Bank of America
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Participants
Host
Alastair Ryan – BofA Securities, Head of European Banks Equity Research

Participants
Alastair Borthwick – Bank of America, CFO

Presentation
Alastair Ryan
Thanks very much for being back with us. So, this is a low stress day for me. We had our regulator in just now, and now I've got my employer. So, come on. I'm really appreciative of Alastair Borthwick, the CFO, coming over to be with us today. With Lee McEntire, who many of you know well over the years. And Alastair, thank you. So, it's always helpful to have you provide us some context. We're a very insular bunch over these 3 days obsessing about Europe, but BofA hopefully can provide us some window into the U.S. banking issues, which have had their reflections in Europe. Obviously, people have been talking a lot about regulation, which I'm sure we can come up to. But what I'd like to start with is the business. And questions then on the U.S. economy through the eyes of the bank doing things for Americans. And then I guess deposits in the lending environment, and then we'll come on to the other pieces. Okay?

Alastair Borthwick
Okay. Do you want me to start there?

Alastair Ryan
Yes, sorry. Let's go.

Alastair Borthwick
I'd say, generally speaking, the first indicator we look for clues about the U.S. economy tends to be the consumer because that's 60% to 70% of the U.S. economy. So, it's really critical for us to get our arms around that. Right now, when we look at our credit card and our debit card payments, people are buying things in their every day. We can still see elevated consumer buying behavior, up 4% year-over-year. That's come down very considerably. If you remember last year, that was in the 20s and then it went into the teens. People were spending an awful lot of pandemic stimulus.

So, the Fed is having the desired effect. It's coming back to something that we would view as being more long-term trend, more normal and the consumer spending 4% more year-over-year. That said, it's difficult to see a U.S. recession when the consumer is spending 4% more year-over-year. So, you can sort of see why people talk about pushing out the recession longer in the United States. On the commercial side, that's still an enormous part of GDP. The best place to look for that typically is our own asset quality. Asset quality there has been historically excellent. So, we thought asset quality was good pre-pandemic. It's remained in that place. And perhaps the only thing that's just interesting over the course of the past 6 months is that commercial loan demand has softened. I'll talk about that a little bit later on when we get into loans specifically, but you can sort of see how companies are behaving ever slightly differently right now. We're not seeing that in asset quality. And interestingly, when we look at the consumer asset quality, it's also very, very strong. People will talk about this idea of credit quality normalizing. They're really talking about in the States, normalizing relative to pre-pandemic because during the pandemic, the asset quality was really unprecedented. Now we're returning to something that's more close to the fourth quarter of 2019, which
was historically a very, very good period for asset quality. So, consumer is still in very good shape. Commercial is still in good shape. And there are some signs of slowing at the margin, but economy is still in a fine position.

Alastair Ryan
And what are the -- $4.5 trillion, I think, can just check on my numbers in payments going across the bank. We like to deal in big numbers and small numbers. That’s a pretty huge number. What are the consumers telling us in their payments. So, 4% is it a stressed number? Is it just a normalized number? What’s the best way of thinking about that?

Alastair Borthwick
Yes, so -- I mean, obviously, I think you all know this, but we’re a pretty significant part of the U.S. banking franchise. So, when we talk about our consumer being up 4%, that’s probably pretty indicative of the U.S. consumer just because of the size of the payments we’re talking about and the geographic distribution and the demographics of our customer base. Probably the biggest change has been, if you went back to pandemic, people were buying goods. They weren’t able to buy services. They were buying things for their home, but they could use at home. And that has been a very significant shift over the course of the past couple of years back towards services. People are going back to the movies. They’re going on cruises. I was in a London taxi on the way here, and he was explaining, I’ve never seen so many Americans in London. There’s this concept of revenge travel. People are really like making up for lost time. So, we’ve seen that. And at the margin, you can see some of the retailers now talking about the fact that there’s a little more spending on required versus luxury. And so, you can sort of see that shift beginning to happen. You’d expect that to happen as consumer spending returns to something more normal, and that appears to be happening on the margin.

