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BofA, Citi Results Show Loan Demand Lackluster

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Bank of America Corp. and Citigroup Inc. reported better-than-expected quarterly results that showed credit losses are easing but loan demand remains lackluster.

Bank of America

As with JPMorgan Chase & Co., which posted better-than-expected results Thursday, the banks' investment banking profits were also down, a bleak sign for Goldman Sachs Group and Morgan Stanley, which report next week.

"The question is, how are they going to generate earnings aside from dropping the reserve to the bottom line?" asked Keith Davis, financial sector analyst at Farr, Miller & Washington.

The banks' profits came a day after the U.S. Congress signed a sweeping financial reform bill that will curb some lucrative businesses for the banks, such as trading for their own account, and over-the-counter derivatives trading.

"Economic conditions remain challenging and global regulatory frameworks are uncertain," Citigroup Chief Executive Vikram Pandit said in a statement.

Citigroup's net income fell 37 percent, in large part because of a one-time after-tax gain of \$6.7 billion in the year-ago quarter. But net income from Citi's investment banking operations declined as well, and much of the quarter's improvement came from a lower provision for credit losses and a release of reserves. Those came along with improving credit losses.

Bank of America also reported lower second-quarter earnings, even after it sold \$1.1 billion in assets including its stakes in Latin American banks Itau Unibanco and Santander Mexico.

Citi shares slumped nearly 2 percent to \$4.08 in premarket trading, while Bank of America shares fell 4.4 percent to \$14.71.

Revenues at Bank of America's investment bank slumped almost 40 percent to \$6 billion from \$9.8 billion in the first quarter. Bank of America has benefited from this unit -- which dramatically increased in size in 2009 after the commercial bank bought troubled investment bank Merrill Lynch & Co Inc -- offsetting losses on its rising consumer loans.

Citigroup also said its securities and banking revenues fell. The unit had revenues of \$6 billion, down 26 percent from the first quarter.

Bank of America reported net income of \$3.1 billion, or 27 cents a share, down from \$4.3 billion, or 33 cents a share, a year earlier. Analysts had expected 22 cents a share, according to Thomson Reuters I/B/E/S.

Citigroup reported its second consecutive profitable quarter, posting net income of \$2.7 billion, or 9 cents a share, down from \$4.3 billion, or 49 cents per share, a year earlier. Analysts had expected 5 cents a share, according to Thomson Reuters I/B/E/S.

JPMorgan on Thursday reported a second-quarter profit of \$4.8 billion, up 76 percent from a year earlier.