

Bank of America

BofA Securities Financial Services Conference

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Participants

Host

Ebrahim Poonawala – BofA Securities, Head of North American Banks Equity Research

Participants

Brian Moynihan – Bank of America, Chair and CEO

Presentation

Ebrahim Poonawala

Good morning, and we'll go ahead and get started. So welcome to Bank of America's 34th Annual Financial Services Conference. I'm Ebrahim Poonawala, Head of North American Banks Research at BofA, and it's a pleasure to welcome you all. I would like to thank all the management teams and investors for their partnership, which has helped make this conference such a success.

As part of the conference, we are hosting over 350 institutional investors, more than 130 corporates and a number of timely and thought-provoking thematic panels. We hope it will be a productive few days for everyone here.

I would also like to thank my colleagues in research, Craig Siegenthaler, who's sitting up here, who heads the coverage of our diversified financials, asset managers, brokers; Josh Shanker, who heads our insurance coverage; Mihir Bhatia in Consumer Finance; and Matt O'Neill, who just joined us recently and will be launching on the payments and IT services sector. So that's going to be a tough one to launch after the last few weeks. But before we get started, please save the date for next year's conference, which will be held February 8th through 10th. And as always, none of this would be possible without the blessing of our next speaker.

So, without further ado, it's my pleasure to welcome our keynote speaker, my big boss, Brian Moynihan, Chair and CEO of Bank of America. Brian, thank you very much for being here.

And I should have said Brian is joining us fresh of a Super Bowl loss for the New England Pats. I promise Lee, no hardball questions.

Brian Moynihan

You know your bonus check hasn't cleared yet.

Ebrahim Poonawala

It hasn't.

Brian Moynihan

You can remind me about all that you want, and I can remind you about other things.

Ebrahim Poonawala

We do have a good relationship, as you can see.

Brian Moynihan

So far.

Q&A

Ebrahim Poonawala

It just got worse. So maybe I think, Brian, just to start out, there's a lot of optimism at least coming into the year on the macro outlook. Maybe give us a sense of like you were at Davos, you're talking to CEOs, you're looking at all the internal data at BofA. Just kind of what the expectations are. Does this macro backdrop look as the strongest you've seen in many, many years? And where are the soft spots, if any?

Brian Moynihan

Yes. So, I think you have to go back and think about a little bit of the last 15, 18 months because as we came off the election, your team raised their estimates for '26 in the mid-2s and we're enthusiastic of deregulation and tax policy and things like that. And then we came into the first part of the year, and the enthusiasm was confused more than anything by the Liberation Day and tariff policy, et cetera. And as we -- by the time we got through the year and exit the year, you're back up at 2.8% for GDP for '26.

And so, the important thing isn't -- is the number, obviously, nearly 3. But the important thing is it's been -- I think you guys have raised it every month, every new thing, every month for the last 6, 7 months, which means its building. And so that's good news.

And what's come out of that when I talk to the CEOs around the world, and I host a bunch of sessions with different CEOs plus some of the administration members and CEOs talking about U.S. policies, they see the trade tariff sort of except for the cases of national security-related stuff for certain things, they see it's basically working its way through and the deals are getting done and the outlines are not that impactful. So, they're good news. They see the tax, which is a big deal, and the bonus depreciation locking and guaranteeing it.

And they're now seeing the deregulation finally coming and it takes longer to get that because they're trying to sell them now. So, they're very enthusiastic. And they look at America, and they said it's a place to invest, and they just needed some stuff to fall in place. And then obviously, in the trade deals, they're supporting their countries because the countries need them to help make the commitments. So, we feel very good.

Now the real question is what's going on in the data. And I think for a fairly long period of time, our research team was giving their estimates. And then the world out there was saying consumers are going to quit 3, 4 years ago after COVID. They're going to spend their money and quit, didn't happen. Earlier last year after liberation day, the consumer is going to quit because prices could rise, didn't happen. The consumers in January spent 5% more money at Bank of America pushed in the economy than last year's January.

And that's consistent with the growth rate in the high 2s and if you look at it. And if you look at it, it's across the board, all the cohorts, low, medium and high wage households all grew at different growth rates. So, there is some -- the K-shaped economy is real. The affordability question is real, but it's all growing.

And so, for a long time, we have been -- look at what people do, not what they say they're going to do. And you're finally seeing other people recognize that because of all the stuff that goes on around them, they may say they feel one way but why would cruises be up double-digit month after month after month if people really thought they were stressed.

So why are they not stressed? I looked at to not only us, but all the street economists for the major firms, some of which are in here, nobody has an unemployment rate for all '26 that gets above maybe 4.6%, the highest out of all the different possibilities for every quarter times 8 or 10 firms. Everybody is -- so people are employed, wage growth. Interest rates are going to continue to come down, and that's very constructive. And then on the deal side, the IPO markets leave aside the ups and downs in software and all the things, the IPOs flow, the deal comments, especially in this industry are strong. And so, people feel pretty good.