Alastair Ryan
Now just to say we’ll come on to Europe. We’re obsessed about Europe. Let’s talk about America. On deposits, so, overall industry deposits in the U.S., a little snapshot for us since the pandemic really and a big spike somewhat down. How are the behavior panning out just now?

Alastair Borthwick
Well, I think they’re behaving kind of the way that we’d all expect them to behave. It’s hard to predict the exact structure and timing of that. But during pandemic, deposits in the United States spiked very, very significantly. So, most banks today are still up 27% on deposits pre-pandemic as an industry. We’re up 31%. We’ve taken a little bit of share over that period. But you can see how deposits spiked very, very significantly. They also spiked relative to any kind of historical trend. If you took the period before 2019 and grew deposits from your perspective, it would look like a pretty straight line going up over time, kind of GDP plus-ish. Maybe that’s 4.5%, maybe it’s 4%, but growth over time of deposits. And then if you looked at 2019 onward, you see a massive spike and that was fiscal stimulus. It was monetary stimulus, but primarily fiscal. A lot of people receiving checks. So, this enormous spike, and the Fed has been moving to normalize that. They’ve done that through raising rates, and they’ve done that by quantitative tightening, withdrawing money from the system. And so, the deposits have come down over the course of time. And at the same time, that long-term trend line just continues to go up. And we think about that as sort of the industry finding its floor. So, every quarter that passes, that’s another quarter of GDP. It’s another quarter of what we would expect for trend line growth, and the deposits have declined. That slowed in the course of the past 6 months. And it stopped in some important areas. So, when I talk about our deposits in a minute, I’ll describe that. But those trend lines are beginning to meet one another now. And we can sort of see from that, that we’re in the late innings of the deposit correction and things are beginning to soften out now as we return more towards trend.
Alastair Ryan
I'm always trying to think innings. Is that cricket or baseball?

Alastair Borthwick
That is baseball.

Alastair Ryan
England don't usually last very long in cricket innings. Then -- so -- just pulling apart a little bit, some of the recent trends and consumer behavior, what's the best way of thinking about as they're hitting that trend line they were drawing down balances.

Alastair Borthwick
So, we show in earnings, and some of you will have read our earnings materials every quarter, we showed how the deposits behaved during that quarter and over the course of the year. And we put it into 3 groups: consumer, wealth and our Global Banking. The big banking industrial companies of the world, financial institutions of the world. We break it into those 3 because they behave differently.

On the consumer side, we've seen deposits continue to decline and the pace of that has maybe moderated slightly because on the consumer side, what we're seeing is people spending down their elevated checking balances. They received a lot of stimulus checks. They've spent some of that. They've got less to spend. They're beginning to think about how they moderate household expenditures or they're a net borrower. And for the first time, instead of borrowing at 2% and 3%, they're borrowing at 7% and 8% now or their credit card bill has gone up by 500 basis points. So, you're beginning to see that impact and that's beginning to impact how people think about their expenditures. They've got less to spend if they're covering it on interest expense. And then in the States, we've also got this concept of there's been a period of time when student loan payments were not a part of it. They were suspended. That starts again in October. So. there's an expectation for a small number of people in the States. That may impact their household expenditures to the tune of $200 to $500 per month. So, people are beginning to your point, to make real changes now, which is probably why we're not spending 15% more year-over-year or 10%. Now we're back to 4%. And at the same time, the Fed is having the desired effect that the deposits are coming down and the balances in people's accounts are coming down. Now by the way, not everybody is a net borrower, some are net savers. They're doing just fine with interest rates going higher. So, you can't make 1 comment for all consumers. But that's broadly speaking, what's going on in the consumer side.

In the wealth management side, we've seen deposits come down first, quite quickly, probably one of our quickest parts of the bank to move deposits. Not for their operating, not really their checking account balances, but their discretionary cash that they had laying around at 0%. As soon as rates got to 2% and 3%, they started to move them. That slowed the higher rates went. And today, it's actually quite flat at this particular point in time. And you sort of expect that. People have moved because rates go to 3% or 4%. They don't need it to move to 5.25%. It's already moved. So, we're seeing more stability in that sector.

