

Bank of America

Second Quarter 2026 Earnings Announcement

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Participants

Presenters

[Brian Moynihan](#) – Bank of America, Chair and CEO

[Alastair Borthwick](#) – Bank of America, Executive Vice President and CFO

[Lee McEntire](#) – Bank of America, Investor Relations & Local Markets Organization Executive

Participants

[Ben Gerlinger](#) - Citigroup

[Chris McGratty](#) - Keefe, Bruyette, & Woods

[Erika Najarian](#) - UBS

[Gerard Cassidy](#) - RBC Capital Markets

[Ken Usdin](#) - Autonomous

[Manan Gosalia](#) - Morgan Stanley

[Matt O'Connor](#) - Deutsche Bank

[Mike Mayo](#) - Wells Fargo

Presentation

[Lee McEntire](#)

Good morning, everyone, and thank you for joining us to talk through our second quarter results and what is a busy bank earnings day. As always, the earnings release and presentation are posted on the Investor Relations section of [bankofamerica.com](#), and we'll reference those materials during the call.

Before we begin, a quick reminder that during the call, we may make forward-looking statements and refer to non-GAAP financial measures. These measures reflect management's current views and are subject to risks and uncertainties, which are outlined along with the relevant GAAP reconciliations in our earnings materials and our SEC filings on our website.

With that, I'll turn the call over to Brian Moynihan, our CEO.

[Brian Moynihan](#)

Good morning and thank you for joining us. Once again, our team delivered strong second quarter results, extending our momentum of the past several quarters. Our revenue grew 15% year-over-year to \$31.6 billion. Our net income was \$9.1 billion, up 27% from last year. Our EPS increased 34% to \$1.21 a share. Our results show organic growth, operating leverage, and efficiency ratio improvement in every business segment. Along the bottom of Slide 2, you can see the progress against several of our key financial metrics for the firm.

For the quarter, we delivered 6.6% operating leverage and our efficiency ratio improved to 59%. We generated return on tangible common equity of 17%. In short, organic growth was broad-based and coupled with operating leverage, which translated into stronger returns on both equity and assets.

Slide 3 shows the contributions and growth of each business segment. Every business segment contributed to our year-over-year growth. Average deposits and loan balances continue to grow, supported by healthy client engagement. Revenue and net income increased in every business segment. Each segment generated operating leverage. Each segment improved its efficiency ratio. And each segment demonstrated the benefits of its scale. Together, those results drive stronger returns across the company.

Let me touch on a few earnings highlights from Slide 4, starting with revenue. Revenue growth was broad-based, led by NII, investment banking, wealth management fees, and sales and trading revenue.

First, net interest income. It continued to perform well. On an FTE basis, NII was approximately \$16.2 billion, up 9% over last year's second quarter. This is driven by the strength of our core lending and deposit gathering franchises. It also includes our lending in our Global Markets business and the impact thereof. We also have added the benefit of ongoing repricing of lower-yielding assets and a repayment of higher cost funding.

Second, our fee-based businesses delivered exceptional results, translating into 22% noninterest income growth. Wealth management, investment banking, and markets all benefit from healthy client activity and favorable capital markets conditions. Merrill and the Private Bank advisers drove the 18% growth in investment in brokerage fees. Investment banking fees increased 50% year-over-year to more than \$2.1 billion, while Sales & Trading generated \$7.2 billion in revenue, up 33%.

Third, we manage cost while we continue to invest in the franchise, our brand, our people, our technology, and our AI-enabled productivity. Asset quality also remained stable and consistent with the strong underwriting discipline that has characterized our company for many years. Finally, capital generation and capital returns to investors remain strong. We've returned \$8 billion to you through dividends and share repurchases this quarter. We ended the quarter with common equity Tier 1 capital of nearly \$202 billion and a common equity Tier 1 ratio of 11.2%.

The economic backdrop remains very constructive as Slide 5 illustrates. Last week, our research team raised its 2026 U.S. GDP growth forecast to 2.2%. They also have global growth expected to remain steady at 3.2% in '26 and grow to 3.5% in '27. As noted on the slide, consumer spending has recently expanded and continued to outperform our expectations. While the slide reflects 5% growth in year-over-year spending for the first half, the spending picked up during the second quarter, and now is running at 6% plus year-over-year comparison. So overall, the U.S. economy has proved more durable than expected, supported by the strong consumer, ongoing AI-driven investments across the board, and easing energy costs, though inflation and tighter monetary policy remain key risk.

Before I turn it over to Alastair, I want to bring your attention to a couple slides. First, we have our digital slides in the appendix. In addition, we added a slide on AI, slide 20, which shows how our over 200,000 teammates are actively using AI-enabled capabilities across our company. These range from productivity tools to more advanced agentic workflows and coding support. Our associates are generating more than 400,000 prompts a day. And as of last week, we had over 300 AI use cases approved – all of which have good economics – of which 114 are live generative AI use cases. 34 of those cases are fully implemented, and we see new capabilities coming on every week.

These tools are designed to help our customer relationship management prepare more thoroughly for the client meetings. Our bankers automate the research and presentation materials. Our developers code more efficiently. And all our teammates improve productivity, consistency and client service while creating significant opportunities ahead of us.

I'm going to turn it over to Alastair. Alastair?