Ebrahim Poonawala

And just maybe very quickly, you mentioned the K-shaped economy, the consumer affordability issues being front of mind for the administration. Like when we think about one of the proposals that was kind of put out there on our credit card cap. I'm just wondering what the conversations have been like there. Like what do you think the industry can do there?

Brian Moynihan

I think the -- we all -- that arrived around earnings, and we all reflected on the implications of lowering credit availability, dropping people's lines, impact on economy, impact on ability of people to have the flexibility to spend and stuff. So that's all been made. I think at the end of the day, we're all for affordability. So, in our company, on the Consumer side, if you look at what we've done in the last 15 years, overdraft limits down to \$10 and 40%, 50% of our accounts are no overdraft accounts. And we're up to, I think, double digits, millions of accounts now with no overdraft capability.

Therefore, that's a more affordable account. We have a loan for \$500. 8 million customers, I think, have taken advantage of that loan in the last 4 or 5 years, where for \$5, they borrow up to \$500, no interest rate for short-term borrowing, and that was really to push out the payday influence in our customer base.

If you look at -- we have no frills credit card for lack of a better term, annual fee, no rewards, the rates slow, not quite that low, but lower. And so, I think people are seeing that this is a much more complex question, and we'll see it play out. But the question of affordability, we believe for American consumers and banking, we are the most affordable company. And if you look at the FDIC stats, we run the most efficient Consumer business, make a lot of money, but we do it through a very low cost to the consumer thing. And so, we believe it.

Ebrahim Poonawala

I guess maybe another thing in terms of the macro before we jump into the business. We've argued that as folks who lived through the financial crisis, what you're seeing on the regulatory side, which I like to characterize as back to some level of normalization is playing itself out, and it's a regime shift. Like how do you see it like relative to the last 15 years? And where do you think we are on sort of additional regulatory changes?

Brian Moynihan

So, I think if you think about the travel coming out of financial crisis, there were key things that had to be taken care of. We had a bunch of companies that were outside the tent that had an amount of leverage that we put inside the tent, we had to bring them all their capabilities. We had the people that were inside the tent from start. What's the amount of capital required, liquidity requirements, et cetera. So, all that came through. And we were kind of done with that by 2015 or so.

But what happened is it just kept coming. And so over time, and people think it's the First Trump administration, Biden, but this goes back before that. What happens just is there's constantly creeping on the capital liquidity, not indexing G-SIB from 2012 data or whatever it was supposed to be. The economy is probably twice as anomalous growth and all that just didn't do well. And so, with the current administration and with the Vice Chair supervision, she has looked at this.

By the way, the last -- we were getting there with Jay and others before, it just got sort of out of hand. And so that -- I think you can see the path forward. I think the good news is they're taking the time to get it right. So doing a cost-benefit analysis in a way that ought to stick to the ribs as opposed to being able to be swung back by somebody else saying, I just want to change it. So that's good on capital liquidity, et cetera.

The other major thing, and I think this is important for all of us that operate banks, is the -- this supervisor operating procedures and things like that to go to materiality. This is a huge benefit to the banking system because I've been in discussions with prior people in the supervisory regime where if you do something 10 million times a day and you find a mistake -- 1 or 2 -- and they say, well, that's a problem. You say, are you

expecting it to be perfect? No. Well, you find 2 and they say, but that's a problem because we found 2 and you're saying, but you're way in the error rate of Six Sigma levels. So, you're going to find some mistakes.

The question is do we have a process that runs a Six Sigma, and do we check to make sure it's running Six Sigma? And then when we find a mistake, we fix it. That would end up with an MRA and right. I think that tone change is actually more -- as critical as anything else because if we get that right, our system is much more sound than any system in the world in terms of the proper balance of regulatory reach. That doesn't mean we're all ears for best practices, improving procedures, and stuff.

But if you look at what happens with the formality around MRA and by the time you get done with 1,000 reports and all the information, it just really is not -- if it's not material, it's not -- and so people outside the companies won't appreciate this as much as inside the companies. And if we can get this right, that will be accretive. So, capital liquidity, et cetera, you're seeing that all come, stress testing.

But the real question is we can get the balance back where supervisors on credit gave you insight and didn't try to write up immaterial things and have the license to do that and won't be criticized after that because the unfair thing is something goes wrong, everybody says, well, you missed it. That's not fair because if you're going to have them have a balance, you expect banks to fail. We shouldn't be shocked when that happens. The system is set up to have that happen. That's why we guarantee the FDIC. So, it can happen without having customer impact.

Ebrahim Poonawala

Got it. And you mentioned the G-SIB, I guess there's expectation around the G-SIB recalibration, Basel end game. Do you think we see the proposals anytime soon or...

