

Bank of America

BofA Securities 30th Annual Financials CEO
Conference

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Participants

Host

[Antonio Reale](#) – BofA Securities, Head of Southern European Banks Equity Research

Participants

[Alastair Borthwick](#) – Bank of America, Executive VP & CFO

Presentation

[Antonio Reale](#)

We're playing on own ground really. So a warm welcome to our own group CFO, Alastair Borthwick. Alastair, always a pleasure to have you with us.

[Alastair Borthwick](#)

Thanks for having me.

[Antonio Reale](#)

It's our 30-year anniversary, so this conference in Europe has been going on for 30 years, so that's a legacy. We are seeing a big increase in terms of participation from U.S. investors, 35% versus last year, and we've seen, of course, a big increase in global money coming into Europe. And so I think giving your perspective to a global investor base increasingly, so that will be, I think, a super useful. It's a great opportunity, of course, to cover ground with our European clients, understanding better Bank of America, but also, you're the only U.S. bank participating to this conference. I think you can provide a great window on to what you're seeing in the banking industry.

Q&A

[Antonio Reale](#)

So maybe we'll start from there. I mean, obviously, Bank of America has a great insight into the U.S. consumer. We're handling nearly \$4.5 trillion in payments annually, as well as into U.S. businesses as the largest C&I lender. Can you give us an update on the health of the U.S. consumer and business sentiment in general?

[Alastair Borthwick](#)

Yes, of course, First of all, it's great to be here. Thank you, everybody. It's wonderful to be a part of 30 years, and we're grateful for all of your support. As you point out Antonio, we've got a pretty good window into the U.S. consumer. Normally, what we're looking for most is what's happening with their credit and debit card spend because that tells us how they're acting, rather than if you listen to a survey and what they're saying they feel. Interestingly, in 2024, we hit a record for consumer spending. On our cards, we could see our customers spending 3.5% more than the year before. So that was 2024. This year, just to give you some idea, credit and debit spending would be about 4.5% more than the year before. So if anything, it's actually accelerated year-to-date, and that gives you some sense for how the U.S. consumer is feeling today. We also tend to look at balances. We can see balances in checking deposits remain very healthy. At the lower end, they are multiples of where they were pre-COVID. And we can see, obviously, as you will all see home prices in the United States remain in a very good place. Equity markets remain in a very good place. Unemployment it's ticked up maybe 0.1% recently. But again, 4.3%, that's a very strong place for

unemployment in the United States. Income growth has been good. So the consumer is doing well. We see that in our own asset quality numbers. We saw that last quarter. The asset quality continued to be very, very stable. We can see it again this quarter behaving in the way that we thought it might. So on the consumer side, things are quite constructive. The consumer remains very resilient, and we feel good about that part of the picture. The commercial side is also very good right now by any historical standard. So our asset quality remains terrific on the commercial side. We've really only had one area in the course of the past couple of years that's had any type of concern, and that's the commercial real estate office sector in the United States. And that's more of a systemic factor: a little bit of work from home impacting some of the demand for office space, and a little bit of higher interest rates impacting cash flow coverage. But even there, this year, we've seen another improvement in the performance of that portfolio. We talked last year about how we felt like last year we see the majority of the losses as we cleaned out that portfolio. And this year is performing the way that we thought it would. It's been better so far this year. So other than that, the commercial asset quality remains in a very good place to the point where it really would take an idiosyncratic loss to see something happen. We haven't had anything like that recently. But when you've got commercial asset quality at levels where there's very little in the way of charge-offs, it doesn't take a lot to change it. But at this point, the commercial asset quality remains in a good place. Profitability is good. Cash flow is good. We can see corporate America is performing pretty well.

Antonio Reale

Right. Now you and Brian spend a lot of time around the world, seeing clients spending time with our global network, and that obviously speaks to the international presence of the Bank. Now are you hearing anything different from international clients?