Alastair Borthwick

Thanks, Brian. I'm going to pick up on Slide 6 and start with the balance sheet, where you can see it remained a source of strength and we continue to support client activity across the franchise. Our ending assets were steady at \$3.5 trillion, steady compared to the first quarter and primarily reflecting lower securities balances replaced by loan growth and Global Markets activity. We maintained strong liquidity and funding while we optimized our balance sheet, and we supported all that with diversified funding and healthy client-driven growth.

When you look at regulatory capital, we remain in a strong position with our CET1 ratio stable at 11.2%, and that remains well ahead of our 10% minimum ratio. Tier 1 common equity grew to nearly \$202 billion, while our RWA increased to \$1.8 trillion, driven by loan growth and capital markets activity. Supplementary leverage remains strong and well above our minimums.

When we turn to Slide 7, you can see deposits remain a key competitive advantage and a source of strength for our company. Average deposits were \$2.02 trillion, up \$49 billion or 2.5% from a year ago, and importantly, included noninterest-bearing growth of \$19 billion, up 4%. This marks our 12th consecutive quarter of average deposit growth, and growth was primarily driven by Global Banking, where deposits increased 8% year-over-year, reflecting continued client engagement and operating account growth.

The second quarter saw muted sequential growth in average deposits because it was impacted by typical seasonal tax-related outflows. Otherwise, underlying client activity remains healthy and on track with our expectations. Importantly, our deposit base remains highly diversified across consumer, wealth, commercial, and corporate clients, providing a stable and attractive funding advantage.

Our strong liquidity and funding position means we don't need to chase rate sensitive balances. And with the other relationship values like rewards, digital and security features, it allows us to offer customers attractive rates and grow balances. And we continue to see growth in both interest-bearing and noninterest-bearing balances. As shown in the upper right, rate paid was modestly lower this quarter, led by consumer deposits of 48 basis points on \$957 billion in balances, so favorable balance moves.

Turning to Slide 8. Loan growth remained strong and broad-based. Average loans and leases increased to \$1.2 trillion, up \$88 billion or 8%, from a year ago. Ending loans were also \$1.22 trillion, up \$71 billion or 6%, marking the ninth consecutive quarter of both average and ending loan growth. Commercial lending continues to lead growth with average commercial loans increasing to \$733 billion, up \$75 billion or 11% from a year ago. And we've seen growth both domestically as well as internationally, illustrated by the chart at the bottom right of Slide 8. Additionally, commercial growth has broadened away from the global markets activity that we saw last year.

Consumer loans increased 3% year-over-year, led by growth in securities-based lending and credit card balances. Credit card grew 4% year-over-year as we increase marketing and enhance product offerings. The combination of first and second lien mortgage balances remains relatively stable, reflecting elevated rates and included the ninth consecutive quarter of average home equity growth. These trends reflect healthy client activity across both commercial and consumer businesses, and they demonstrate the benefits of our diversified lending franchise.

Turning to Slide 9. Net interest income continues to perform well despite a modestly lower short rate environment, which impacted variable rate asset yields. NII on an FTE basis was approximately \$16.2 billion and increased \$253 million from the first quarter and \$1.3 billion or 9% from a year ago. On a year-over-year basis, growth was driven by higher loan and deposit balances, fixed rate asset repricing, and Global Markets related activity. And this was partially offset by the impact of lower average short-term rates.

We've seen steady improvement now since the second quarter of '24 when NII has grown from \$13.9 billion to now \$16.2 billion. Net interest yield was 2.08%. That's up 1 basis point from Q1 and 14 basis points from a year ago, reflecting favorable asset and liability mix and loan and deposit growth, partly offset by Global Markets balance sheet growth.

Bank of America's banking book remains asset sensitive and on a dynamic deposit basis, a 100 basis point parallel shift above the forward curve is expected to increase NII by \$1 billion over the next 12-month period.

Looking ahead on NII expectations, in January, we told you to expect 5% to 7% full year NII growth. And then in April, we raised that full year range to be 6% to 8%. We now expect full year 2026 NII growth to be at the upper end of that 6% to 8% range, supported by anticipated loan and deposit growth, fixed rate asset repricing and balance sheet optimization. And this assumes modest loan and deposit growth in the second half of the year, and it's based on the current forward curve, which has one 25 basis point rate hike in September.

Overall, NII remains a significant contributor to earnings growth and reflects the core franchise advantages of our scale and diversified balance sheet.

Noninterest expense on Slide 10 was approximately \$18.6 billion, up roughly \$100 million from the first quarter and \$1.4 billion from the second quarter of 2025 reflecting continued investment in technology, sales teams, financial centers and brand marketing. And it also includes higher activity-related costs that come from trading in our Global Markets business, particularly in our overseas markets. With those investments, we generated 660 basis points of operating leverage and improved our efficiency ratio to 59%, highlighting the performance of the franchise and the return on our investments.

AI-enabled tools are now more embedded in workflows across operations, risk, finance, technology, and our client-facing teams. And that's helped reduce manual work, improve speed, and enhance consistency for clients and teammates. On our first quarter earnings call in April, we told you we expected full year operating leverage of more than 200 basis points. And operating leverage for the first half of 2026 has now exceeded 450 basis points. So, with that first half performance and our continued expectations for a strong second half, we now expect full-year operating leverage to be in the range of 300 to 400 basis points.

Turning to Slides 11 and 12. You can see credit quality remains stable and consistent with the strong underwriting discipline that's characterized our portfolio for many years. Provision expense was approximately \$1.4 billion. Net charge-offs were also \$1.4 billion, and both were largely unchanged from Q1.