And in Global Banking, which is the great companies of the world and of the United States, we see growth there now. And we've seen that in a pretty steady band for the last 4 or 5 quarters, but we're beginning to see growth now in the global banking sector. That, I think, is largely professional treasury staff managing their money. They will have moved the discretionary money earlier and now they're growing their operating balances because inflation is a real thing. And so, they need an extra 3% or 4% just to cover their bills. And so, they're beginning to think about how they increase their balances there. So those 3 are behaving differently, but they're sort of on a timeline, and you can just sort of see our own deposits then flattening out and this quarter ever so slightly up. So, it's, I think, working the way that we might expect. It's just very difficult to predict timing for all of that.
Alastair Ryan
So interesting that 3% to 4% behavioral number -- that we actually got that from a couple of banks in the U.K. and the ones operating in Asia. So global consumers behave roughly similar ways. Just on pricing then, please. Clearly, there's been -- that's been one of the big discussions with banks here and in the States. What are you seeing? How high does deposit pricing go or is that just -- that's the wrong question that it's these deposits and these deposits?

Alastair Borthwick
Well, they obviously all behave very differently. And for each one of those segments, we've got noninterest bearing and we've got interest bearing. So, you can almost think about it as there's immediately 6 different types of buckets just with that. On the noninterest bearing what's so interesting for us is if you looked at our numbers. Last quarter was our 18th straight quarter of adding net new checking accounts. So, we added 157,000 checking accounts. That's our noninterest bearing, net new in a quarter. So, it gives you an idea, there's plenty of growth for us in that sector. And the teams are doing a terrific job of driving that organic growth. On the interest-bearing side, we compete with every other bank and with money market funds and other alternatives, treasury bills, whatever it may be, for deposits, just the same as every other bank does. And we compete very differently in each of those segments depending on whether it is operating cash, which tends to stay in the bank, or whether it is nonoperating where the customers or the clients would feel like they have more discretion. I'd say pricing has been quite competitive over the course of the past year. You can see that in the deposit betas for each of the different banks. And you can see it in the NII construct for each of the different banks. We're very, very fortunate in that we have hundreds of billions of excess of deposits above our loans. And that's allowed us to compete for deposits in a selective way. We're going to defend client relationships where we feel like we need to provide a price for a certain degree of deposit balance when it goes to protect that client relationship. So, we're always thinking that part through too, Alastair, as we're thinking about our own deposits. But I think we're at the point now where if we're at the point where the Fed has raised for the last time, we'll know that today, or we'll know that in November or we'll know that in December. But if we're at that point, then one would expect the deposit pricing is close to its peak at this point. There'll be a lag, obviously, but it should be pretty close to its peak. If there's another rate rise, then we'll have to wait and there'll be deferred gratification on that point, but we're getting towards the end now.

Alastair Ryan
Very clear. So, loans and again, the same discussion we've had in Europe, is it a supply issue or demand issue? From the Fed filings, it looks like loans are still down a bit. And I'm guessing you'd like them to be higher. What's the latest, please?

Alastair Borthwick
Yes, we'd like them to be higher.

Alastair Ryan
That's a good answer.

Alastair Borthwick
Look, it's primarily been a demand issue on the part of clients. We've talked about the fact that as the Fed has raised rates, it's having the desired effect. You can see that in our mortgage originations, they're down very, very significantly. The same London cab driver on the way over here was telling me that he notices the impact when interest rates here are at 7% and 8% for mortgages. It's no different in the United States. So, you've got a demand destruction element to what the Fed is doing. Similarly with securities-based lending.
Wealthy clients of ours might borrow against their securities portfolio when rates are at 2%, but it’s harder to do that at 6% or 7%. So, there’s been demand destruction there. On the commercial side, this is probably the most interesting thing right now. Commercial demand is down. Revolver utilization for us is down a point or 2. That is a reflection of -- and those are committed lines. Those are things that were drawn. These are clients who, again, were choosing at 2%, I’ll use that money. But at 6% or 7%, they’re saying, I’d rather just pay that off with a deposit that I had. Okay. So that’s, again, the Fed having the effect that it wants to have. And then on the consumer side, we’ve seen pretty good growth in card. So, the card growth remains quite good. We’ve been adding 1 million cards per quarter now pretty consistently, and we’re seeing consumers beginning to think about borrowing just a little bit more at the margin. So, that’s the one part right now that is positive in terms of growth.