Alastair Borthwick

Well, the biggest factor as we talk to our international clients has largely been around trade and trade policy. And I think what they're benefiting from at this point is certainty around what that environment looks like. A year ago, people were speculating and concerned. 6 months ago, they were speculating and concerned it could have a variety of different outcomes. But at this point, most of the businesses that we talk to in the countries that we're covering -- at this point, we got a pretty good idea of what the trade policy looks like and how that impacts their own supply chain. So that's something that I feel like our international clients are definitely benefiting from at this point. Otherwise, the United States remains a very important market for anyone outside the United States who obviously operates in or sells to. So we're in a very good place to help them with their needs in the United States. And then for our U.S. clients, they're very interested in doing business around the world. Obviously, we have a terrific international platform, and we're able to help people as they grow their own businesses with countries outside the United States.

Antonio Reale

Now maybe also as a way to sort of give the audience an overview. You can give us a couple of reasons why you think our franchise is truly differentiated from other U.S. banks? And maybe we can start with sort of the institutional clients and their activities? And over the past few years, we've been investing in the global markets business, which is a large part of the international franchise. And what benefits have you seen from these investments and what further growth opportunities would you see ahead for business?

Alastair Borthwick

Well, if I were to take a big step back before we can get to Global Markets. We've obviously got -- when we report our business in 4 big segments: Consumer, Wealth, Global Banking, Global Markets. All of them are leaders in the world in their space. We have scale and all of them, we have differentiated capabilities in each of them. And it would be very hard to replicate a franchise like that today having acquired those capabilities over a very long period of time and then grown them organically. So we feel like that's already a differentiator.

When we get to the Global Markets business, on the institutional side, we've made a considerable amount of investment there over the course of the past 5 years. You can see that in balance sheet. You can see it in

liquidity. You can see it in RWA. Jim DeMare and the team have invested more in the way of technology. They've invested more in the way of people. And they've executed in a really productive fashion to the point where you can see at this point, 13 successive quarters of year-over-year revenue growth. That's really hard to do in the markets business, just because of the underlying volatility sometimes of the markets themselves. And we've improved the return on allocated capital in that business. So the scale and the way that we're now helping our clients around the world in a different way, has allowed us to improve the returns of that business. So we've been really happy with the way that one has performed.

More broadly in the institutional businesses, one of the big differentiators for us is our international platform. And remember, in the United States, we compete in every local market around the United States. I'll get into that a little bit later on. But when we're in a particular city, we're often banking the companies in that city. And we're competing with a variety of different competitors and many of them are U.S. domestic regional banks. But many of those clients that we bank are operating in multiple countries around the United States around the world. So maybe 80% to 85% of the companies we cover operate in, or buy from, or sell to customers in different countries around the world. So having an international platform like we do: big international payments platform, a big international credit platform, a big global markets platform, allowing us to serve those U.S. domestically headquartered companies is a big differentiator for us, and it's been a core part of the growth that Wendy Stewart has seen in the Global Commercial Banking franchise that serves middle market companies in the United States.

Antonio Reale

That's very clear. Now on the banking side, we've heard, as you mentioned, that there is some strategic areas to focus on helping gain share, and the middle market investment banking is clearly focused. What are the growth opportunities and areas of investment do you see for this business?

Alastair Borthwick

You're now talking about Global Banking?

Antonio Reale

Yes.

Alastair Borthwick

Yes. So as you pointed out, one of the things that Matthew Koder and his team have focused on is trying to deliver more investment banking expertise and advice to middle market companies across the United States. That's where we have a big middle market practice, U.S. headquartered businesses. And we felt like we had an opportunity to add coverage bankers to make sure we were bringing that expertise to our clients around the U.S. We started with a group of about half a dozen bankers, providing that investment banking advice. Today, we've got closer to 250, that's come over multiple years. And as we continue to penetrate that client base, we keep investing there. So that's been a really important part of our franchise development in Global Banking. The second piece that's been really important for us is continuing to invest in the international platform. So everything outside of the United States. That's one of those places where, obviously, it's very good for our clients here in Europe. It's very good for our clients in Asia. But it's also been, again, going back to the conversation earlier, a powerful differentiator for us as we serve our U.S. clients, and they want advice on how best to expand their own business in places like Europe. So I think what Matthew Koder and Bernie Mensah have done in terms of just building out our international platform to help clients around the world and the U.S. has been an important part of our growth story.