Consumer card charge-offs and delinquencies improved both year-over-year and quarter-over-quarter. Commercial credit also remained solid, with CRE improvement offset by some isolated corporate and commercial lending losses. Reservable criticized commercial exposures declined by approximately \$2.3 billion from Q1 and to roughly \$22 billion, driven primarily by CRE improvement. Nonperforming loans remained stable at approximately \$5.8 billion, and we recorded a modest reserve release. Overall, our portfolio remains well positioned, supported by strong client fundamentals and disciplined risk management.

Turning to Slide 13, and now we get into the business segments. Consumer Banking delivered another strong quarter, combining solid financial performance with continued investment in growth, innovation and client engagement. Over the past few months, we refreshed our rewards program. And that's generated more than 2 million enrollments since the late May relaunch. We also launched one of our largest consumer marketing campaigns around the FIFA World Cup. We expanded our financial center network in new and growth markets, introduced new card products, and deployed new AI-enabled tools designed to enhance both the client and teammate experience. All of these investments helped to strengthen the franchise and drive organic growth.

Net income increased 10% year-over-year to approximately \$3.3 billion, while revenue rose 5% to \$11.3 billion. Through strong expense discipline, we generated our fifth consecutive quarter of positive operating leverage, maintained a strong 51% efficiency ratio and delivered a 29% return on allocated capital.

With regard to client activity, our deposit franchise remains a key competitive advantage. Average deposits rose to \$957 billion, our fifth consecutive quarter of year-over-year growth. Client engagement was also strong with record checking account balances, 162,000 net new checking accounts and card spending up 9% year-over-year to \$266 billion. We continue to deepen relationships across the enterprise and consumer investment assets reached a record \$640 billion, up 18% year-over-year, supported by strong market levels and net client flows. Digital engagement remains a clear differentiator with roughly 50 million active digital users, more than 24 million active Erica users and digital sales representing 70% of total sales. New AI capabilities have improved service, increased efficiency and allowed teammates to focus on higher-value client interactions.

Finally, consumers remain resilient as average deposit investment balances and spending all showed linked quarter increases. Additionally, consumer credit quality remains strong and in line with expectations, reflecting the strength of our customer base, and our disciplined approach to risk management. Overall, Consumer banking continues to demonstrate the power of our scale, digital leadership and relationship-based model positioning the business for sustainable and attractive long-term growth.

Turning to Slide 14. GWIM delivered another outstanding quarter, highlighted by record revenue and pretax income, expanded profit margins, and continued client growth. Clients continue to consolidate more of their financial lives with Bank of America. During the quarter, we added another 6,000 net new affluent households to serve and the continued strong growth in banking relationships and lending balances demonstrates the power of our integrated wealth and banking model. At the same time, both Merrill and the Private Bank continued to attract talented advisers who are drawn to the breadth of our platform and our ability to deliver comprehensive solutions for clients.

Franchise continued to benefit from strong adviser productivity, growing digital engagement and new AI-enabled tools that help advisers prepare for client conversations, identify opportunities and deliver more personalized advice at scale. Net income for the segment increased 42% year-over-year to \$1.4 billion, while revenue grew 16% to a record \$6.9 billion, driven by higher asset management fees, strong flows, higher market valuations, and higher NII. With good expense discipline, we generated another quarter of positive operating leverage and saw pretax margins expand to more than 27% and demonstrating the scalability of this business.

Client balances reached a record \$4.9 trillion, up 12% from a year ago. Assets under management grew 17% year-over-year to \$2.3 trillion supported by approximately \$14 billion of AUM flows this quarter and \$78 billion of AUM flows over the past 4 quarters. Also, loans grew \$13 billion or 5% linked quarter to \$277 billion, driven by custom and securities-based lending demand. Overall, GWIM continued to demonstrate the strength of our advice-led relationship-based model and remains well positioned for sustainable growth.

Moving to our commercial and corporate client-facing businesses in Global Banking on Slide 15, where Global Banking delivered strong results in the second quarter reflecting healthy client activity, near record investment banking performance, strong treasury service revenue and continued balance sheet growth. Client engagement remained broad-based with activity across capital markets, strategic transactions, liquidity management, and we continued our program of growth investments, including technology modernization, digital infrastructure and AI-related initiatives. We're also using AI-enabled tools to help bankers accelerate their research, prepare materials, and identify relevant client opportunities more efficiently. Revenue increased 10% year-over-year to \$6.2 billion, while net income grew 20% to more than \$2 billion.

Investment banking was a particular highlight. Total corporate investment banking fees, excluding self-led transactions, increased 50% year-over-year to more than \$2.1 billion, reflecting strength across debt underwriting, advisory, and equity underwriting. Average loans increased 7% to \$413 billion, while average deposits increased 8% to \$652 million, demonstrating continued franchise growth and client confidence. Credit quality remains solid and returns remained healthy with a 15% return on allocated capital.

Turning to Slide 16. Global Markets delivered an exceptional quarter. Excluding DVA, net income was \$2.7 billion, up 70% from a year ago. Sales & Trading revenue, excluding DVA, increased 33% to \$7.2 billion. Equities delivered a record \$3.6 billion of revenue, up 70% driven by client financing activity and strong trading performance in derivatives and cash. FICC generated \$3.5 billion, its strongest quarter in more than a decade. Growth was broad-based across the franchise. Domestically, our revenue in the U.S. increased 31%, while our international business delivered a 38% improvement with Asia Pacific as the standout. And this is generally consistent with our Investor Day messaging of continuing our improved performance internationally.

