

Rating Action: Moody's upgrades Bank of America's long-term ratings (holdco senior to A3 from Baa1), outlook stable

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New York, December 06, 2017 -- Moody's Investors Service has upgraded the long-term ratings, counterparty risk assessments, and baseline credit assessment of Bank of America Corporation (BAC, senior debt to A3 from Baa1) and certain subsidiaries, including its principal bank subsidiary, Bank of America N.A. (BANA, deposits and senior debt to Aa3 from A1, BCA to baa1 from baa2). Moody's also affirmed all the short-term ratings and assessments at BAC and its rated subsidiaries. The rating outlook is stable. A complete list of affected ratings and entities can be found at the end of this press release.

RATINGS RATIONALE

The rating action is driven by the recent and expected future improvements to BAC's profitability, which Moody's expects will be sustained, and by the commitment of BAC's management and its board of directors to a conservative risk profile, which Moody's expects will reduce the bank's earnings volatility going forward, a positive for the bank's creditors.

Moody's noted that BAC's profitability has improved steadily over the last three years. The earnings drag from BAC's legacy mortgage servicing and litigation matters has receded, and the bank's expense-management initiatives are bearing results. Higher interest rates have also provided a boost to earnings at BAC, which continues to have the most asset-sensitive balance sheet among its rated US peers. The rating agency anticipates that additional rate hikes as well as the realization of the bank's \$53 billion cost target in 2018 will further boost BAC's profitability to at least a 1% return on tangible assets. This is likely even as the proportion of rate hikes which are passed through to depositors increases, i.e., as the bank experiences higher deposit betas.

During and for several years following the financial crisis BAC experienced significant earnings volatility, driven by high credit costs, trading losses, and litigation and restructuring charges. These costs were reflective of the bank's and its acquirees' aggressive risk appetites leading up to the financial crisis. However, over the past six years the bank has adopted a more conservative risk appetite than many of its peers, in addition to significantly bolstering its risk management, governance and controls. Evidence of BAC's more conservative risk profile includes the greater resiliency of its performance under the Federal Reserve's severely adverse stress tests, the bank's more cautious approach to loan growth than many of its peers in the context of low nominal US GDP growth, and constraints on the size of its capital markets business. This approach is firmly supported by BAC's management and its board of directors and is reinforced across all areas of the firm through ongoing analytics, training, and feedback. As such, Moody's believes this more conservative risk profile is unlikely to be reversed.

Moody's also noted that BAC's credit profile has been strengthened by recent improvements to its capital position. BAC's capital payouts have been more conservative than peers over the last few years, allowing the firm to build capital. However, Moody's expects BAC's payouts to shareholders to increase going forward, subject to Federal Reserve approval. Higher payouts are likely to result in some deterioration in BAC's capital position, but Moody's expects the bank's ratio of tangible common equity to risk-weighted assets will remain above 11% and its ratio of tangible common equity to tangible assets will remain above 7.5%.

BAC has a robust liquidity profile and is less reliant on wholesale funding than many of its peers. This remains a key credit strength, and the upgrade incorporates Moody's expectation that the bank's strong liquidity metrics will hold steady at current levels.

WHAT COULD MOVE THE RATINGS UP/DOWN

BAC's ratings could be upgraded if the bank were to generate profitability greater than a 1.0% return on tangible assets on a sustainable basis, with a lower level of earnings volatility than similarly rated peers and without materially reducing its liquidity or capital ratios. A key component of this will be maintenance of a conservative risk profile and an absence of major litigation or other sizeable operational risk charges or control failures.

BAC's ratings could be downgraded if the bank experiences a significant deterioration in its capital or liquidity levels, demonstrates a marked increase in its risk appetite, or experiences a major litigation or other sizeable operational risk charge or control failure.

The following ratings are being upgraded:

Issuer: B of A Issuance B.V.

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

Issuer: BA Australia Limited

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)Aa3

Issuer: BAC AAH Capital Funding LLC I

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC II

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC III

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC IV

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC IX

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC V

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC VI

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC VII

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC X

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC XI

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC XII

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC AAH Capital Funding LLC XIII

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC Canada Finance Company

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3

....Subordinate Medium-Term Note Program, Upgraded to (P)Baa2

....Senior Unsecured Shelf, Upgraded to (P)A3

Issuer: BAC Capital Trust VI

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BAC Capital Trust VII

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BAC Capital Trust XI

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BAC Capital Trust XIII

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC Capital Trust XIV

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: BAC Capital Trust XV

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BAC North America Holding Company

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

Issuer: Bank of America Corporation

....Long-Term Issuer Rating, Upgraded to A3/STA

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

....Senior Subordinated Regular Bond/Debenture, Upgraded to Baa2

....Subordinate Regular Bond/Debenture, Upgraded to Baa2

....Pref. Stock Non-Cumulative, Upgraded to Ba1(hyb)

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3

....Subordinate Medium-Term Note Program, Upgraded to (P)Baa2

....Senior Unsecured Shelf, Upgraded to (P)A3

....Subordinate Shelf, Upgraded to (P)Baa2

....Preferred Shelf, Upgraded to (P)Baa3

....Pref. Shelf Non-Cumulative, Upgraded to (P)Ba1

Issuer: Bank of America, N.A.

