

# BofA swings to \$1 billion loss

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- By Joe Rauch
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CHARLOTTE, North Carolina (Reuters) - Bank of America Corp posted a \$1 billion third-quarter loss as consumer credit woes eclipsed investment banking earnings, underlining why the bank remains on a government respirator and sending its shares down 4.2 percent.

The nation's largest bank received two taxpayer bailouts totaling \$45 billion after acquiring Merrill Lynch & Co and mortgage lender Countrywide at the height of the financial crisis last year. The bank says it wants to start repaying the money but has not yet done so.

Credit losses on its consumer loans are eating into the bank's results as it tries to raise capital. Bank of America suffered \$9.6 billion in credit losses in the third quarter, up from \$4.4 billion a year earlier.

"Bank of America could continue to suffer for a while," said Malcolm Polley of Stewart Capital Advisors in Indiana, Pennsylvania.

In an ironic twist, Merrill's investment banking operations -- where massive losses in the 2008 fourth quarter triggered a storm of criticism centered on Chief Executive Kenneth Lewis -- injected an adrenaline shot to Bank of America's results in the third quarter. The unit contributed \$2.2 billion in profits.

Lewis, 62, is facing multiple investigations regarding whether he disclosed enough information to shareholders before they approved the Merrill acquisition. He has said he will retire at the end of the year.

Charlotte, North Carolina-based Bank of America reported a net loss of \$1 billion, or 26 cents per share, for the third quarter, compared with net income of \$1.18 billion, or 15 cents per share, in the same period last year at the height of the financial crisis.

Analysts' average forecast was a loss of 21 cents per share, according to 15 analysts polled by Thomson Reuters

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Bank of America shares were down 4 percent to \$17.38 in early trading. The shares rose 29 percent during third quarter, keeping pace with the broader KBW Banks Index, but are still down 23 percent over the past 12 months.

## CREDIT WORRIES

The bank set aside \$11.7 billion during the quarter for credit losses, \$1.7 billion less than in the second quarter but \$5.3 billion more than in the 2008 third quarter.

Losses from home equity loans and residential and commercial mortgages soared, but the worst-hit business was the credit card unit. The unit's chargeoff rate -- the proportion of loans it does not expect to be repaid -- is the highest in the nation at 14.25 percent.

Like rival JPMorgan Chase & Co, Bank of America said that while loan-loss reserves and credit losses are still high, the growth is slowing.

"Obviously, credit costs remain high, and that is our major financial challenge going forward," Lewis said in a statement.

Lewis is not receiving any compensation for 2009, after the bank bowed to pressure from the Obama administration's "pay czar," Kenneth Feinberg. Lewis may still receive a \$125 million package of retirement compensation and accrued pay.

The bank's total assets slipped to \$2.251 trillion in the third quarter, down about \$3 billion from the second quarter.

JPMorgan on Wednesday reported a \$3.6 billion third-quarter profit and said its assets grew by \$15 billion in the period, to \$2.041 trillion.

Like Bank of America, JPMorgan posted a big gain from banking. Citigroup Inc, the third-largest U.S. bank, on Thursday reported its third-quarter securities and banking revenue fell by a third from a year earlier.

Bank of America has been battling to raise capital to meet an expected rise in capital requirements. It said last month it had agreed to sell the long-term assets of its Columbia Management business to Ameriprise Financial Inc for about \$1 billion.

Bank of America's noninterest income spiked to \$14.6 billion in the third quarter from \$8 billion a year earlier, due largely due to the addition of

Merrill Lynch's brokerage and investment banking businesses.

[http://finance.yahoo.com/news/BofA-posts-1-billion-loss-rb-1177232986.html;\\_ylt=AnWbIDmPFaaWelPmRk5nTAC7YWsa;\\_ylu=X3oDMTE1cDR1OHRhBHBvcwMzBHNIYwN0b3BTdG9yaWVzBHNsawh?x=0&sec=topStories&pos=1&asset=&ccode=](http://finance.yahoo.com/news/BofA-posts-1-billion-loss-rb-1177232986.html;_ylt=AnWbIDmPFaaWelPmRk5nTAC7YWsa;_ylu=X3oDMTE1cDR1OHRhBHBvcwMzBHNIYwN0b3BTdG9yaWVzBHNsawh?x=0&sec=topStories&pos=1&asset=&ccode=)