedded high duration factor, and thus we reiterate our Marketweight recommendation.

Issuer information

Sector	Banking
Corporate ticker	BAC Corp
Equity ticker	BAC US
Market capitalisation	USD361.5bn
Total equity	USD296.7bn
Total assets	USD3,428bn

Issuer credit rating

S&P	A- (Stable)
Moody's	A1 (Stable)
Fitch	AA- (Stable)

Latest publications on issuer

Credit Update – Bank of America, 20 July 2026

Source: Bloomberg, Danske Bank Credit Research

Selected bonds

Company	ISIN	Min. Piece	Seniority	Currency	Maturity/Call	CPN	Issue Size (m)	Credit Ratings	Price	Yield*	Recommendation
BANK OF AMERICA CORP	US06051GFL86	2,000	Subordinated	USD	Oct. 2026	4.250	2,000	BBB+/A3/A	100.0	4.2%	Marketweight
BANK OF AMERICA CORP	US06051GGC78	2,000	Subordinated	USD	Nov. 2027	4.183	2,000	BBB+/A3/A	99.2	5.0%	Overweight
BANK OF AMERICA CORP	US59023VAA89	100,000	Subordinated	USD	May 2038	7.750	1,750	BBB+/A3/A	112.3	6.2%	Marketweight

Note: Credit ratings by S&P, Moody's, and Fitch, respectively.

Source: Bloomberg, Danske Bank Credit Research

Bank of America: Q3 26

Bank of America reported net revenue of USD30bn in Q3 26, down USD1.6bn q/q and up USD0.9bn y/y. Net interest income was reported at USD16.4bn for the quarter, up USD1.2bn y/y, supported by higher activity in Global Markets and higher loan and deposit balances. Also, non-interest income amounted to USD13.5bn, down 2% y/y, reflecting solid investment banking fees as market valuations were higher, and strong AuM flows. The expenses amounted to EUR19.7bn, including a USD1.2bn regulatory settlement charge, translating into an underlying expense ratio of 62%, being 3pp and 2pp higher q/q and y/y respectively. The overall core operating performance was acceptable in regard to NII+Fees-Costs of USD10.2bn, which was USD1.7bn lower q/q. During the quarter, BofA provisioned for USD1.3bn of credit losses, a moderate tick down of USD97m compared with the amount provisioned in Q2 26. The group's net charge-offs in Q3 26 were USD1.3bn, reflecting a small reduction of USD63m q/q.

Net income came in at USD6.9bn, down USD2.1bn q/q and USD1.4bn y/y. This figure was below the Bloomberg collected consensus of USD7.9bn. The quarterly return on equity was 9.4% on a reported basis (11.1% adjusted for settlement charge), compared with 12.7% in Q2 26 and 11.4% in Q3 25.

With regard to total asset quality, the level of non-performing loans decreased slightly to 0.44% from 0.47% in the previous quarter, also performing better than Q3 25's 0.47%. The largest component was the Consumer portfolio, which had a similar

Chief Analyst

Rasmus Justesen

+45 45 12 80 47

rjus@danskebank.dk

More information:

For further information, see the latest *Corporate Bond Lists, 12 October 2026*.

Important certifications and disclosures are contained from page 4 of this document. This document is not for distribution in the US

This research has been prepared by Danske Bank Credit Research. It is provided for informational purposes only thus it does not constitute investment advice. Please be advised to discuss any investment decisions with your investment adviser. If you want more information, please contact your investment adviser.

performance with a small tick down in NPE to 0.81%, from 0.86% in Q2 26. Similarly, the Commercial portfolio was almost stable with 0.19% q/q, highlighting a relatively robust and stable loan portfolio at present.

The bank posted a quarterly development in the deposit base amounting to USD2.039tn, which is 1% higher q/q, while total loans amounted to USD1.251tn, 3% higher q/q.

The common equity tier 1 capital ratio (advanced approach) was 12% in Q3 26, 50bp lower compared to Q2 26 and 110bp lower than the same period last year, and this was due to rising risk-weighted assets (RWA). According to the standardised approach, the CET-1 ratio stands at 10.9%, similarly down by 37bp q/q, and well above regulatory requirements. During the quarter, Bank of America returned USD2.2bn to shareholders via cash dividends and bought back USD6bn in common shares.