Alastair Ryan
So, I mentioned credit cards. I think the answer to this question is somewhat implicit in the last one. But on asset quality, I guess you wouldn’t be growing the card relationships, if asset quality was going off a cliff. But clearly, there’s a delayed impact of all these rate hikes. And so, what are you seeing from the asset quality perspective, both in the consumer and the larger corporates?

Alastair Borthwick
Consumer side remains terrific. We obviously have -- when we talk about responsible growth, we have a particular part of that, that relates to our own risk appetite. You can see that in the Fed stress tests, I think, where out of the last 12 stress tests, we’ve had the lowest losses for credit, 11 times out of 12. So, we’re positioned in a particular way with a particular group of clients. So, you’ve seen some cracks at the lower end of consumer in terms of credit quality. We haven’t seen that in our customer base yet. That may be more a reflection of our target client base. And on the commercial side, no real change to this point. I mean we won’t escape asset quality issues if and when there’s a recession. We just haven’t seen that yet. And the one part that obviously, people in the United States are very focused on is commercial real estate and specifically office. That may be true here also. Office in the United States has 2 particular headwinds. One is a secular demand shift of work from home and is that going to have a long-term impact on occupancy. And number 2 is rates going up very significantly. So, we see that, too. It just happens that’s less than 2% of our loan book. So, it’s a small piece. We’ve always been focused on Class A, that’s 75% of our exposure. And we’ve refreshed all of our res crit with new appraisals that are 80% LTV. So, we still feel like we’re in a good place there. We haven’t had a lot of office losses to this point, but it’s definitely a focus item in the United States.

Alastair Ryan
And anything big on the horizon? I mean, you -- one of your jobs is to worry. Anything big on the asset quality? Is it really present where you can see it?

Alastair Borthwick
Nothing yet. That’s been our answer at earnings calls for the course of the past 1.5 years. We anticipate a potential recession at some point in the future. Our own economists have really pushed that off and said “soft landing”...

Alastair Ryan
Yeah, we’re sorry about that. We have kept forecasting a U.S. recession.

Alastair Borthwick
So, our analysts have pushed that out. The blue-chip consensus has pushed that out as well. So, the consensus at this point would say very small recession pushed out. But that’s always what we worry about.
And at the end of the day, we’re a bank, we worry a lot about asset quality. It always relates to unemployment. It always relates to GDP and the impact on commercial clients as well. So, no difference there. It’s just -- we don’t see that yet.

Alastair Ryan

So, shifting to profitability. So, investors have been very focused on earnings revisions. NII peaks, so again, it’s a topic we keep talking about here with at the end of the rate hike or pause or whichever it is in the rate hike. Can you talk about the near-term impacts you’re seeing at BAC?

Alastair Borthwick

Well, we’ve given pretty specific guidance around NII. And we haven’t seen any reason to change that. We talked about $14.2 billion to $14.3 billion this quarter. And that’s largely just the continued effects of deposit pricing beginning to flow through. We’ve seen slightly better deposit structure than we were expecting. So, that’s been good to see. The loan growth has been a little disappointing. We had hoped for some this quarter, just like we got a little bit last quarter. That just hasn’t turned out to be the case. So, we’re still pretty comfortable there. And look, it’s going to take a while for NII, I think, to sort out because we need the deposits to normalize, and we need the pricing to get back to a point where we’ve sort of reached the terminal levels. But at this point, we’re reasonably constructive relative to what we had thought 3 months ago and certainly relative to what we had thought 6 months ago.

Alastair Ryan

I can’t write that quick. Good answers. So, if NII revisions are stabilizing, fees seem to be pretty healthy. Expense trajectories for most banks have been staved off, but curious if you could touch on what you’ve been talking about with investors around this part of the P&L.

Alastair Borthwick

Well, on the fee side, the two big drivers for us in terms of every quarter tend to be investment banking and our Global Market Sales & Trading business.