Brian Moynihan

I think they're coming soon. But I think they're trying to make sure they've got them really well researched, well-built so they withstand scrutiny, not only in the instant case like right now, but they withstand 2, 3, 4, 5, 10 years from now. And I think they'll be constructive, and I think she's outlined her thoughts and they're just doing the work the right way. And I think it won't be everything the industry wants. It will not be like I'll just go back to low tangible common equity stuff, and it shouldn't be honestly.

And so -- but she's -- so we'll be arguing about some finer points in life and Greg Baer and Rob Nichols, and our colleagues are here, and they'll be making the points for us. But so don't -- but I think it will be much better than the constant creeping. And over the -- from 2019 to 2024, I think we showed data that you saw the capital requirements go up by 20%. And it wasn't apparent to anybody they'd gone up. It's just the math behind the scenes was picking at you. This RWA calculation. And that -- so it was very subtle. It went up and there was no more risk in the industry from '19 to '25 that have any consequence.

Ebrahim Poonawala

We have both Greg and Rob joining us for a panel later this morning on that, so, it should be insightful. Maybe I guess switching focus to the business, Brian. We had our first Investor Day in a long time, laid out our return on tangible equity targets. Just frame that for us. I think the target is 16% to 18%. I think as we think about the timing of getting there and what gets us to the lower end versus higher end, just how should investors think about that?

Brian Moynihan

So last year, we did 14% plus. It was up 100-some basis points from the year before. And what you're seeing is the NII and net interest income builds. You're seeing a lot of that flows through the bottom line. And that obviously this year will grow 5% to 7%. Well, 200 basis points to 300 basis points of operating leverage. So, that just kicks in because the NII is, as Alastair showed at Investor Day, a lot of it is a repricing characteristic. And then mid-single-digit loan growth and sort of 2%, 3% deposit growth, which we did 8% loan growth last quarter over the year before. So, we feel good about that. And so, the 16%, 18%, we reached 16%, we believe after 8 quarters as being quarter 1. So -- and then we reached the higher end of

that range after 12 quarters, and we try to make that clear to people. And -- but it assumes the economy keeps pushing along at 2% to 3% growth, inflation stays in check et cetera. It does count interest rates coming down, so that's factored in whatever the curve is. So, we feel very good about that.

And -- but the important thing is we want to show people this -- we manage this company very tightly on expenses and headcount. And so, people are getting paid more. But from 2015 to 2025, we have the same number of people. So just noodle on that. The company is probably 50%, 30% in certain areas bigger. People are getting paid more, but we have the same number of people. And we basically have -- we went from -- at that point, 213 down to 205, I think, 204 or something like that. And we went back up to 2018, we're down to 213. This quarter, we're down this month of January, we're down again. And so we're engineering out that stuff while investing heavily.

From that time to now, we probably invest \$2 billion a year in technology development more than we did back then. From that time to now, obviously, the incentives for the Wealth Management teammates who do a great job. Their customers are a lot higher. From that time to now, the clearing expenses and the Markets business is higher, but we still end up with the expense base growing a lot lower than the rate of inflation. And the headcount is flat, which sets us up to be able to manage the expenses going forward.

Ebrahim Poonawala

I do want to come to the headcount and just how AI is influencing all this. But maybe, Brian, when you think about the revenue growth momentum, be it the four large sort of business segments, where are you seeing the most energy and where is the capital or investment dollars being deployed?

Brian Moynihan

Sure. If you think about Consumer, that is a place we've gone from 100,000 people to 50,000 people, just to give you a sense, 6,000 branches to 3,700 branches, even when we build out a lot of new -- so it is all about, especially in the mass customer side, mass market side, driving the expense through digitization, through automation, et cetera, while growing core primary checking accounts, which drive the economics. And so we've driven the deposits over the last 15 years in that business from \$350, \$400 to \$950. And so, we feel good about that.

So, the growth lever going forward, those primary checking and the mass consumer continue to grow in the preferred business, which is the upper end of that. That is a revenue growth business, and that's driving that. So, the dynamics in that are how do you manage the headcount and expense carefully and really rigorously and keep automating and automating and not get ahead of the customer. And then at the same time, drive up primacy. We're up in the 90s. Drive up customer scores, all-time highs. Drive down attrition, all-time lows, both by employees and customers. And that business then has Holly and team say it's going to double its income and its already earned a lot of money. And so that's that business.

On Wealth Management, we made it -- Lindsay and Eric and Katie moved their view of net new asset growth up from 2% to 3% level we've been at to 4% plus. And I think they're busy at work making it happen. And what we're seeing is the Merrill Edge piece helping that because it's growing pretty well. So that team is set up. What they're changing is we're recruiting a little bit more strategically. They are also driving the connectivity of the franchise. They're also -- which is powerful across 100 markets we serve in all local markets and all the work they do here in Miami and elsewhere. And so that's going good.