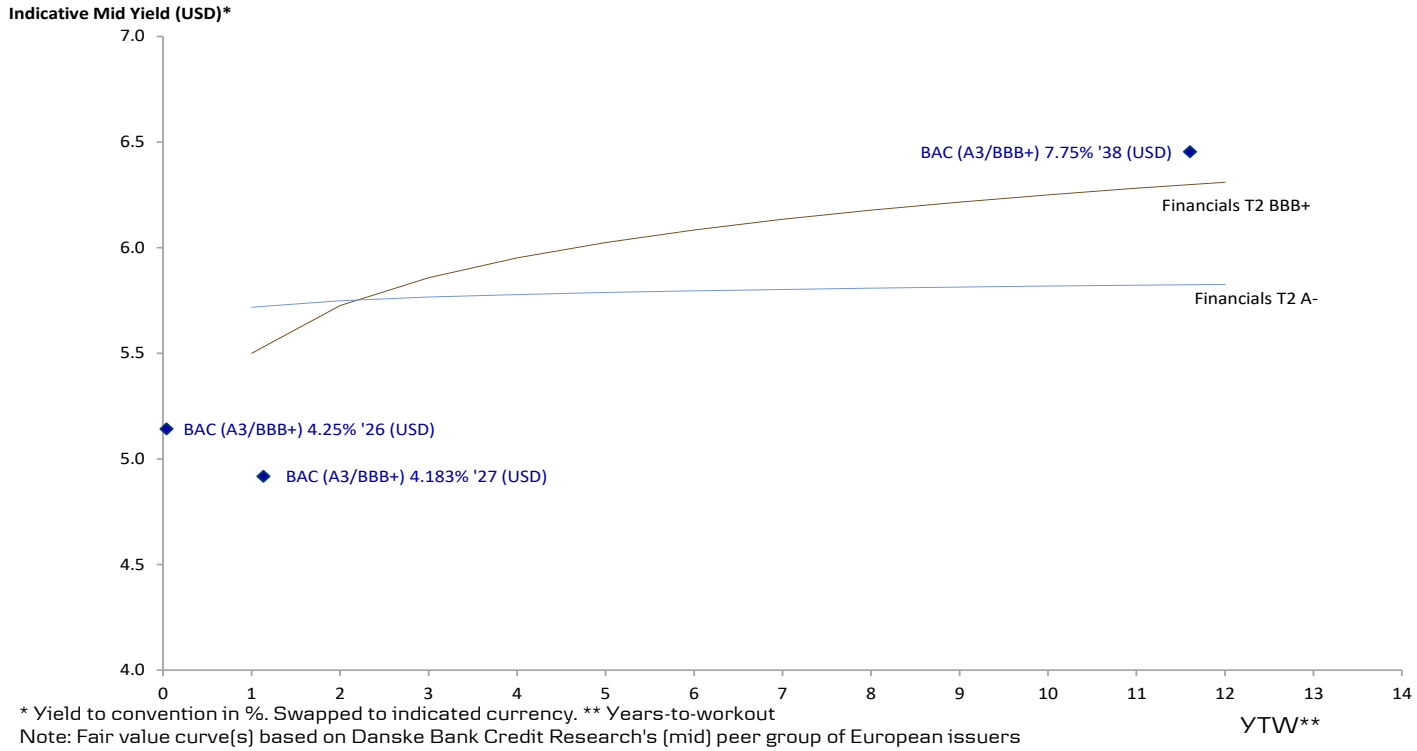
The bank expects NII in 2026 to grow by 5-7%. Also, the bank expects non-interest expenses in 2026 to grow 4% above the 2025 level. Moreover, net income is guided to amount to USD100-300m quarterly (FY 2025: USD1.1bn).

Credit conclusion

We consider the Q3 26 results to be credit neutral, underpinned by acceptable reported profitability as well as grounded in stable and resilient asset quality. This major financial institution is exposed to changing interest margins as US interest rates might go higher, the current levels are quite supportive. In addition, the deposit base is stable and the total loan base has continued to grow. Moreover, the non-interest income component showed a healthy performance, which we find credit positive, with emphasis on greater earnings diversification. Furthermore, capitalisation was maintained at a robust CET-1 level, with most excess funds directed to shareholder distributions. The position shows great financial flexibility.