But perhaps what stands out most is the consistency of our performance because we've now delivered 17 consecutive quarters of year-over-year sales & trading revenue growth and 14 consecutive quarters of year-over-year net income growth. And combined with 16% operating leverage and a 20% return on allocated capital, these results reflect the strength of our client franchise diversified platform and disciplined execution. Client activity remains strong and the connectivity between markets, global banking, and wealth and investment management continues to create value for clients. Investments in technology and AI are helping teams deliver insights faster, operate more efficiently and further strengthen our

competitive position. So, this was a record quarter built on scale, client engagement and consistent execution across the franchise.

Moving to All Other on Slide 17. We recorded a \$292 million net loss in the quarter, which is larger than a year ago with no significant drivers to note, and we reported an overall tax rate of 21.5% and consistent with our full year guidance.

In closing, the second quarter reflects the strength of our diversified operating model. We produced double-digit revenue growth and more than \$9 billion of net income, with EPS growth of 34% and return on tangible common equity of 17%. We also delivered strong operating leverage while continuing to invest in the franchise and supporting our clients.

Across the company, clients continued to invest, transact and grow. Activity remains healthy across lending, payments, investment banking, markets, and wealth management, including technology, digital infrastructure, and AI-related opportunities. We also see meaningful opportunities to continue using AI and automation ourselves to improve productivity, strengthen client engagement, and support disciplined growth across the company. So taken together, these trends simply reinforce our confidence in the long-term earnings power of the franchise and our ability to deliver responsible growth and attractive returns for shareholders.

And with that, Leo, let's open it up, and we'll see what questions we can answer.

Q&A

Operator

Our first question comes from Chris McGratty with KBW.

Chris McGratty

Noticed the deposit discipline in the quarter. Alastair, I'm interested in your thoughts about pricing in a higher for longer environment. I know you didn't change the full year NII guide. But your deposit pricing outperformed some of your peers this quarter. Any comments on the near-term outlook would be great.

Alastair Borthwick

Yes. So, I'd say we kind of just kept nudging NII a little bit higher as we've gone through the year. First, from that 5% to 7% up to the 6% to 8% and then we're recently saying we're probably going to be at the top end of that range. So, we've tried to express our confidence in the momentum of NII.

And some of that comes from the deposit gathering. I think you know we've got a lot of liquidity. We're not loaned up at this point. We've got \$800 billion of excess between our cash and securities over our loans. And that really allows us to concentrate on our strategy.

Our strategy is very clear. We're trying to grow clients and operating accounts. That's the highest quality growth. It's the highest quality clients because when you get that operating account, it's key to the financial lives. So, when consumer puts up 162,000 of net new checking accounts, or when we grow noninterest-bearing for 7 consecutive quarters, that's what helps us to drive the noninterest-bearing up 4%.

So, the lower rate paid is really about mix, Chris, we're competing out there for deposits like everyone else. We compete tooth and nail to get deposits where we can. But at the end of the day, our strategy is about relationship value all the things around digital and security and rewards that we talk about. And it's that favorable mix of growing the noninterest-bearing that makes a difference.

Chris McGratty

Okay. That's helpful. I appreciate that. And then on the operating leverage conversation, the new slide. I'm interested – the 200 to 300 basis points plus of operating leverage that you talked about in November, you're clearly off to a great start. I'm interested in kind of the sustainability. Obviously, the comps will be a factor, but the influence that AI might have on that over time.

Alastair Borthwick

Well, there are two elements to that, I think. First, obviously, we said at Investor Day, the sustainable kind of thing that we're in for is something like 200 to 300. Right now, we're outperforming that. We've had a terrific first half of 450 basis points. So that's what's giving us the confidence for the full year to say is going to be above the range.

AI plays a role, I think, in two ways. The first one is on the revenue side. There's obviously a big AI theme going on in the world. We're leading in investment banking and global markets around capital raising financing, that massive capital investment and infrastructure build around the world. So that's helping us there.

And then you're asking a question that's really about sustainability going forward. Can it help us with our own operations? The answer is yes. That's why we put that slide in. So, if you go to the slide, it's slide #20. And you just take a look, remember, we've been at this for a little while now, but you can begin to see now in these general purpose productivity tools or the tools that are aimed at specific functions like the bankers or the wealth professionals or the software developers. You can see what we're doing there. And then there's another layer of AI on top of that, that accesses a lot of the company.

So, on the right-hand side, here's what's going to come out of that. We believe growth, efficiency, risk management, and resiliency. So that's what we're trying to make sure. We're updating you on the AI as we're going through. And at this point, we've got – we put it at the top of the page just so you could see it. But you can see the number of approved model cases at this point it's 300. You can see the number we've got in here that we're using, 114. So, this is going to be something for the future, and we're just working our way through it.

Operator

We'll now move on to Glenn Schorr with Evercore. Mr. Schorr, please check your mute switch. Your line is open.

We'll move on to Ken Usdin with Autonomous Research.

Ken Usdin

Alastair, just on the positive operating leverage point. I think you've made it very clear about the comps getting a little harder in the second half because of the ramp you had last year, starting with the NII and also markets. Can you just help us put it into some kind of context obviously with 300 and 660 basis points of leverage and now talking to a full year of 300 basis points to 400 basis points. Just how do we kind of box the operating leverage potential for the second half as we get into this kind of tougher comps, albeit with the good top line revenue growth continuing.