Antonio Reale

That's very clear. And I know many of our European client base don't appreciate as much or have a feel for how much -- how such a large national bank competes locally in U.S. markets. So maybe you could kind of discuss that further and tell us how we leverage the local markets organization in the U.S. to ensure that we deliver a unified company at the local level and drive sort of market share gains across businesses?

Alastair Borthwick

Okay. So that's another of the differentiating characteristics, I think, for our company. And it's easy to understand, but it's harder to develop. And it's taken us a number of years to build a practice now of local markets integration. And here's what we mean by that. We operate in an enormous market in the United States size of Europe, and we're in 97, let's call them, local markets. A lot of the big cities, a lot of the smaller cities. But we're in 97 of them that would be an enormous percentage of United States GDP. In each market, we're likely to have our consumer bank, we're likely to have our wealth management franchise, we're likely to have business banking and small business banking. We're likely to have our middle market franchise. In some cities, we have investment banking. In some cities, we have global markets.

But the point being, there's a series of different lines of business in each market. And then we have a local market president. And the local market president is there to make sure that each of those lines of business are talking with one another and working together. They're not just reporting back to the big cities where the leaders of those particular lines of business might work. They're talking to one another and solving client problems in that local market. Those 97 markets all report to Lee McEntire; Lee is in the room, our Head of Investor Relations and Head of Local Markets. And we've got this group, then, of people who are deploying best practices across local markets to help one another.

In addition, when, for example, somebody in consumer identifies that they're talking to somebody very wealthy who needs help with wealth management, the team in consumer is then referring that person and that piece of business to our wealth management colleagues, or if somebody in commercial banking finds that there's an opportunity for the consumer bank to deploy for their employees of that company or wealth management with the owners of that company. These are referrals going backwards and forwards between lines of business. Last year, we had about \$9 million of those referrals, just to give some idea of the scale of this operation. So that's differentiated. That, in our mind, is integrating the lines of business in the local markets where we all live and work and compete. And it's one of the things that we're really proud of that we've built over the course of 10-plus years.

Antonio Reale

Now Alastair, one focus that is obviously very important for this year at our conference is how European banks have managed to cover some ground versus European versus U.S. bank's profitability. Now where the gap is still very large, is, of course, on investments in technology. Now Bank of America is a leader in U.S. digital banking and digital adoption when it comes to digital infrastructure, it continues to grow. How do you see digital banking evolve in the near future? And how important are physical locations to the bank's relationship-focused strategy?

Alastair Borthwick

We're very fortunate we don't have to choose. So we feel like our clients are best served when we offer them high tech, and we offer them high touch, and I'm going to get into that in a second. But obviously, we've been working on a digital transformation at scale now for many, many years. And if you were to look at our earnings presentations, you'd see that we've got tens of millions of customers who use digital only at this stage and very small numbers of our clients who are paper only. And that is simultaneously a client experience enhancer. It's one of the reasons that our client satisfaction scores are at their highest, they're at a record level right now. We're giving clients more convenience. We're giving them cheaper. We're giving them faster. They have the ability to do transactions sitting right in their pocket on their mobile phone. So that's been an enormous part of what we've had to do over the course of the past 10 years. That doesn't change at this point because we're still not at the point where we've fully taken paper out of everything that we do. So we will continue to make investments in our digital offering.