But we're also able to get because of the efficiencies and some of the AI and some of the other things we're applying just in more digital, you're allowed to -- you're getting more customer ability to do a great job for customers without increasing the headcount a lot, which is important. So, they're seeing that.

On Global Corporate Investment -- Global Commercial Banking, Global Banking across the board, look, we're adding bankers in business banking and middle market across America and the markets that we're still undersized. We try to target a market share in every market. We look at the markets below that. We add bankers to make it happen. They've done a great job. The cash manager driving that business in corporate

investment banking, the investment banking team was up 7% last year. They're pushing harder, more in Asia, more in Europe, kind of continue to push the franchise and Matthew team.

So we feel good about that business, but it's really the payments piece we highlighted. That's the piece that people -- it gets lost because it gets divided in businesses what Mark Monaco runs for us, the huge payments architecture drives a lot of profitability.

And the market is 15 quarters of year-over-year growth. And now Dennis and Soof, you have to drive that business for us, done a good job. It's more with each customer. And it's -- these are not strategies that you could write down, but the execution discipline of 15 straight quarters of year-over-year growth, nobody has done that. And guess what, spoiler, I think they'll do it again this quarter.

Ebrahim Poonawala

Good to hear. There's some news for you. And maybe just double-clicking on some of the things you mentioned, I think, one...

Brian Moynihan

Just in the broadest thing, if you think about just the -- so think about what we did as the business lines, but what you thought is the platforms. So, whether it's the EB&I platform, employee banking investment platform or its the payments platform. Whether it's AI and how it's already deployed in Bank of America, we can talk more about that. We tried to feature these platforms that people get lost -- don't see as clearly and watch that they're up and operating. They're hugely scaled. They're market share leaders. And there's opportunity in our 401(k) business. I think we're 6 or 7. That business is growing a lot faster than other people in the industry because we can go to corporate clients, commercial clients and say we can do a great job for you in this business. And so, we can pick up the back-end flow on that the front-end flow.

Ebrahim Poonawala

And that's the workplace retirement benefit. Okay. So maybe just on Consumer, like 2 things I wanted to touch upon. One is talk to us about deposit growth, right? Like to me, like just the lifeline for banks, the oxygen is deposit growth, getting low cost. You have a lot of sort of banks talking about branch openings, promotions. It's a competitive environment. Like how does the bank with our market share actually grow deposits in this environment?

Brian Moynihan

So, at the end of the day, you've got to grow. But when you think about the core product set, what we call a stair step. The checking account, then you go from there to the first sort of savings investment thing and then the home loan, the card loan, the car loan, so you have these stair steps and you're just going up the stair steps, but you have to have that anchor account.

So, we were doing about 1 million net new checking customers a year. If you look at them -- you look at our -- even with that kind of growth, which is 3% net new -- 2% to 3% net new checking accounts a year in a population growth in the United States that's sort of half that in the old days and now a lot less than that. That's outgrowing the market.

If you look at our share among young people, it's higher than they're represented by a lot. If you look at our -- and so we have lots of techniques to do that to materialize over time. So, the key is to be -- to have great customer service, have all capabilities to all people.

And the third key and you mentioned is we weren't in a bunch of markets by historical accident. So, our company has been around since 1784. And up until 6, 7 years ago, we didn't have a branch in the state of Ohio. It seems like how would you intentionally do that? It wasn't intentional. It just didn't happen. Now we have 25 branches in -- or 15 in Cleveland, 15, 20 in Columbus, Cincinnati, and we're building out Dayton, so you build that out. So, we've done that. So, why do you have to do that is to cover the markets.

That's -- we have to cover all the top 100 markets, and we're pushing into that.

Meanwhile, branch count keeps coming down. So, what happens in the more mature markets, you're managing the distribution platform, you're watching the customer move. So -- but you have to build out in these markets. And the brand lift, there's no incremental brand cost to it. And by the way, when we go into some of these markets because of the historical presence of our Practice Solutions group, which lends to doctors and veterinarians and people or Merrill or a commercial bank, we can instantaneously pick up a customer base, which is pretty interesting.

So, if you look at our build-out, of all the branches that have been deployed, I think the ones that are open more than a year are way above industry average deposits per branch already. And so, we're -- the company we're way above it, but they've already covered it. So, our job is just to drive it.

So, it's about net new household growth. It's about distribution effectiveness. It's about great digital capabilities and now AI capabilities and just driving that. But we have to cover the landscape because incrementally, the cost is really the incremental branch cost in a bunch of markets we weren't in.

Ebrahim Poonawala

Makes sense. And maybe just one last on Consumer. When we think about the card product, we had the preferred cards. I'm happy customer of the card. But I'm just wondering is -- just talk to us in terms of the evolution of that product. Are we doing more in terms of credit card offerings? What's the plan there?