Alastair Ryan

Jim, no pressure. He’s not even in here.

Alastair Borthwick

On the investment banking side, if you look at the global fee pool this quarter, it’s down about 25%. We won’t be immune from that. That said, I think we’ve been taking a little bit of market share, so we should do a little better than that. So that’s why we think we’re going to come in around $1 billion or so for investment banking fees this quarter. And on the sales & trading side, there’s always a second quarter to third quarter seasonal things. So, it’s sometimes easiest to compare it versus last year. I think we still feel pretty good about the sales and trading environment. This is obviously a big macro environment. People are still repositioning based on what central banks are doing all around the world. And we’re beneficiaries of that, and we’ve been continuing to invest in that business. So, we think we’ll be up there year-over-year, probably low single digits, but the environment there is pretty constructive. And then to the point you made around the expense side, if your expenses or -- sorry, if your fees are sort of -- we’re not in the environment where investment banking fees were 2 years ago. We’re off something significantly. And the NII trajectory is it’s still going to find a stable place for us. So, the key for us is expense control. And that’s what we’re talking about with our leadership team is how do we get the expenses back on the trajectory that we’re looking for? So, we gave pretty clear guidance on expense last time around. We’re trying to make sure we have sequential improvements on expense. $16.2 billion, and $16 billion, lower again in Q3, lower again in Q4. That remains our intent. No real change there. And the key for us in getting to that trajectory is in
managing headcount. So, if you looked at the end of last year, we ended the year with 217,000. In early January and February, we peaked at 218,000. And at the end of the quarter, we're going to be around 213,000. That's going to set us up well for the fourth quarter. And when we get the headcount in a good place in the fourth quarter, that sets us up well for next year and favorable comps year-over-year in terms of the head count, and that tends to be a big part of the expense. So that's what we're trying to drive towards right now, Alastair. It's this idea of we've got to be disciplined in an environment like this in order to create the operating leverage we desire.

Alastair Ryan
So, I'm going to ask about capital. I'm going to jump into this. I'm emboldened by the ECB not having said anything too terrible. The market here is struggling with the U.S. banks. So, we had years of capital uncertainty, capital inflation, big numbers flowing around. So, I'd like to invite you to touch on this, mindful of our sensitivities. Personal view, it doesn't look like a Basel III "end game". It looks like a Basel III "removal" rather than the models-and-solve. But first from you. So, from the bank's point of view, where is the risk-weighted asset inflation, and what is the capital inflation looking like if it happens?

Alastair Borthwick
So right now, our best guess is, for us, right around 20% more RWAs. That's if the rule is imposed in its current form. And I want to talk about that in just a moment. But if you thought about that 20% in the context of Bank of America and you looked at our Quarter 2 RWAs, which were $1.64 trillion. If you gross that up, you get to a number like $1.95 trillion, $1.96 trillion. So that's sort of our kind of expectation: 20% inflation. If you were to fast forward to the first quarter of '24 with the new G-SIB number for us, our minimum capital requirement will be 10%. So that 10% relative to $1.96 trillion would imply we would need -- if it were January, we would need $196 billion of CET1. And we ended Q2 at $190 billion of CET1. So, what I think you can see from that is it won't be -- it's not a capital issue because in the course of a couple of quarters, we can generate quite a lot of capital, and it actually won't come in until 2028. So, we've got a lot of time. What that does mean is we probably -- we always follow the same priority, grow the bank, and support our clients and invest in the place, number one. Number two, pay the dividends and make sure that we've got the regulatory capital we need, and number 3 buy back shares. I think what this is telling us is even though this is at the higher end of what we might have hoped for or expected. We still got plenty of capital to still support those things that we want to do going forward. And we're going to have flexibility as a management team to do all of those things. So that's the starting point. Now at the same time, those rules aren't final yet. They're in a comment making period. And there's a lot of advocacy that's going on in the United States around 4 or 5 different points. The first two relate to double counting. The first one around operational risk RWAs, which would be both in the RWAs and the stress capital buffer. The second being in markets and traded risk, which would be in the same two. Third, there's a concept of getting back to is this supposed to be Basel III final. There was always a concept of G-SIB scores and whether or not those should inflate on a real basis or be calculated on a nominal basis. This is silent on that issue. And we feel like at some point, it would be good to have the concept of G-SIB inflation calculated in there. So that will be something that the industry is focused on. The fourth thing is, in the United States, there's considerable incentives for tax and wind and solar incentives to help with that. We've tried to be supportive of our clients in that area. And the new equity rules would turn those from 100% risk weighting to 400%. Same thing with community development and helping affordable housing. So, it's a little inconsistent that one part of policy would have incentives for those things and another part would create disincentive. So that will be a point of advocacy. And then some other advocacy points around things like residential mortgage, gold plating, further gold plating of U.S. banks relative to European banks. So, there's going to be a lot of discussion through this period. And my hope would be that, yes, 20% is what we see right now based on the current role, but there's some possibility, obviously, that changes. And then the final thing I'll just say is we won't be static against that. Obviously, one of the points that the industry and increasingly, others are making is if every bank in the United States is forced to adopt more capital, the cost is borne by
our clients. It will be more expensive, there may be less lending, maybe quite a lot less lending. That obviously has an economic impact. So, there’s a lot of discussion going on in the United States about this, as you would expect. And we have to see how the rules come out. And at the end of it, I don’t expect us to be passive. I don’t expect us to be static. We will manage the company differently and accordingly.

