

MARKETS

Consumers Lift Profit at Bank of America

Bank posts higher-than-expected earnings, lifted by consumer banking and wealth management



Bank of America executives said lower long-term rates and any Fed rate cuts would cut into net interest income growth this year. PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL

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U.S. consumers propelled Bank of America Corp.'s profit in the latest quarter, though the bank warned it could take a hit from any Federal Reserve rate cuts.

The Charlotte, N.C.-based bank, the second-largest in the U.S. by assets, posted a profit of \$7.35 billion, an 8% increase from the \$6.78 billion a year earlier. Per share, earnings were 74 cents. Analysts polled by FactSet had expected 71 cents per share.

Second-quarter revenue was \$23.08 billion, up from \$22.55 billion a year ago.

Other lenders including JPMorgan Chase [JPM -0.98% ▼](#) & Co. and Citigroup Inc. posted earnings this week that also showed strong consumer spending and borrowing but some weakness in corporate activity. Bank of America's earnings followed that same pattern: Profit was up in consumer banking and wealth management, but down in its global banking and markets units that cater to corporate clients.

PNC Financial Services Group Inc. and U.S. Bancorp, regional banks with big consumer businesses, also reported higher profits on Wednesday. Goldman Sachs Group Inc., which has a smaller consumer presence, is the only major bank so far to post a second-quarter drop in profit.

Bank of America CEO Brian Moynihan said on a call with analysts that the bank saw solid consumer activity in the quarter, but also noticed business confidence slip a bit. Certain firms were affected by the continuing trade battles, he said.

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Higher interest rates have boosted banks' performance since the Fed started raising them in late 2015. That is because banks were able to charge borrowers more interest without having to significantly increase payouts to depositors.

Now that the Fed is signaling it could lower rates, that in some ways is good for consumers. Card spending and mortgage originations were up at Bank of America, as well as at other big banks.

But the prospect of lower rates also clouds the outlook for banks' businesses. JPMorgan on Tuesday lowered its expectations for its lending operations. Bank of America executives said that lower long-term rates and any Fed rate cuts would cut into net interest income growth this year.

Bank of America's net interest margin, a key metric of lending profitability, fell to 2.44% from 2.51% in the prior quarter.

Bank of America managed to keep a lid on interest-rate increases to customers in the second quarter. The bank paid 0.77% on U.S. interest-bearing deposits in the period, compared with 0.73% in the first quarter.

Net interest income, or the difference between what a bank makes from loans or investments and the interest paid to depositors, rose 3% from a year earlier but fell about 1.5% from the prior quarter.

Loans at Bank of America were up 3% from a year earlier, while deposits rose 5% over that period. Expenses were roughly flat.

Though stocks are surging, banks have warned that clients should remain cautious about placing big bets.

Trading revenue fell about 10% at Bank of America, and merger advisory fees were also lower, following declines across the industry.

Shares rose more than 1% in morning trading.

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