Brian Moynihan

Yes. I mean -- so I think our core strategy is, if you think about the universe of the 70 million consumers accounts, 65 million, 70 million of consumer customers at Bank of America. We're focused on that stair step and that depth of relationship and the card is a key part of that. And so, we made a decision. We have great affinities with certain great corporate clients, and that's fine. But the affinity we are driving at is also the rewards program, the preferred rewards program, which is different because it goes across the entire platform. And so that's been the focus of what we've done. So, we brought that program across, obviously, the Wealth Management business et cetera.

And so, it took a repositioning of the card business over a long time to get there because -- so the credit quality is strong. The usage is strong. The prime -- getting people to take the card out of the wallet is high. And now you're seeing -- we're starting to see the ability to grow and Holly is committed to growing the outstanding balances faster.

But with our credit focus, we're trying to keep the charge-offs from having a volatility. We have not had a consumer issue in the United States since the financial crisis. The pandemic unemployment rose, but the government pushed so much money, and there was no change. You are now 17, 18 years since the consumer break, I guess, 17 years since a consumer break. And look, we charged off \$50 billion in cards from 7 till 10, 5-0.

And so, you have to be able to withstand that was a 10% unemployment rate. If you look at us now in our stress test, the 10% employment rate produces 1/3 of that over -- and that's from 0 to 10 instantaneously with no adjustment. So, it wouldn't come close to that.

Ebrahim Poonawala

Understood. Maybe pivoting to the Wealth Management business. So, you've talked about the platform alert. I talk to our financial advisers very frequently, and it just feels like the bank has done, under your leadership, an amazing job of like connecting the dots over the last decade. And the willingness of the advisers to sell credit cards or commercial banking products is super high. Just talk to us about that connection between the thundering herd and the bank, like how that's evolved over the last 10 years when we think about the 4% to 5% NNA growth target that we put out?

Brian Moynihan

So, if you back up, the idea in the Private Bank and Merrill is to own the entire customer relationship from -- through the life cycle. And so, the advantage we have is from birth to death, we can carry a customer all the

way through that. And so, their job -- and to do that, you have to have everything. It's not only transactional accounts and credit with us, obviously, wealth management practice, but it's a financial plan that leads in to estate planning, it does and that locks in. So that holistic approach is often talked about, but tricky to execute.

And then the second question is the flows in the business. So, if you listen to Lindsay and Eric and Katy, they talked about the amount of flow they get from the business banking teammates or vice versa. And so that connectivity in the market, you go to Columbus, what got us started was we had 3 Merrill -- great Merrill offices, a lot of great colleagues. They can start to work with the business bankers, and you build out so, or Pittsburgh or other places, Denver, et cetera.

So, it's very important for that. And it will be a beneficiary of the NII kicking in and the NII continue to kick in. And that will push them up in the pretax margins they have. And so, we have industry-leading pretax margins. We're one of the biggest in the businesses. It's the least efficient business on our platform. And so, one of the things we try to do, but it's one of the highest return on capital on our platform.

So, the question is, and they don't really need new capital. The question is how do I have them do what they do and compete and win in the market and who they are. But secondly, how they contribute more. And so that interconnectivity is very high, and the teammates continue to do a great job doing both in the Wealth Management businesses and the other businesses working with them here in Miami.

We have a fellow named Gene Schafer and his job is to get all the people in the market to drive that. We score every market. We goal every market. We -- we just -- I won't tell you one because we'll tell the teams, but we just found out the winner for last year, and there's 100 markets are ranked and it's -- they have great fun. And then we go to the market that wins and take our senior leaders there for a meeting. So, 300 people show up in a market to support the market. And it's a connected thing and the financial advisers and the wealth management private bankers are critical to that.

But it's not some mind-numbing thing. It's just discipline of execution time in and time out and also getting our teammates to work with us to understand the magic of it all. When you see us be able to handle not only a business sale, but the proceeds and legacy planning, that's what we're here for as an institution. And anything short of that, we're not doing our job.

Ebrahim Poonawala

Got it. So, when we think about the 4% to 5% NNA growth target, is that aspirational? Or do you think that given everything that you should be?

Brian Moynihan

We wouldn't have said it unless they could do it. That's whether it's expense -- operating leverage targets, we don't -- we're not here to talk about what -- one of the reasons why we don't spend as much time is we want people to focus on the achievements and what we've accomplished. That's what to extrapolate off of, not what somebody tells you about the future.

And so, we told people we'd be able to operate with operating leverage after we came down the expense growth beginning '18, '19, and we've been doing it since 2015, 10 years, 40 quarters. We had a streak of 5 years. We had a streak of about 2 years, and we've now 3 out of 4 quarters. So, if you start to take 20 plus, I think it was 8 or 10, it's 30 plus another 2 or 3, that's a lot of those quarters had operating leverage.

