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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Thursday, April 14, 2016 5:55 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Bank of America: 1Q16 First Pass: Tight Expenses Drive an In-Line Quarter

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Richard Kahn  
HBRK Associates Inc.



Begin forwarded message:

**From:** =/b>"Morgan Stanley" <[REDACTED]>  
**Subject:** =/b>Bank of America: =Q16 First Pass: Tight Expenses Drive an In-Line Quarter  
**Date:** =/b>April 14, 2016 at 9:09:40 AM =DT  
**To:** =/b><[REDACTED]>  
**Reply-To:** =/b><[REDACTED]>

Wealth management

Subscription Notification: April 14

Bank of America: 1Q16 First Pass: Tight Expenses Drive an In-Line Quarter

Betsy L. Graseck, CFA – Morgan Stanley

April 14, 2016 1:07 PM GMT

1Q16 Earnings: BAC reported 1Q16 EPS of \$0.21. Operating EPS ex DVA of \$0.20 vs. MS ests of \$0.23 and consensus of \$0.21. Miss was entirely from higher FAS 91 non-cash mark to market, given the ~50bps decline in the 10yr in 1Q16. Core expenses (ex litigation, legacy asset servicing costs, seasonally elevated payroll costs) declined \$300M q/q to \$12.5B, well below consensus and even lower than us. We have been pounding the table that BAC is an expense story and are routinely beaten back by comments that BAC needs to invest more and will never drop their improving efficiencies to the bottom line. This is BAC's 4th straight quarter where core expenses are coming in significantly below \$13B. Expect the stock will start to reflect this execution on expense management. Stock likely trades up today on expense management. Our forward EPS likely flat given the in-line quarter. Positives: Core expenses of \$12.5B vs. MSe \$12.6B. LAS costs down \$70M q/q to \$729M, in-line with our estimates. Mortgage production volumes of \$16.4B vs. MSe \$14.3B. Equities down less than expected at 11% y/y vs. MSe -25%. FICC in-line at -17% y/y vs. MSe of -15%. Negatives: IM of 2.05% missed MSe 2.14%, but entirely on the higher FAS 91 charge of \$1.2B vs. our \$0.5B estimate. IB missed: down 23% y/y vs. MSe -14%, CM down 46%, M&A down 19%, DCM was down 14%. Questions for the call: Living Will response, LAS cost save target for 2016, path to 1% ROA, consumer spending/borrowing trends, competition from banks partnering with marketplace lenders, strategy for real-time payments (launched in early March), CCAR reform, trajectory of incremental buybacks in 1H16, relocation of Thong Nguyen to West Coast, NPR on Single-Counterparty Credit Limits. Conference Call: Today at 8:30am ET. Dial-in: Domestic: 877-200-4456. Conference ID: 79795.

[Click here](#) to see the full report.

This alert is sent from:

Andrew Atlas, 

You received this because you asked to be alerted to:

BANK OF AMERICA CORPORATION

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