Alastair Borthwick

Yes. So we're offering the 300 basis points to 400 basis points, recognizing that we've already booked 450 basis points for the first half, so that's good. And then we're just trying to give you a range, Ken, that allows you to kind of work backwards because as you point out, in the second half of last year, the NII went up more than the first half. We think that will happen this year as well, but it might not. Just the numbers are bigger this year, so the percentages just change a little bit.

And then remember, second quarter last year was a slower quarter for investment banking for the entire industry. So you think about it, if we put up \$2.1 billion of investment banking this year, up 50%, if you kind of sustain that relative to what we did in third quarter of last year, which was \$2 billion or so, you just don't

get the same kind of uplift in the second half. So that's what we've got our minds on. Otherwise, as you can imagine, the business conditions are very good, and we're trying to maximize operating leverage where we can.

Ken Usdin

Okay. Got it. And you mentioned balance sheet optimization from here. Can you talk about where you have that room to continue to optimize notably – well, across the balance sheet, I guess, on both the asset side and the liability side as you focus more on that?

Alastair Borthwick

Well, there are really two places, I think, that you'll see it. The first one is we've talked about the fact that we believe we can improve net interest yield over time. We've done that. You can see we're at 2.08% now. We were up from 1.94% a year ago. So that's been a contributor to some of the NII gains. But we've talked about on prior calls, we still feel like we carry some repo, some institutional CDs, but over time, we're just continuing to pay down.

If those are invested at the Fed, we're not capturing a lot of spread. It doesn't do anything for NII. It actually hurts NIY, but it also ties up a little bit of capital. So, as we continue to pay that down, and I think you'll see more of that happening in the second half of this year, that will free up more capital. It will help us on the return on tangible common equity as well. So, we're sticking to that program. We'll have a pretty good opportunity in the second half. We're looking forward to that.

Brian Moynihan

Just note, there's no constraint on the growth of loans or the core deposits, et cetera. So that all can grow because it's all going to good returns and things like that. It's really a question of sort of the centralized security portfolios, the term debt, the repo, as Alastair said, a lot of the buildup that came because of the rules getting flipped around is now we're through that and on the other side.

Operator

We'll move on to Manan Gosalia with Morgan Stanley.

Manan Gosalia

Alastair, I know you outlined the higher rates as a positive. If you can talk a little bit about if the rate environment changes here because we're getting a lot of changes overall -- would that impact the NII guide? And as we think about just markets NII overall as well, given that prime brokerage and some of the other businesses are doing better if there's any offset to getting to the high end of the 6% to 8% NII guide.

Alastair Borthwick

Well, first, welcome to coverage. Nice to have you on the call. Second, yes, I mean, if rates – if we've got one rate hike in the curve, it's in September. So, its impact this year is pretty modest because you're really only capturing anything in October, November, and December. We will obviously adjust pricing in each of our segments for any rate hike but net-net-net, we expect that to be a positive. So that's in our guide right now where we're saying it was 5% to 7%, then it was 6% to 8%. Now we're saying it's going to be at the top end of that range, and that's with that hike. Now, I think, generally speaking, because the banking book is liability insensitive, that's the predominant benefit. But the markets business is slightly liability sensitive. So that's a slight offset. But net-net-net, it's a positive for us, and that's what we're trying to communicate.

Manan Gosalia

Got it. All right. And apologies if I missed it, but as you think about loan growth in the back half of the year and you think about, I guess, just middle market C&I growth, how is that trending? And what do you expect overall as we get into the back half of the year?

Alastair Borthwick

Yes. So, if we look at the middle market, we're sort of growing kind of like commercial loans overall. They're growing around 8% or so. Middle markets kind of in there, larger cap corporates are in there. So, the growth looks pretty good, we would say, on the commercial side. And if you go back now, I think it's over 9 or 10 quarters, we've been growing loans at \$20 billion or so per quarter, 7% last year, full year, 8% this year. So, the commercial growth there, we don't necessarily see that changing. It feels to us like we're in a good environment for loan growth.

And then just keep half an eye also on card where we laid out a plan to say we want to get back towards 5% type card growth. We were at 1%, then 2%, then 3%. You can see this quarter, we are at 4%. So, some good news on the consumer side. And then things like securities-based lending have been pretty positive as well, just with the way the markets have performed and what our wealth management clients want to do. So, we remain pretty constructive on loan growth in the second half, no changes there.

Operator

We'll move next to Ben Gerlinger with Citi.

Ben Gerlinger

I was curious – I get the updated guide or closer to the higher end of NII, includes the forward hike potential. I was curious, does that also incorporate a little bit more productivity in the average earning asset mix? I know you guys have alluded to a little bit more productivity down the road. And I guess that, that takes time. Just kind of curious, is the guidance based on a static balance sheet or the continuation of a little bit more loans in the averaging assets?

Alastair Borthwick

Yes. So, Ben, also welcome to coverage. Thanks for joining. Yes, the updated guide essentially assumes the following: first, modest deposit growth similar to what we've been seeing. Second, good continued loan growth in the second half of the year, similar to what we've been seeing. So, we haven't really changed our perspectives on either of those. We'll get the benefit from some fixed rate asset repricing. We got a little bit more of that in the second half than the first half. But otherwise, it's mostly balance sheet gains. And then what I described in terms of balance sheet efficiency, I would think about that as being more about net interest yield and less about NII, okay?