But we had to get people flip from just expense reduction to operating leverage because, frankly, we'd taken out 100,000 -- 90,000 people. There was not a lot of easy things left, and you're seeing that. So all those commitments were resolute about handling. We measure them carefully. And Lindsay and Eric wouldn't have said that, and we wouldn't have let them say unless they had a path to get there.

Ebrahim Poonawala

Got it. I guess maybe just moving Global Banking and Markets, you mentioned like just consistency of revenue growth. I think as we think about year-to-date activity, like has it started out as expected, better than?

Brian Moynihan

Yes. It's -- everything is consistent with what we expected. And -- so if you look at it 2 ways, it's still month and a half into the quarter, but everything is as we expected, is coming in. The markets are getting the traditional kick in the first part of the year from all our good clients out there. And the real question is, does the market environment affect some of the investment banking. But as we look at it, there's enough other activity that the specified areas that are talked about all the time, and we don't need to get into that because it's the expertise of these people out here to figure out. But at the end of the day, the activity around is strong. So, we feel good about the investment banking, good about markets. Loan growth, where it's coming, where we want, deposit growth is good. So, it's setting up to be what we said it would be.

Ebrahim Poonawala

In the Markets business, is there still wallet share to be gained for BofA? Like can we...

Brian Moynihan

Yes. There is -- it's just -- so if you look at it over the last 4 or 5 years, we've gone from -- we increased the balance sheet exposure by a couple of hundred billion dollars. We're doing that again this year. And you got to be careful. It's the business that has the lowest return on capital in the company. Not because they're doing anything right or wrong, it's just -- it's up against some pretty stout other businesses. So -- but it's important and critically important to grow the business.

So, the magic there is to grow with the right ROA and the right -- that produces the right ROTCE, even though it's not a business that, that's typically taking the kind of risk like the equity business that people are going to pay 100 basis points ROA generally for. So, the team has done a good job of doing that. They brought the returns up. They brought the breakeven point in the business.

And the reason why I think market share comes, this business is hard. Every day, we file 3 billion quotes around the world. Every day, you have these systems, it takes about \$700 million, \$800 million of systems expenditure every year to drive the business. You're operating in 37 regulatory jurisdictions or 50-some regulators. You're posting quotes all over the world. You have activities going on, you have to manage the risk well. And so, the breakeven point, what Jim and the team and even going back to Tom and Jim and now Soof and these guys, they brought the breakeven point down \$1 billion a quarter through engineering at the back.

That then means it's -- it used to have a tough quarter to make a few hundred million dollars, now makes \$1 billion a tough quarter and more than that in a good quarter. So that is a tremendously different thing. It's hard to do that. And that's why when people say we're going to go into this business or expand this business, it's not just there that people hand it to you. It's hard to do, and the team has done a good job of doing that.

Ebrahim Poonawala

Got it. I guess one last one on the business just around Bank of America, but there's a huge international presence. And I think Bernie talked about it during the Investor Day. Just talk to us where the investment dollars are going either in markets that we are excited about or products that you're leaning into.

Brian Moynihan

So, if you look across the international platform, we operate outside 9 states in the Global Banking business, including the transaction services business, the investment banking business, the Markets business. And those businesses are global. You have to work with the clients and the audience. We have to know if not these clients because they are all financial services, but if you're covering -- even if financial if you're

covering cards and you're not covering on a global basis, you really don't understand the card market. So, whether it's research or whether it's corporate capital markets, in markets and whether it's investment banking, government clients.

So, they've grown very strong. I think 10%, 15%, I think Bernie was showing in the statistics. It goes into all lines of business because it has to be operated on a global basis, global businesses. But Bernie does a great job of bringing them together and driving it.

And where we've seen -- where we think there's opportunities for us continues to be in Europe, always in Asia because just the sheer formation and then the connectivity. When we go to talk to clients, I think to be competitive even in middle market in the United States, you have to have a global business because think about the discussion going on now for a midsized company producing a supply chain on a global basis and getting products from all over the world and how this is all going to work. So, our teammates in India spend time with our middle market customers about how it's all going to work as India becomes a build-out for a backbone for the world and things like that. That's unique.

So, it's -- Bernie has done a good job of leading the team, all the business leaders drive it, and it's a very important business. It's about 20-odd percent of what we have. So, the reason why it's hard to get -- everybody says you want to be bigger. The answer is I never look at it that way because if you think about the Consumer business being so big, it's a little hard to keep up with that. And there's just so much opportunity for us in the Consumer and Wealth Management business in the U.S. that's sort of hard -- the rest of the world is not as big as people think. So, it's hard to keep up with that. But that doesn't mean they're not growing and doing a great job.