Alastair Ryan
Well, just to top up on that very clear. Around the strategies, the options you’d have because 2028 is quite some time out. And then the impact on returns. Returns on capital in that outlook, if it happens.

Alastair Borthwick
Well, look, we’ve obviously got some of our shareholders in the room. Our shareholders have been used to returns now at 15% plus return on tangible common equity for a while. If the rules went in tomorrow, we’d obviously take a hit to our returns, and we spend the next 5 years building back towards those. And so that will be our intent as a management team. We’ll have a few ways that we can do that. The first is we’ll be able to optimize under the rules. The second is we can change our own behaviors around things. So, for example, we own mortgage-backed securities. Those carry a 20% risk-weighted asset. It’s easy for us to -- as those roll off, and we said they’re just going to roll off. As those roll off, we can switch them for treasuries at 0% risk weighted. That’s quite an RWA benefit for us over the course of time. We choose to do that. A third thing we can do is reprice things. We’re going to have to do that for certain things -- certain of our areas in order to get back to the returns that we expect. And then, of course, we have the ability to participate more in some areas and less in others. So, we’ll have a lot of options. We had a dry run of sorts of this last year when we were signing 90 basis points of extra capital in June of last year, according to the stress capital buffer. We created that capital quite quickly. We looked at the balance sheet again. We reprice things in a slightly different way. So, we have some experience of that. And we’ll be back to doing what we’ve been doing over the course of the past 10 years as we built a substantial amount of capital following 2008 and 2009.

Alastair Ryan
So, bringing it back to me, it’s all about me. The global markets, you’ve allocated more capital to this business. Could you talk about what you expect to get back from that? Obviously, in context, it’s complicated. We touched on the U.S. quite a lot, but Europe is fine. And China is discussed. So how to put that all together?

Alastair Borthwick
Well, we have invested more in our Global Markets business. It’s one of the great sales and trading franchises of the world. And we felt like as we were going through pandemic, the whole world had grown bigger, and it was appropriate for us to give more resources to that business. And the focus is not necessarily doing new things, it’s doing more of the same things with our clients who have just gotten bigger through this period of time. And I think Jimmy DeMare and the Global Markets leadership team have done it a great job of executing on that. And you can see that in sustained market share gains over the course of time. Some of that coming in the United States. But as you point out, our international business at this point is close to 15% of our global revenue. That’s primarily investment banking and global markets because that’s what we operate outside of the United States. And we’ve been fortunate to invest in both, and we’ve seen results in both businesses. So we’ve been very happy with that, and teams are doing a great job.
Q&A

Alastair Ryan
Now I got tons of questions. They got to offer you a chance if anybody like. I invited you, live with the consequences.