....Baseline Credit Assessment, Upgraded to baa1

....Adjusted Baseline Credit Assessment, Upgraded to baa1

....Long-Term Counterparty Risk Assessment, Upgraded to Aa3(cr)

....Long-Term Issuer Rating, Upgraded to Aa3/STA

....Long-Term Bank Deposit Rating, Upgraded to Aa3/STA

....Senior Unsecured Regular Bond/Debenture, Upgraded to Aa3/STA

....Subordinate Regular Bond/Debenture, Upgraded to A1

....Senior Unsecured Bank Note Program, Upgraded to (P)Aa3

....Subordinate Bank Note Program, Upgraded to (P)A1

Issuer: Bank of America, N.A. (Sydney Branch)

....Long-Term Counterparty Risk Assessment, Upgraded to Aa3(cr)

....Senior Unsecured Regular Bond/Debenture, Upgraded to Aa3/STA

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)Aa3

....Subordinate Medium-Term Note Program, Upgraded to (P)A1

Issuer: Bank of America, N.A., London Branch

....Long-Term Counterparty Risk Assessment, Upgraded to Aa3(cr)

....Senior Unsecured Deposit Program, Upgraded to (P)Aa3

Issuer: BankAmerica Capital III

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BankBoston Capital Trust III

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BankBoston Capital Trust IV

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: BofA Finance LLC

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3

....Senior Unsecured Shelf, Upgraded to (P)A3

Issuer: Countrywide Capital III

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: Countrywide Capital V

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: Fleet Capital Trust V

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: FleetBoston Financial Corporation

....Subordinate Regular Bond/Debenture, Upgraded to Baa2

Issuer: LaSalle Bank N.A.

....Senior Unsecured Deposit Note/Takedown, Upgraded to Aa3/STA

Issuer: LaSalle Funding LLC

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3

....Senior Unsecured Shelf, Upgraded to (P)A3

....Subordinate Shelf, Upgraded to (P)Baa2

Issuer: MBNA Capital B

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: Merrill Lynch & Co., Inc.

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

....Senior Unsecured Conv./Exch. Bond/Debenture, Upgraded to A3/STA

....Subordinate Regular Bond/Debenture, Upgraded to Baa2

Issuer: Merrill Lynch Capital Trust I

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: Merrill Lynch Capital Trust III

....Preferred Stock, Upgraded to Baa3(hyb)

Issuer: Merrill Lynch International & Co. C.V.

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3

Issuer: Merrill Lynch Japan Finance GK

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3

Issuer: Merrill Lynch Preferred Capital Trust IV

....Preferred Shelf, Upgraded to (P)Baa3

Issuer: Merrill Lynch Preferred Funding IV, L.P.

....Preferred Shelf, Upgraded to (P)Baa3

Issuer: Merrill Lynch Preferred Funding V, L.P.

....Preferred Shelf, Upgraded to (P)Baa3

Issuer: Merrill Lynch S.A.

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3/STA

Issuer: NB Capital Trust III

....Preferred Stock, Upgraded to Baa3(hyb)

The following ratings are being affirmed:

Issuer: BA Australia Limited

....Short-Term Medium-Term Note Program, at (P)P-1

Issuer: Bank of America Corporation

...Commercial Paper, at P-2

...Short-Term Medium-Term Note Program, at (P)P-2

Issuer: Bank of America, N.A.

...Short-Term Counterparty Risk Assessment, at P-1(cr)

...Short-Term Bank Deposit Rating, at P-1

...Senior Unsecured Commercial Paper, at P-1

...Short-Term Bank Note Program, at (P)P-1

Issuer: Bank of America, N.A. (Sydney Branch)

...Counterparty Risk Assessment, at P-1(cr)

...Commercial Paper, at P-1

Issuer: Bank of America, N.A., London Branch

...Short-Term Counterparty Risk Assessment, at P-1(cr)

...Commercial Paper, at P-1

...Short-Term Deposit Program, at (P)P-1

Issuer: Merrill Lynch International & Co. C.V.

...Short-Term Medium-Term Note Program, at (P)P-2

Issuer: Merrill Lynch Japan Finance GK

...Short-Term Medium-Term Note Program, at (P)P-2

Outlook Actions:

Issuer: B of A Issuance B.V.

...Outlook, Changed To No Outlook From Rating Under Review

Issuer: BA Australia Limited

...Outlook, Changed To No Outlook From Rating Under Review

Issuer: BAC AAH Capital Funding LLC I

...Outlook, Changed To No Outlook From Rating Under Review

Issuer: BAC AAH Capital Funding LLC II

...Outlook, Changed To No Outlook From Rating Under Review

Issuer: BAC AAH Capital Funding LLC III

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The principal methodology used in these ratings was Banks published in September 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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