Ebrahim Poonawala

Got it. I guess maybe pivoting to expenses, you talked about headcount a few times. I appreciate, I think the bank did not provide an expense target for the year, but I think there's a huge commitment to operating leverage. Just talk to us in terms of what gives you confidence in the level of operating leverage, what the levers are? As you earlier said, like you wouldn't say that if you didn't believe it. So, what drives that confidence?

Brian Moynihan

So, start with what we said was 200 to 300 basis points of operating leverage. We said 5% to 7% NII growth and all that is setting up. And a lot of that comes from -- a good chunk of it comes from the rollover of the portfolios and then another chunk comes from loan and deposit growth. So NII is critical to that because when you look at our efficiency ratio back when it was the lowest in the low to mid – 58% it was, that's when NII was a little higher percentage of the revenue stuff. So that's all there. So, we feel good about it.

But how do you drive this? We are applying technology all the time. So, each week, 1 million lines of code go in and each week we take out. There's a whole bunch of operational excellence projects around the company where we're taking heads out and then redeploying them. And so what that's enabled us to do is from the summer of '25 until now, before we hired the 2,000-plus kids out of schools, we're flat headcount. So, we engineered 2,000 jobs out in 4 months. You start to noodle on that. So that's what we're doing.

And so, you've seen the headcount at the end of January is 213,000, down, above 300 from end of year. You're always just driving that. We did no manager adds in January, which is good news. So how do we have confidence that headcount manage out by month. We don't -- there's inflationary aspects.

That's something we had to deal with. We've grown our expenses under the rate of inflation for the last 6 years. So yet in the revenue, especially in the fee-based business, have grown twice the rate of inflation. So -- and that's more costly.

So, we're pretty confident. But we do measure it. We manage the hell out of it. We look at everybody, every -- we're very tough on hiring because at the end of the day, we have the option each month not to hire

1,000-plus people. So, all you have to do is say, don't hire, we could drop it. So, all the hiring and the replacement jobs and stuff like that is carefully engineered. And then we look and say where can we redeploy that headcount capacity to be more productive. So, it's something we've been doing over and over and over again.

The impact of the COVID and inflation pushed up the dollars per person paid, but the headcount being flat allows you to mitigate that back out. If you look from '24 to '25, the revenue from the fee-based businesses were all up high single or double digit and the actual expense base was about the same as it was the years before when they were growing at about half that rate.

Ebrahim Poonawala

And just on that one, Brian, every bank does things differently. If you're a shareholder of Bank of America, the expense control in a world where it's competitive, the need for technology investments, like how would you refuse the argument that this is not coming at the expense of investing in the business?

Brian Moynihan

Well, we'll spend 10% more in technology development this year. I mean in '26 than we did in '25. We'll put several hundred million in AI as part of that. Didn't -- that came from nowhere. We'll build out the branches. It's all in the run rate. We've been building those branches out while we're taking them down. The branch count, I think fourth quarter, fourth quarter was down 100 or something like that. net they're more costly coming in because we're bigger and built in a modern environment or the rental expense is higher, we're absorbing that. So, it's just look at what we've done year after year after year, and it's because we've basically sat there and focus on the headcount.

So, then the question is we are investing in new branches, technology development, more revenue-generating employees, and we're up -- we added 50, 70 private bankers over the last 12 to 18 months, we've added commercial bankers. We effectively added 1,000 people in business banking, which is \$0 to \$50 million by consolidating people out of the branches into it.

And then Sharon and team are actually shaping that down a bit because it was -- but that gave us a 40%, 30%, 40% increase in the sales force. But people are already at Bank of America already being paid. We just moved them to a place they could have more effectiveness and then more automated small business branches.

So, it's just -- the investment is there and has been in the market share you can see continues to push up and whether it's commercial banking or consumer banking or markets. And it's just -- it's very I believe strongly that we've got to invest in the businesses because we got to have the growth. I also believe strongly you can do that by reengineering the last cost out. It's not 0.

And that's -- for a while, we were able to get out to be net 0 or below 0. Now it's going to be a couple of hundred basis points net of the inflation minus the takeout. But we've done it over and over again, and we watch it like a hawk. But I also -- we put a lot more on the brand, and that's pushed our brand scores up the highest they've ever been and consistently month after month and push through our competitors.

We've looked at -- we put a lot more in the physical plan around the world and stuff. So it's not for the faint of heart, but you can do it if you just are careful, but you have to invest to grow. And look at our revenue growth and loan growth and deposit growth and things like that, but you have to be able to do it efficiently because we're in a big commodity business. You're going to have -- you said 100 or some corporates here. There's 4,000 competitors in consumer banking in the United States. It's not -- and plus the nonbank competitors. So, it's not like you're sitting out there saying, we're a consolidated industry like that.

Ebrahim Poonawala

I can assure you the banks research team are extremely productive. So, feel good about that. But just very quickly, I know we have a few minutes left. One, so I wanted to hit upon 3 things. One, the role of AI, is this

different from anything that we've seen in terms of what this could do in terms of productivity for Bank of America for the industry? Or is it a continuation of just how technology has shaped the industry?