Last year, I think most of you know, we invested just over \$4 billion in new technology. So \$13 billion in total, about \$4 billion in new technology, new code, new capabilities that are aimed at client experience or they are aimed at cost savings, or they're aimed at efficiency or risk reduction, but they are things that help

to improve the company. So that remains an important part of our future. We're committed to those investments. We're committed to and adding to that over time, year after year after year.

Now at the same time, and I said we don't have to choose, there's still a number of our clients who would prefer to walk into a financial center. Typically, they're going into a financial center today, not for transactions. They're not going into deposit a check. They can do that over their phone, or they can do that at an ATM, but they're going in for advice. They might be going in to open their first ever account. They might be going in to choose a new credit card. They might be going in to choose a mortgage and how to think about a mortgage. They might be going in to meet with the wealth management specialist. And the idea now that we've allowed people to use their digital app to open an account if they want to for their children or go into a financial center and arrange an appointment on their mobile, so they don't have to wait when they get there. These are the sorts of things that we're integrating just to make sure that the clients have a great experience.

Antonio Reale

Thanks for the that. Now AI...

Alastair Borthwick

I should say, by the way, to this day, some -- today, at Bank of America, somewhere between 350,000 and 0.5 million people will walk into our branches today and to our financial centers, looking for that type of advice. So it's obviously a differentiator to offer both.

Antonio Reale

Thanks for that. Now AI, of course, has been a key theme, I would say, across industries. Now how do you see that impacting the banking industry going forward? And more importantly, how are we addressing that the opportunity that this new technology brings?

Alastair Borthwick

Well, it's obviously exciting, and it's not just about the future. It's right now. As many of you will know, the best example of AI at scale like a productive use case at scale for us is our Erica assistant, which allows you to talk to your phone and ask Erica to do different things and give you different information. We have over 20 million customers who use Erica, and they've used Erica over 3 billion times. Just to give you an idea of like the cost save and the time save for our own employees handling that type of information.

More recently, in our second quarter earnings, we also profiled the fact that today, corporate clients, commercial clients who use our CashPro payment service. This is our proprietary technology that allows people to manage their operating accounts. About 65% of our corporate clients now use AI for their requests. And it's about 40% of the request volume that's going through this. So we're increasingly deploying AI for the commercial side based on the experience that the consumers have asked for and they're already getting.

And then the third example is just interesting, again, at scale is our coders, same people who are developing new software and making sure that they take care of our base software needs. Today, they're using GitHub and other type coding platforms that allow them to be much more productive than they were. So this is already being used at scale at this point of the bank. And now the question becomes what are some of the other things that we can continue to deploy in service centers, fraud protection, et cetera, so that we're giving the clients a better experience on an ongoing basis.

Antonio Reale

Now, we of course covered the investments for growth and efficiencies and all the investments in technology and AI. Now how do you combine these investments for growth while ensuring that expenses remain under check and you remain disciplined, which you require to deliver sort of the operational leverage in the business?

Alastair Borthwick

At our heart, we are an organic growth company. There was a time when some of our growth came from inorganic activity. But today, now that we're above the depositor cap, it's pretty clear that Bank of America is an organic growth company. And therefore, our focus is on: do more with existing clients and add more net new clients over time. And that's the focus for each of our lines of business as they come in every day.

So when we talk about expense discipline, and we talk about expense control, it's with a view of how do we drive operating leverage? How do we make sure that the revenue is growing faster than the expenses? Thereby creating the operating leverage that we need to keep driving pretax pre-provision net revenue. A lot of things that we talked about earlier around, for example, technology, digital, AI, another tool in the digital use case toolbox, all of these things are aimed at expense discipline and expense control.

It's not the context of we have to cut expense. We have to invest in the platform every year. But we're looking for efficiencies to make sure that as we're growing organically faster than GDP by taking market share, we should be growing the expense base at GDP minus, recognizing that there are efficiencies we can gain from things like digital, from things like AI in the future.