Ben Gerlinger

Got you. That's helpful. If I can do a follow-up in terms of operating leverage, I guess that you've increased the guide for the full year this year. When you think about just a higher revenue production that you kind of alluded to, do you run the risk of potentially underinvesting? I guess that you're probably ahead of peers across every major category of AI and technology and is being a bit more digital. But if you have more revenue, do you think you could potentially speed up the spending, so it pulls forward into this year, reducing that leverage?

Brian Moynihan

Well, I think we are spending at a good clip overall on technology and also dedicating a lot of time in the company towards careful examination implementation catalyst, people working to understand the projects in AI, we give you the outline on slide 20. So, I think there's productivity increases. There's a lot of spending. We're going to be spending more of it, whether that increases expenditures of technology development dramatically or not really has to do with a couple of things. One is their shifting of spending towards it.

And then secondly, even the coding process has become more and more efficient using these tools. So, the same amount of money in '27 will get us more code for lack of a better term, in '28. So, we're driving everything as hard as we can.

And so, our focus on operating leverage, and we just told you we raised us above the normalized range. And then we're continuing to invest in the places to grow the business, especially around the consumer business.

Think financial centers and new markets done in a rational full market build-out basis, not on a one-off, one at a time base of building out cities we're not in and we continue to drive the marketing capabilities of the firm, and our consumer scores have now reached all-time highs.

And then we invested heavily in our rewards program, which goes to some of your other colleagues ability to cement relationships with great deposit mix and their result cost of funds. So, we're spending – I don't think you'll see a major change in our methodology of how we think about spending. A lot of the incremental expense growth from second quarter this year, last year was due to incentives and BC&E, clearing expenses. If that keeps going, we'll be happy – has not – very happy because that means the revenue has got to grow. If the revenue slows down, it'll – expense growth were able to slow down and it will have a different type of operating leverage that Alastair described earlier.

Operator

We'll now move on to Erika Najarian with UBS.

Erika Najarian

So, the investor feedback so far is that they feel that the net interest income guide is conservative. I mean I just re-unpacked the number of questions that you've gotten already on this Alastair. So, the first half of the year, NII growth is up 9%. Clearly, the second half of the year is tougher comps, right, which you're saying would get you within the range. But we just wanted to understand you mentioned that included in your guide is modest deposit growth, good loan growth, improving card growth, which obviously is coming at a better yield. So are we getting the – are we getting earning asset growth for the second half of the year, but not much NIM expansion? I guess we're just trying to think about the jumping off point to sort of that will slow your NII growth from the 9% that you've printed for the first half of the year?

Alastair Borthwick

Yes. Okay. Well, the first thing I should say is it's not slowing it much. Second, I think it's actually helpful, I think, to just lay out. If you look at the 4 quarters of 2025 just sequentially. And then lay out essentially 2026, what you see is most all of the NII build last year was in the second half of the year. So, we're just up against tougher comps. That's all. It's not more complicated than that. So, we just got to stick doing what we're doing. We got to keep growing the loans. We've got to keep growing the deposits with particular focus on operating accounts and noninterest-bearing. And then we'll get some benefit from fixed rate asset repricing as we do.

We've invested in global markets with their balance sheet, that's a net positive, but I don't expect that to be anything particularly big in the second half of the year because markets, generally speaking, is sort of at a good run rate right now. So, we're talking about 8% or 9%. I don't know. They're both very good. But we kind of feel like right now, it looks to us like more like 8% for the full year just based on the comps.

Erika Najarian

Got it. And my second question is, Brian, you printed a return of 17% on tangible common equity this quarter. You know, granted the equities number and the IB numbers are huge. So, I guess a two-part question. Number one, just sort of reaffirming that your positive operating leverage being better in the full year but slower in the first half is only due to the seasonal revenue factors that you're taking into account. So, in theory, if the pipeline continues to be robust in banking and markets, it could be better, right?

And second, as you think about sort of a very strong year in terms of returns, are you willing to invest in perhaps slightly lower return than the 16% to 18% target businesses like equity financing, for example, to continue to set yourself up for earnings growth going forward.

Brian Moynihan

So, I think, Erika, there's a lot in assumptions and things. Let me just be clear. The return on tangible common equity was 17%. We thought it would take us longer to get there. That has in part due to the strong operating of the general businesses that are operating very well, getting good operating leverage,

consumer banking, commercial banking, and benefiting by the NII lift as well as the strong performance in markets.

Right now, we see very strong performance this quarter, and we expect it to continue based on the market conditions. But the Iran war is anfractuous, and we can't predict what will happen next in it, and that can affect the market's perception, IPOs, et cetera. But right now, the pipelines are full, we feel very good about that. The loan growth, deposit growth Alastair described. So, we feel very good about the returns and maintaining those returns. But in this current quarter, there was a pretty healthy lift off of last year and the strong markets return, as you mentioned.

So, we are a balanced company, the other parts are kicking in. The key for everyone to understand is it's all going to come to the bottom line. And that's – our goal is to make sure all the NII lift as we march from 1.90% in NIM up to the 2.30%, which we said we could do that all that fell the bottom line along the way, and that's what we're driving at. So, if you look at the expense growth, it's really related to the fee-based businesses and the rest of it is having a very rational amount of expense growth because of the efficiency measures and that's dropping the bottom line. And that's why the earnings growth was 30-plus percent EPS. So, expect that to continue. We're not hiding it from you. We're growing – we're having operating leverage of 660 basis points, so we're letting it come to the bottom line, but meanwhile, we're investing heavily in the growth of this company to make sure that we're positioned in the future.