Brian Moynihan

It's both. Because it is something different, but it is a continuation of the paradigm of digitization, machine learning and now this, the thing is different. So, we showed a chart at the Investor Day that showed -- we started -- the management team started in 2010, 285,000 people. We got up to 305,000 people. We're now 213,000 people.

But if you looked at what happened for the first big chunk of that time, basically 50,000 people came out of the Consumer business writ large and about 25,000 people came out of operations and a net headcount reduction of, say, 85,000, 90,000. So, start to think about that question.

What happened to the rest of it. Well, we built out in revenue-producing areas and there were a lot of ability to -- as the regulatory onslaught came, we went from 2,500, 3,000 people in risk to 7,000, 8,000 people in risk and finance, et cetera.

So, what AI does is give you a chance to work on areas you heretofore haven't had that much of a chance to work on. So, in supplying the 10 million cells we supply every day for the liquidity report that goes to the Fed, that's extremely capable of using AI to help you do and save money.

And the audit team, which is 1,400 people, up from probably 600, 700 pre-financial crisis and now we can engineer the headcount back down. So, it allows you to attack places.

Now how do we know that? If you looked at the Investor Day, we also talked about the ability to -- that AI is deployed. So, a decade ago now, we were trying to put the search engine into our mobile banking, and we couldn't get it to work. The generally available search engine. So, we said we need a model that can say, customer says X, this is what they really mean. Let's go do that for them.

Today, we call it a small language model. Nobody would know what we were talking about back then, and nobody did because we had to go and have somebody build it for us special. They build a saying which we end up calling Erica. Erica today has 20 million people using 150 million, 200 million times a quarter, 200 intents originally being 200 questions that can answer accurately, now 700. And so -- and we think it's 11,000 FTE equivalents that go through that system on a daily basis. So, this isn't theoretical. And we took Erica from that, and we put it into the brake fix.

So, when Ebrahim screws up his laptop and can't get it fixed, it used to be clicked on a -- go call an 800 number and somebody talking through it. Now he clicks on little dot and he's interfacing to a bot. And that bot is actually powered by the Erica engine because we know it works. And look, we'll use other models.

We already do use other models, but that's gone. So, it went there. Then Erica went into CashPro and several hundred thousand medium-sized and larger businesses use it. And so, we took the same model across the platforms and use it, then we brought other models in. And so, in the Markets business, we have a model that helps put out a daily report of what's going on in markets. We have models which help us in the drafting of pitch books.

So, this isn't theoretical. And that's why I say it's not wholly different because we had models that did a lot of stuff before. It's just that the capabilities are now reaching other places. So -- and we know it works.

But what did we also learn? Your data has to be perfect. We spent about \$3 billion on data cleansing over the last decade. The answer has to be right or the customers will go bonkers. The transmission mechanism has to be really robust. So, at any given moment, you could be in a car 60 miles an hour going down the highway and hopefully not driving and doing this, but get on your mobile banking and ask a question there to Erica. We have to hit 110 systems to get the answer right. So, the pipe that transmits that, the pace at which it processes, you can't have this latency.

And by the way, you -- in the markets business latency -- so -- and so it's a lot more difficult than people think. So, I think, yes, it's not -- it is wholly different. Yes, it's not totally different. But at the end of the day, what it takes is some infrastructure that I think people -- if a lot of people come in and say you can just take this model and let it run. The first time it does something with a customer in our business because of the relationship nature we have, you get the term paper wrong, your kid gets the term paper wrong, it's cool, it's a bad day for him. We give a customer the wrong answer on something. It's not a bad day. It's a life defining moment for them.

Ebrahim Poonawala

Understood. Last question. I know we are over time. But when you think about capital deployment priorities, just talk to us what those are. And as we get more clarity on regulations, do you expect buybacks to ramp up?

Brian Moynihan

So, I think we basically have been focused on returning all the capital on an incremental quarter. So -- and how do you think about that the other way around, the CET1 / TCE stays about flattish, and we're trying to manage that. So, we're basically taking all the earnings, paying the dividend and then putting the rest back in the market, we'll continue to do that. And then with the growth of the company, you'll see the ratios come down towards the target ratios. Now the question is how the math behind those ratio calculation goes.

And so, when we get that, then we'll be able to figure out what to do next. But right now, you've seen us drift from, I think, almost a 12% ratio. I remember down in the, I think, 11.30% or whatever it was last quarter, you'll see that drift down. So, all the capital is going back to the shareholders and not because we don't have good uses for it because we are funding everything that's going on at the same time. It's just that our capital efficiency and effectiveness, we're able to continue to engineer that pretty well.

Ebrahim Poonawala

With that, thank you so much, Brian.

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