Regarding the relative value of Bank of America's notes, we continue to see the 2027 notes as the most appealing option, offering a yield of 5%, which corresponds to a Z-spread of 48bp. The 2027 offers less than a comparable 'A-' credit curve; however, in our view, the strong credit profile fully justifies this modest premium, and hence we reiterate our Overweight recommendation. Meanwhile, the tier 2 bond Bank of America 4.25% 2026 will mature shortly, thus we keep our recommendation at Marketweight. Furthermore, the longer-dated 2038 note offers a yield of 6.2%, corresponding to a Z-spread of 150bp. While we find this interesting and appealing, we also recognise the embedded high duration factor, and thus we reiterate our Marketweight recommendation.

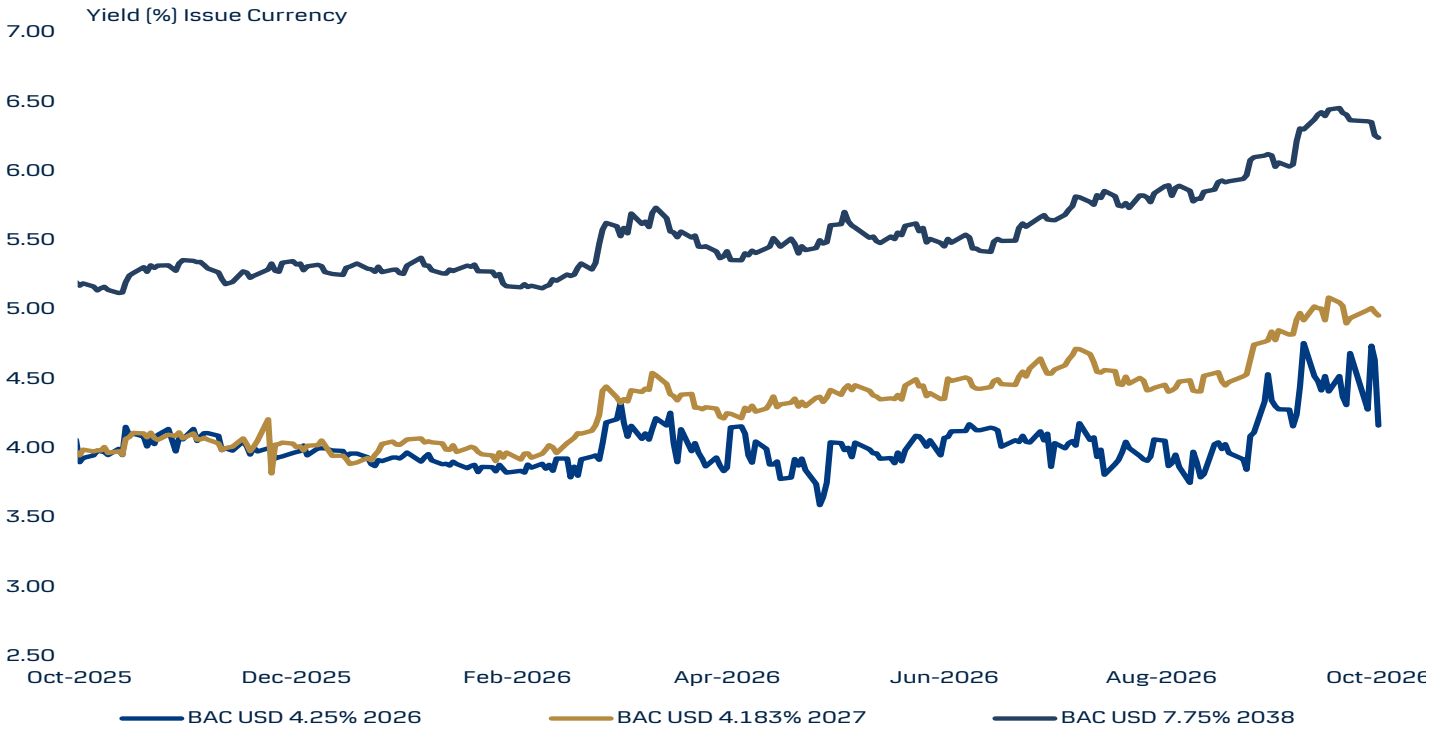
Relative value chart: selected BAC notes



* Yield to convention in %. Swapped to indicated currency. ** Years-to-workout
Note: Fair value curve(s) based on Danske Bank Credit Research's (mid) peer group of European issuers

Source: Bloomberg, Danske Bank Credit Research

Historical yield: selected BAC notes (YTM)



Source: Bloomberg, Danske Bank Credit Research

Disclosures

This research report has been prepared by Credit Research, a division of Danske Bank A/S ('Danske Bank'). The author of this research report is Rasmus Justesen, Associate.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark

Danske Bank is not registered as a Credit Rating Agency pursuant to the CRA Regulation (Regulation (EC) no. 1060/2009); hence, Danske Bank does not comply with or seek to comply with the requirements applicable to credit rating agencies.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are physically separated from other business areas within Danske Bank and surrounded by arrangements (Chinese Walls) to restrict the flows of sensitive information.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank, its affiliates, subsidiaries and staff may perform services for or solicit business from Bank of America and may hold long or short positions in, or otherwise be interested in, the financial instruments mentioned in this research report. The Equity and Corporate Bonds analysts of Danske Bank and persons in other departments of Danske Bank with which the relevant analysts have close links are not permitted to invest in 1) financial instruments that are covered by the relevant Equity or Corporate Bonds analyst and 2) the research sector within the geographical area (the Nordics) to which the analyst is linked.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to Bank of America and have whatever rights as are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding Bank of America that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

Danske Bank is a market maker and a liquidity provider and may hold positions in the financial instruments of the issuer(s) mentioned in this research report.

Within the previous 12 months, Danske Bank has acted as Co-Lead Manager of a public offer of credit bonds for Bank of America.

As an investment bank, Danske Bank, its affiliates and subsidiaries provide a variety of financial services, including investment banking services. It is possible that Danske Bank and/or its affiliates and/or its subsidiaries might seek to become engaged to provide such services to Bank of America in the next three months.

Danske Bank has made no agreement with Bank of America to write this research report. No parts of this research report have been disclosed to Bank of America. No recommendations or opinions have been disclosed to Bank of America and no amendments have accordingly been made to the same before dissemination of the research report.

On 20 July 2026, the authors of this research report had a total holding of shares issued by Bank of America of 0.

Risk warning

Major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

We expect to update this investment analysis following the publication of Bank of America's annual report provided that at such time the bond continues to be among our preferred credits.

This publication should be read in conjunction with the international single name credit bond publications *Corporate Bond News*, *Corporate Bonds: Investment opportunities in single name international fixed income credit* and *Company Profiles*. These publications are typically published once a month.

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the final page of this research report for the date and time of first dissemination.

Financial models, valuation and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country.

Credit Research bases its bond valuation conclusion on an estimation of a fair business and financial risk profile of the issuing entity. By combining these risk profiles with market technical and bond-specific issues such as documentation and structuring, Credit Research arrives at an overall bond risk profile. Credit Research compares the bond spread with

those of peers with similar risk profiles and on this background, we estimate whether the bond is attractively priced in the market. Credit Corporate Bond Research expresses this view with either an Overweight, Marketweight, Underweight or Sell recommendation. This signals our opinion about the bond's performance potential compared with relevant peers in the coming six months.

More information about the valuation and/or methodology and the underlying assumptions is accessible via *https://danskeci.com/ci/research/research-disclaimer*. Select Methodology under Credit Research Methodology.

Recommendation structure

Investment recommendations are based on the expected development in the credit profile as well as relative value compared with the sector and peers.

As at 30 June 2026, Credit Research had investment recommendations on 84 international corporate bonds. The distribution of recommendations is represented in the distribution of recommendations column below. The proportion of bonds corresponding to each of the recommendation categories above to which Danske Bank provided investment banking services in the 12 months ending 30 June 2026 is shown below.

Rating	Anticipated performance	Time horizon	Distribution of recommendations	Investment banking relationships
Overweight	Outperformance relative to peer group	12 months	44%	19%
Marketweight	Performance in line with peer group	12 months	50%	40%
Underweight	Underperformance relative to peer group	12 months	6%	2%
Sell	A decrease in price of more than 10%	12 months	-	-

Changes in recommendation over past 12 months

ISIN US06051GFL86

Date	New recommendation	Old recommendation
14 January 2026	Marketweight	Overweight

Validity time period

This communication as well as the communications in the list referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

Investment recommendations disseminated in the preceding 12-month period

A list of previous investment recommendations disseminated by the lead analyst(s) of this research report in the preceding 12-month period can be found at *https://danskeci.com/ci/research/research-disclaimer*. Select Credit Portfolios Recommendation History – Recommendation History.

Other previous investment recommendations disseminated by Credit Research are also available in the database.

Disclaimer

This research report has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report may under no circumstances be distributed in the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Report completed: 16 October 2026, 11:20 CET
Report first disseminated: 16 October 2026, 12:45 CET