

BANK OF AMERICA CORP /DE/
Form 10-Q
October 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2013

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number:
1-6523

Exact Name of Registrant as Specified in its Charter:

Bank of America Corporation

State or Other Jurisdiction of Incorporation or Organization:

Delaware

IRS Employer Identification Number:

56-0906609

Address of Principal Executive Offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

Former name, former address and former fiscal year, if changed since last report:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer (do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

On October 29, 2013, there were 10,666,133,943 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: expectations regarding the pace of international economic growth; the expectation that, if the economy and home prices continue to improve, there will be additional reductions in the allowance for credit losses in future periods, although at a lower level than the third quarter; expectations regarding the anticipated transfers of mortgage servicing rights and their impact on the Corporation; expectations regarding incremental credit provision due to borrower assistance programs; expectations regarding future levels of net charge-offs; expectations of achieving cost savings as a result of Project New BAC of \$8 billion per year on an annualized basis, or \$2 billion per quarter, by mid-2015, with \$1.5 billion in quarterly cost savings achieved by the fourth quarter of 2013; the possibility that the Corporation may conduct additional redemptions, tender offers, exercises and other transactions in the future depending on market conditions, capital, liquidity and other factors; the expectation that the Corporation will continue to streamline processes and achieve cost savings; expectations that, in the fourth quarter of 2013, noninterest expense in Legacy Assets & Servicing (excluding litigation expense) will be below \$2.0 billion and the number of 60 days or more past due residential mortgage loans in the Legacy and Non-Legacy Residential Mortgage Serviced Portfolios will decline below 375,000; expectations regarding representations and warranties repurchase and other claims, including levels of unresolved repurchase claims related to private-label securitizations and the possibility of additional settlements in the future; the belief that there will likely be additional requests for loan files in the future leading to repurchase claims; the possibility that the Corporation may purchase common stock, preferred stock and outstanding debt instruments in various transactions depending on prevailing market conditions, liquidity and other factors; the possibility that the Corporation will need to register additional entities as swap dealers and major swap participants; the possibility that the Corporation will be required to restructure certain businesses as a result of final derivatives regulations and this may negatively impact our results of operations; expectations regarding the timing, content and impact of final regulatory capital rules, including the Corporation's ability to meet the final Basel 3 liquidity standards within regulatory timelines and the approval of the Corporation's analytical models for capital measurement under Basel 3 by U.S. regulatory agencies; expectations regarding the impact of the Financial Reform Act on the Corporation; expectations regarding whether the Corporation's issued and outstanding Qualifying Trust Preferred Securities will be classified as Tier 1 or Tier 2 capital beginning in 2016; expectations regarding the Standardized Approach as compared to the Advanced Approach; expectations related to reimbursement of delinquent FHA-insured loans; expectations regarding benefits to be obtained from the Corporation's centralized funding strategy; estimates concerning the Corporation's additional capital requirements as a global systemically important financial institution; the belief that default-related servicing costs peaked in late 2012 and have continued to decline in 2013; the Corporation's belief that it can quickly obtain cash for certain securities, even in stressed market conditions, through repurchase agreements or outright sales; the Corporation's belief that a portion of structured liability obligations will remain outstanding beyond the earliest put or redemption date; the Corporation's anticipation that debt levels will decline due to maturities through 2013; the estimation that lifetime losses on loans originated after 2008 will be significantly less than the losses experienced with respect to vintages prior to 2009; expectations regarding loans in the pay option portfolio; the belief that the Corporation's current market capitalization does not reflect the aggregate fair value of its individual reporting units; effects of the ongoing debt crisis in certain European countries, including the expectation of continued market volatility, the expectation that the Corporation will continue to support

client activities in the region and that exposures may vary over time as the Corporation monitors the situation and manages its risk profile; the expectation that net losses on derivative instruments that qualify as cash flow hedges will be reclassified into earnings; the expectation that the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months; and other matters relating to the Corporation and the securities that it may offer from time to time or steps it may take to manage the risk of these securities. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

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You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: The potential impact of the recent and any future government shutdown and/or debt ceiling impasse; the Corporation's ability to resolve representations and warranties repurchase claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more of the government-sponsored enterprises, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; the possibility that the Corporation may not collect mortgage insurance claims; the possible impact of a future FASB standard on accounting for credit losses; uncertainties about the financial stability of several countries in the Eurozone, the risk that those countries may default on their sovereign debt or exit the Eurozone and related stresses on financial markets, the Euro and the Eurozone and the Corporation's exposures to such risks, including direct, indirect and operational; uncertainties related to the timing and pace of Federal Reserve tapering of quantitative easing, and the impact on global interest rates, currency exchange rates, and economic conditions in a number of countries; the possibility of future inquiries or investigations regarding pending or completed foreclosure activities; the negative impact of the Financial Reform Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the potential impact on debit card interchange fee revenue in connection with the U.S. District Court for the District of Columbia's ruling on July 31, 2013 regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the impact of continued refund payments to customers and potential regulatory enforcement action relating to optional identity theft protection services; the impact of potential regulatory enforcement action relating to certain optional credit card debt cancellation products; unexpected claims, damages, penalties and fines resulting from pending or future litigation and regulatory proceedings including proceedings instituted by members of the Financial Fraud Enforcement Task Force; the Corporation's ability to fully realize the cost savings and other anticipated benefits from Project New BAC, including in accordance with currently anticipated timeframes; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; and other similar matters.

Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior-period amounts have been reclassified to conform to current period presentation. Throughout the MD&A, the Corporation uses certain acronyms and abbreviations which are defined in the Glossary.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout

the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. We operate our banking activities primarily under two national bank charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA). On October 1, 2013, we completed the merger of our Merrill Lynch & Co., Inc. subsidiary into Bank of America Corporation. This merger has no effect on the Merrill Lynch name and brand and will have no impact on customers or clients. At September 30, 2013, the Corporation had approximately \$2.1 trillion in assets and approximately 248,000 full-time equivalent employees.

As of September 30, 2013, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 51 million consumer and small business relationships with approximately 5,200 banking centers, 16,200 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to more than three million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

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Table 1 provides selected consolidated financial data for the three and nine months ended September 30, 2013 and 2012, and at September 30, 2013 and December 31, 2012.

Table 1

Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Income statement				
Revenue, net of interest expense (FTE basis) ⁽¹⁾	\$21,743	\$20,657	\$68,100	\$65,344