When it comes to things like operational excellence, we've talked about at this event in years prior, operational excellence to us is a firmwide series of, I suppose, you could say initiatives with a broader strategy, this idea of -- if we're a collection of processes, how do we run those processes better each year? How do we run them in a way that reduces risk? How do we run them in a way that improves the client experience and how do we run them in a way that holds expense down or creates efficiency? Digital is a great example. When we do it in such a way that we have fewer visits in the financial center in terms of transactional visits, that's probably good for the clients in terms of client satisfaction, and it's probably good for expense. When we do it, where we're removing paper that's very good for expense.

So there are a variety of things that we can do that manage to do all of those things. They're helping on the revenue side. They're helping with employee satisfaction. They're helping with client experience. And they're also helping to hold the expense base in a place that we want to see it. And that formula has worked well for us over the course of the past 10 years. And it's part of how we think about responsible growth on an ongoing basis.

Antonio Reale

That's super clear. Thanks. Now we've heard a lot about the opportunities that stablecoin presents. Now what's your view on that? And how are you sort of managing the changing payments landscape?

Alastair Borthwick

Well, we've yet to see a significant ubiquitous employment of stablecoin at this point because it's only recently that we've got more clarity around the legislative side. I think what's very clear to us is, now that we have more clarity, it allows us to develop stablecoin for our clients, either on our own or / and working with the industry towards something that makes sense for clients. Very similar to the way that we work on Zelle, for example. That part, in some ways, is the easier part of the equation. The harder part is seeing whether or not the stablecoin has actually picked up in terms of user acceptance. Because when it comes to one more payment method, as stablecoin is, stablecoin is going to be competing with our clients' attention with things like cash, credit card, debit card, ACH, wire, checks. There are a lot of things in the United States and in Europe where they're pretty developed payment rails that are pretty easy for clients, they're very cheap for clients. They move things very quickly. So it may be harder to see stablecoin of an environment like that. Might be a little more attractive in an area like small dollar volume cross-border payments, where there's perhaps a little more friction, but we'll need to see how user acceptance develops over time. And stablecoin got some pretty tough competitors.

Antonio Reale

Another important point, I think, which is a debate also for European banks, but at least for global banks really and it affects the sort of the level playing field around capital. We talked about the IT and the gap that

exists between European banks and U.S. banks. And other focus points, of course, is capital and regulation. And we take the opportunity to ask you sort of what's the latest you've heard in regard to the U.S. regulatory proposal? And what impact would you expect that this will have on Bank of America?

Alastair Borthwick

Well, the first thing as it relates to capital has really been around the supplemental leverage ratio. There's a notice of proposed rule making out there in terms of what that might look like. It would give banks some relief in the United States. We're not bound by the supplemental leverage ratio at the Bank. So any changes there. I mean, we certainly welcome the way this is developing and it would allow us a little more flexibility on an ongoing basis, but it's less of an immediate concern for Bank of America.

More broadly, the question relating to capital, I think we're encouraged by the fact that the Vice Chair Supervision brought everybody together in D.C. to talk about the capital environment holistically. So not just supplemental leverage ratio but also the stress capital buffer where already the Fed is talking about a variety of different things that could be interesting there in terms of changes. The G-SIB ratio where the United States, I think everybody here knows the U.S. gold plates G-SIB in a different way than the rest of the world.

And then obviously, Basel III Final. So we're eager to help contribute to conversations in that area. We were encouraged by the capital conference. There's work to do in each of those 3 areas. So we're really, I think, encouraged by the fact that the Vice Chair brought everybody together to talk about those. And then look, these are complicated issues, and they impact not just the bank's capital basis, but they impact real lending in the economy. They impact the way that we're able to support clients and communities.

So it's appropriate that people take time and make sure that we're balancing safety and soundness and promotion of growth in the economy and lifting communities. That takes a little while. And it's hard then in the meantime to react until we see a set of final rules, but this interplay between each of the big 3: stress capital buffer, Basel III Final, G-SIB very important, I think, for the big banks in the United States.