Unknown Analyst
Sure, this works. Yes, that’s better. I guess what lessons learned did you take from your replication structure, the AFS portfolio. And also, in light of what you just said, I mean, historically, you have more complexity through MBS in your replication portfolios, its treasury the new way because of the rules. Have you changed views on economic duration? I mean you're always going to have your replication because of the nature of your growth in deposits. But have you learned anything of the last probably 12 months?

Alastair Borthwick
Yes. So, I'd say, first, our deposit franchise in the United States is pretty extraordinary. And we got to a point in pandemic where we had $1.1 trillion of excess deposits over our loan book. An enormous amount of that came from consumer growth. But we saw good growth in wealth, and we saw good growth in Global Banking as well. That allowed us an opportunity to think about how are we going to invest that. And we chose to invest about half of it in shorter dated and/or floating rate securities and about half in fixed. For the most part, the fixed rate we put in the hold to maturity because that would protect us against any rate rise. And over the course of time, if you've looked at -- and again, we put this out for earnings. If you look at the yield of the entire portfolio over the course of time, the yield has gone up because, of course, we retain about 40% to 50% of that portfolio in short-dated cash and/or treasury swap to floating. I think one of the things that we obviously have communicated is as deposits have come down, we've just swept all of the hold to maturity securities and put them either in loans or now as loans aren't growing, we're just putting it in cash. That's allowed us to keep that balance, and it's allowed us to keep it at around 50-50. One of the things that we did in Q2, we took some of the treasuries that were swapped to floating and just converted them to cash. It's easier for people to understand. And it gives us a lot of flexibility day-today. So, we're running with a slightly higher cash balance right now. We've talked about with The Street that we'll probably take that cash balance down over the course of time. But for right now, cash is a pretty good asset. So, those are the main things I think we've taken away. It really is important for us as a 250-year-old institution. We have to be balanced. We have to have some fixed. We have to have some floating. We've got to have the ability to respond to the way the environment is currently. But we've been pretty comfortable with the way overall the portfolio has performed. And I think the most important thing, too, is if you look at our net interest income, which is ultimately the acid test of the entire balance sheet, we've got $3 trillion balance sheet to run. Net interest income was $9 billion or so. Now it's $14 billion. That's $5 billion more per quarter, $20 billion more per year. The entire balance sheet is performing kind of the way that we would hope for, kind of the way that we would expect. And then going forward, we're pretty clear. For as long as there's any loan growth, we'll be taking all of the maturing and pay down of our investment portfolio and putting it straight into loans. If that doesn't take place, we'll just be putting it in cash.

Alastair Ryan
I'm glad you mentioned the per quarter, the $9 billion to $14 billion. Big numbers. So lastly, and again, also a European problem, but particularly one that includes us and many of our peers. So, PE multiple, three tens lower than we've been used to. I mean I'm interested to hear what's your pitch for BofA? What's the BofA story from your point of view given that low multiple?

Alastair Borthwick
Well, I think simply, our bank has 4 of the great banking franchises of the United States and of the
world. Our wealth franchise is excellent. Our consumer bank is world leading. We have a world-leading investment banking practice and sales & trading practice. Those 4 franchises individually are hard to create. Putting all 4 together is very, very, very difficult today. And for long-term holders, I think we’re on sale relatively. Now we might be on sale for good reasons. There’s been a question about what will happen with capital. There’s been a question about what will happen as pandemic deposits normalize to something. There’s been a question about interest rates and how will that change banking. So, there’s been a question about whether or not there will be a recession. All of these are reasonable questions, but to the point you just made, I mean, I’d expect over the course of time, we’d return to a multiple that’s more normal. And that right there provides an interesting entry point for people who have a long-term mindset. And I think perhaps most importantly, as a leadership team and as a management team, we’re trying to run the company for any market condition that allows us to perform and sustain those 4 leading franchises through all-time any market conditions and make sure we deliver on the payoff for anyone who takes that opportunity.

Alastair Ryan
You did that with 1 second to spare as well. Alastair, thank you very much indeed. Thank you for your time.

Alastair Borthwick
Thank you.

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