Whether we accept lower returning business or not, that's – we always look at all the businesses and say, what can you swap out from low return to higher returning based on the return on tangible common equity metric, which at 6%, plus or minus, we think, is the right standard to look at. We think it's what the rating agencies look at. We think the people operating below that have to be careful. That's lesson learned from financial crisis. So, we expect to be around that level. And when people have optimization opportunities, they have to grow the bottom line. But if they can grow with more return, we're pushing to do that as well as letting them grow to meet the market demand.

Operator

We'll now move on to Mike Mayo with Wells Fargo.

Mike Mayo

Could you elaborate more on the change in your operating leverage guide? That's quite a big lift there. And you did address the NII that all falls to the bottom line. I get that part and get the equities trading going up more. But aside from that, it still seems to be guided quite a bit higher. So, your marginal margin or the scalability of your model, I think you've been kind of waiting for this moment when you can layer on more revenues at lower marginal cost. Can you highlight the areas that's impacting that the most?

Alastair Borthwick

Yes. So, Mike, when we got together at Investor Day, we essentially outlined for our shareholders that we felt like the model – the financial model works if we can create 200 basis points of operating leverage from the organic growth and the expense discipline that we expect to put up every cycle. But what we also said is we benefit from fixed rate asset repricing for a period of time here. So, we kind of felt like what we were prepared to commit for the next 3 to 5 years was 200 to 300 basis points of operating leverage. Obviously, we have performed positively and outperformed that in the first 6 months of the year.

The two reasons for that are, first, NII just keeps grinding higher. And as Brian pointed out, all of that is dropping to the bottom line. So that's really powerful. And then second, we had really terrific fee-based performance over the course of the first 6 months. You can see it in assets under management. You can see it in sales & trading, you can see it in investment banking. So that's really boosted. And at some point, you're halfway through the year with 450 basis points of operating leverage, and it's pretty clear, we're going to be above 300 basis points. So, we know we've got tougher comps in the second half, but it's still a strong second half. And when we put that up, we should be in a good place to report full-year results. So that's what we're aiming at.

Mike Mayo

And did you provide any expense guidance for the year or the second half?

Alastair Borthwick

No, we've largely gone away from that, Mike, for the very simple reason that when you have revenues increasing this quickly, and some of them come with brokerage, clearing, and exchange costs, some come with FA incentive cost. It's really hard for us to just keep updating the expense through the case of the quarter. So, our shareholders have just said, look, it's sometimes easier to stick with operating leverage, we found that. But I think if you look at the core, the best core measure is probably headcount. Our head count discipline over the last 6 quarters has been excellent. It's flat to slightly down. So, we expect good core expense discipline and the expense at this point is really going to be based on what happens with revenue. If the revenue isn't there, then the expense will come down. If it sustains where it is currently, then you see what it costs to operate the company right now on the fees that we just put up.

Mike Mayo

And then as a follow-up, going back to Investor Day, I think you're looking for cards to grow 5%. And as you said, it's gone from 1%, 2%, 3%, now 4%. So that's there. but you also are hoping for net new asset growth at 5%. And I don't think this quarter -- the net client flows weren't as good. So just if you could comment on that. And then lastly, on commercial loan growth, traditional commercial, C&I growth, away from the hyperscalers and all that. I'm trying to figure out if that's actually coming back or not, you're being across the U.S., a good guide for that.

Alastair Borthwick

First, I think you were referring to the Merrill 5% guide where we said we were aiming for 5% over the course of the next 3 to 5 years. It's been 7 months, and I think we're off to a good start there. We added net new households again this quarter. This was the best quarter in the last few. So that was good. Probably the most important flow is the assets under management flows where they were up 4%. So, we're happy with that. The loans were up 13%, I think it was year-over-year. So, I think what Lindsay and Eric are trying to drive there, what Katy is trying to drive there is just keep growing the sales force. Well, adviser attrition is now at near historic lows. So, we're pretty happy with that. We've got more to do. We know that over the course of the next 3 to 5 years, but I think we feel like we're off to a good start, so we're happy with that.

On the commercial loan growth, yes, it's broader than just an AI theme. The AI theme has helped because there's so much in the way of capital investment going on globally now. But when we look at our global banking segments, each of the lines of business, whether it's business banking, the commercial bank or the corporate bank, they're all contributing. It's very broad-based loan growth at this point. It's consistent loan growth in commercial. So that's another reason why we're pretty comfortable with our NII guide for the second half of the year.

Operator

We'll now move on to Gerard Cassidy with RBC.

Gerard Cassidy

Can you take a step back and just give us a sense, what are you seeing in the underwriting area for credit? Is there a risk-on going on? I mean, numbers are great for you and your peers. The economy's healthy. What are you guys seeing for the trends there?

Brian Moynihan

I'd say, Gerard, overall, we see -- from what we're underwriting, we stick to our credit knitting, so to speak. It's been consistent. It's been long term. You can see it in the stress test results again that just got issued. So, in what we do, we may maintain that consistency. And the nice thing is we can maintain that consistency and actually grow a stronger, stronger industry in core middle market areas that you're thinking about small business, et cetera. So, we feel very good about that.

Do we see some excesses on outside? We always do. A lot of that went to a different market, not in the banking system. Some of that's come back and now needs to – they have to do it more on bank lendable terms, so to speak. So, we're seeing that competitive pressure ease a hair, but we'll see if it stays that way. And we're seeing price pressure in some of the more liquid products like auto loans and stuff, and that's why we laid off a little bit as the pricing got very tight, and that happens once in a while.