Antonio Reale

Thanks for that. That's super useful color. Now obviously, capital requirements are set to decline. And now how you think about managing the bank's excess capital as a result?

Alastair Borthwick

Well, again, we're fortunate to be in a position where we have significant excess capital at this point relative to regulatory minimums. And there was a period of time where we built capital thinking that actually capital ratios might go up in the United States. So we find ourselves in a position where we've got a very strong capital base and that affords us a lot of flexibility. For those who follow Bank of America, you'll have seen that we have increased our share buyback over time while also increasing the pace at which we can support loan creation. So we haven't had to choose, we've been able to do both things.

The priorities for our bank remain the same. Number one, we always want to support our clients, and we want to support the future growth of the company. That's always going to be the highest priority for our capital base. Number two, we need to make sure that we have enough to comfortably hurdle our regulatory minimums, and we want to be in a position to raise our dividend every year. Last year, we raised our dividend another 7% or 8%. That's what we're trying to do each year. And then number three, with anything in terms of excess capital, we want to be in a position to return that to shareholders over time. So last quarter, we bought back, I think it was \$5.25 billion. That's up very significantly from a year or 2 ago where we were buying back \$1 billion or \$2 billion or \$3 billion.

So we've continued to help support the loan growth and buy back more shares. We are in a position right now where we continue to have excess capital. So we're probably not going to have to choose either or for a while here. And then the question becomes, when do we have the kind of clarity that allows us to know we've now got a final resolution around stress capital buffer or a final resolution around G-SIB and a final resolution around Basel III Final that allows us the clarity to operate and decide exactly where we want to be

on an ongoing basis. But we have plenty of time. We have a lot of flexibility, a lot of options. And so we like our position right now.

Antonio Reale

That's a good problem to have. Now we've covered, of course, a lot of ground around the outlook for the business and investments. And is there anything more near term for Q3 that you'd like to talk about? Like NII expenses and capital markets activity, how those are evolving more near term?

Alastair Borthwick

Well, I think, again, for those of you who follow our bank, we've talked about the fact this year that when we execute according to our plan, we thought at the beginning of the year, we might be able to lift net interest income by 6% to 7%. And if we did that, we would get to the end of the year right around \$15.5 billion to \$15.7 billion. We remain on track for that. And we felt good about that at the end of Q2. Here we are, we're most of the way through Q3. We feel like we're still on track to deliver that. If and when we do, that will be a record for NII for the company. So that would be nice. In Q3, we feel like we're going to end up somewhere around \$15.2 billion. If we can do better, we will. But we feel like that sort of medium point between where we were at \$14.8 billion, going towards our guidance at the end of the year, somewhere around \$15.2 billion. We continue to feel good about that.

In terms of the capital markets, global markets is the big sales and trading engine. Sales & Trading feels like right now, we're in a pretty good environment. We think that business ought to have its 14th consecutive quarter of year-over-year growth, probably around mid-single digits, just to give some people some idea. It remains a very constructive environment for sales and trading because -- as many of you in this room will know as investors, this is the sort of environment where people are continuing to reposition based on all the various things going on in the world. So it feels to us like we're on track for a 14th consecutive quarter there. And then we're having a pretty good investment banking quarter. Investment banking fees are probably up 15% or so. We feel like we're in line, maybe slightly better. We feel like the investment banking environment, maybe it's 10% to 15% overall, but we should do pretty well relative to the rest of the Street because we feel like we're having a pretty good investment banking quarter again.

Antonio Reale

That's great. Now Alastair will stay with us for a few meetings today in London, so you'll get a chance to sort of ask any additional questions in the group meetings. I want to thank Alastair very much for joining us once again for our 30-year anniversary conference, and thanks for all of you to joining and listen.

Alastair Borthwick

Thank you, Antonio. Thank you.

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