But overall, we feel good that the credit quality is high, the underwriting we see as high the – some of the impact of more leverage than the loans outside the banking system is mitigated as that practice straightens itself out over time here. And so, we feel very good about the credit quality. It's all going to come down to the economy. And right now, our team is very constructive on the economy and unemployment at 4.2% or whatever it is, new claims, unemployment is staying low. It's a pretty good place. And so that's why you're seeing a complete sort of steadiness in our credit cost. And importantly, the issues of the moment, whether it's real estate 4 or 5 years ago or whether it was private capital lending and all the stuff, just aren't surfacing the way people thought they would.

Gerard Cassidy

Very good. And then as a follow-up, I don't know if you guys could frame this out, but the AI is such a powerful economic force in this country. Have you guys been able to frame out not exposure to data center build-out, but the second derivative because you wonder 2, 3, 4 years from now if AI ever kind of slows down or rolls over, what's the second derivative credit aspect from that? Have you guys given much thought?

Brian Moynihan

When we look at the work we do with clients and others, we factor in across all our companies as part of the underwriting work that the team does, they have to factor in the question of what's the impact of AI in the industry and the company and what will happen. I think it will take time, as you said, and we continue to watch that. As we look at underlying deals, we're always looking at the credit. The capability and the earnings power of the underlying tenants, so to speak, that are driving the revenue to the build out business so that we could keep care on. And when we look at the energy build-out, we see the demand there.

So, we look at all the factors you're talking about. I think that – and what we learned from also is not only what happens outside, we see the impact on our company and the ability for us to use it effectively relatively quickly. And so, it's a very powerful tool. It has great utility. It has to be carefully managed. You have to have your data perfect. You have to have your rules based so it doesn't make mistakes in how you use it. It has to – you have to look at processes and not engineer them, so we feel very strong about it. And we talk to the companies that are in our portfolios of lending to make sure they're active using this, so they don't get left behind. But on the other hand, they're using in a responsible way that they can protect their data and their security and things like that. So, we feel good about it, and we feel it will be a powerful force in place where the American economy will be very successful.

Operator

We'll now move on to Matt O'Connor with Deutsche Bank.

Matt O'Connor

Just a quick follow-up on net interest income. The guidance for this year is essentially to be up 8%. What is that ex-markets?

Alastair Borthwick

I need to take a look, give me one second. I need to work it back. I mean I can help with that off-line once we finish it up, but it's not going to be a big factor because I think what's going to end up happening is the market's NII is probably pretty stable here. It could even go down with the rate cut in fourth quarter, but it will be flat to slightly down, is my guess. So most all of the growth is going to come from the global banking books.

Matt O'Connor

Okay. Yes, that number would be helpful. I mean I think on a year-over-year basis, I would think it's up just given it was going up throughout last year...

Alastair Borthwick

Well, year-over-year, it will be up because we've put more balance sheet into the business. So, we can sort of see that. I'm just saying, if you were to look at first quarter, second quarter, kind of expect a similar kind of number in third and fourth. But we don't normally provide the guidance ex Global Markets because this – there's lots of moving pieces that go backwards and forwards, and there's a lot of loans in markets.

So, it gets a little confusing when we strip that out. Sometimes you have to think about the presentation there. But bottom line is Market's NII, I think will be flattish, could be slightly down with a rate hike, but that's not the driver of second half performance of NII.

Matt O'Connor

Okay. That's helpful. And then longer term, you talked about NIM grinding higher. And I know this was a while ago, but you talked about a 2.30% or 2.40% NIM. But obviously, like the balance sheet is a lot bigger. There's been some mix shift. Just any updated thoughts on the NIM over time.

Alastair Borthwick

Well, we still feel good about that 2.30% number that we're aiming for. I think when we started, we said it would be 2 to 3 years. We're inside – probably inside a couple of years now to get there just based on the progress that we've made. One of the things that's just interesting over there is because we've grown the Markets business, which is quite low net interest yield, that has suppressed the overall, if you like.

The banking net interest yields have been quite encouraging over the course of the past couple of years. So, it's been a conscious choice to invest in Markets. That's obviously been a good decision, particularly this quarter with the Markets business is up as much as they are. But it's less about net interest yield and more about net interest income. At the margin, we're going to get the net interest yield. We know that. We're still confident we're still on track. We'll get to that 2.30% and we are a year closer now.

Operator

There are no further questions in queue. I'd be happy to return the call to Brian Moynihan.

Brian Moynihan

I thank all of you for joining us. The consistency is the key as you look across all our metrics in every area, whether it's NII, fees, et cetera. The second thing is to keep in mind that the revenue growth is strong, but also very diversified across lots of different businesses, lots of different outcomes. And the third to keep in mind is that the credit cost in the company have flattened out at a very strong historical levels. And we continue to feel good about the delinquencies and everything we show you as getting better. If you think about that, all that, we gave you guidance that we're at the top end of the range in operating leverage. And so, all that backs into a strong second half ahead of us.

When you think about the atmosphere we operate in, it's a constructive environment, full pipelines in the markets business strong investor demand for debt and equity, commercial lending strengthening and continue broadening out, and we continue to see strong consumer spending activity, which at the end of the day, shores up the U.S. economy. Our company is well positioned to be a part of all that growth, and we look forward to talking to you next time. Thank you.

Operator

Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.

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