

Bank of America

UBS Financial Services Conference

February 11, 2025

Participants

Host

Erika Najarian – UBS

Participants

Holly O'Neill – Bank of America, President of Retail Banking

Q&A

Erika Najarian

All right, everybody. Good afternoon. Very excited for our next guest, Holly O'Neill, President of Retail Banking at Bank of America. Welcome, Holly.

Holly O'Neill

Thank you. Great to be here.

Erika Najarian

Great to have you. So Holly, you sit in the management team of one of the largest banks in the country, and you just reported fourth quarter earnings a couple of weeks ago. So maybe give us your thoughts on the results.

Holly O'Neill

Sure. So I think, Erika, good quarter, good year for the company overall. So we reported \$27.1 billion in earnings, \$100 billion in revenue. We saw good revenue growth across all our businesses, really good organic growth. We saw good fee-based growth along with NII. So I think overall, the company had a good year and good momentum in the fourth quarter.

And from a consumer vantage point, so the consumer business obviously contributes a big piece of that pie. So we made \$10 billion in the year. But if you look at the consumer business over the last decade, we've contributed \$100 billion of earnings to the company. So it's a big piece of the pie.

And I think from a consumer perspective for the business, we're seeing really good organic growth. We've seen deposits and loans grow overall. So that tells me good momentum. The consumer is healthy. We're not seeing anything from a credit perspective that you wouldn't expect to see at this point in the cycle. So I think overall, the company had a really good year, and the consumer business had a really good contribution to that.

Erika Najarian

So let's double-click on the consumer, if you don't mind, Holly. Could you give us an update on what you're seeing in consumer spending? And does consumer spend continue to grow here? And any shifts in what consumers are spending on?

Holly O'Neill

Sure. So in 2024, we got -- saw good growth in consumer spending, about 4%, which was a little higher than 2023, that was about 3%. So 2024 had good momentum overall. And that's supported by all the macro factors we talk about. We see continued good wage growth for the consumer. Unemployment remains relatively low. And so the consumer is healthy. They remain liquid when you look at their deposit balances. So we have a very good sample size of consumers with 69 million clients. So we can see into their accounts, and they're still liquid from a deposit and a savings perspective, which supports that spending.

And I think from a spend perspective overall, where we're seeing the spend, continues to be pretty stable. We're seeing spend in entertainment, experiences, a little less on durables and things like that. And in January, some things came out, we had weather across the country. So we're seeing higher groceries and a little less in restaurants. So -- but that was an anomaly of the month -- for the month. So overall, I think it's consistent, it's strong. Sensible spending is what I would say for the consumer.

Erika Najarian

And thoughts on overall consumer health? And are you seeing any differences in terms of consumer behavior between high-end consumer and low-end consumer?

Holly O'Neill

Sure. So consumer health overall follows the spend pattern, so healthy, right? And you look at spending, you look at big markers like customer sentiment, and that remains in the optimistic category. Liquidity, again, I'll hit on. They still have more money in their checking and savings than they did pre-pandemic. And their borrowing behaviors are good, right? They're normalized. We're seeing good borrowing patterns on behalf of consumers. We're seeing continued strong payment rates on those cards. So overall, the consumer is really healthy.

When you look at the different cohorts in there, high income versus low income, wage growth overall has been strong for the consumer. We're seeing for a while, it was the lower earners that were really experiencing wage growth, and they continue. But those lines have converged between high income and low income from a wage growth perspective. So overall, we're -- the markers are really positive.

And the other thing I'll just add, high income versus low income is that the low-income cohorts continue to have a higher percentage in deposit and savings than they did pre-pandemic, so we're seeing a bigger cushion there, which makes sense because those in the higher-income tiers will rotate out to investments. But even that rotation, I think, has slowed and really normalized.

Erika Najarian

So in the fourth quarter, we did see consumer deposits bottom and begin to grow. So what recent behavior have you seen from clients? And what gives you confidence that they can continue to grow?

Holly O'Neill

So first and foremost, we've had great organic growth in our base. Our strategy is all around owning that core operating account for our clients and building the relationship around that. So that core operating account is center to our strategy, and the organic growth there has been really strong.

So for 2024, we had 1.1 million in net new checking, 213,000 in the fourth quarter. We would expect that to continue. And that's all driven by our strategy around digital and physical, which I'm sure we'll get into. But the organic growth of our client base, the fundamentals are there. So we've had 6 consecutive years of that net new checking organic growth, which is that deposit base. So that is really important for us. And I do -- I would expect that growth to continue into 2025.

Erika Najarian

So as we think about the dynamics of consumers still having excess liquidity and net new checking account growth, as we settle into maybe with a higher neutral rate, do you think that the retail bank could be a net contributor of noninterest-bearing deposit growth for the firm in '25?

Holly O'Neill

Yes. So again, I would expect -- from a company perspective, we're expecting record NII in 2025, right, growing at 6% to 7%. And consumer will be a contributor to that NII. And it's through all the things I just talked about in terms of net new checking growth, driving that organic growth, driving our Preferred

Rewards program, which drives that loyalty, cuts attrition down. So all of that will contribute to that record NII growth for the company in 2025.

Erika Najarian

Great. Let's shift to financial center and digital strategy, if we could. Could you spend a few minutes on how Bank of America has gotten to this position as an established leader in consumer lending or consumer banking as a whole?

Holly O'Neill

Yes. Sure. So our strategy, in addition to owning that core operating account, is digital and physical. So we have 3,700 financial centers. We have 15,000 ATMs. That, operating in concert with our great digital properties in online banking and mobile, is how we deliver. And so the physical footprint will continue to be really important to us. We know that when we go into an expansion market, as an example, where we have a financial center located within 15 miles of that new market, we drive 50% more in digital sales. So the physical footprint is incredibly important to even driving the digital sales for our clients.

Erika Najarian

Got it. And speaking of the physical, can you talk to us about your financial center strategy? And maybe give us an update in terms of expansion plans into new markets.

Holly O'Neill

Sure. So overall, we'll continue to adjust the financial center footprint, expand into new markets and potentially optimize in other markets where we're heavily saturated. So we expect that we'll open about 100-ish financial centers every year. And that's in a combination of expansion markets or existing markets. In the existing markets, we always look to see what the opportunity is in the market, what our coverage is to really optimize that footprint to maximize our opportunity in that market, so again, 100 -- about 100 financial centers. Every year, we'll continue to expand. We'll go into expansion markets. Boise is coming up this year. So we continue to drive that market expansion as opportunity exists.

Erika Najarian

And maybe, Holly, if you could spend a few minutes on your investment in digital. What features and functionality set Bank of America apart?

Holly O'Neill

Sure. So digital enables us to do a lot and both grow the business as well as make the business more efficient. On the growth -- from the growth perspective, we've got something coming out this year called the unified sales app. And just to -- this is the focus on growth. So when somebody comes in to open a deposit account as...

Erika Najarian

So this is an app for your...

Holly O'Neill

It's in our app. So the unified sales app is embedded in the mobile app. And it's essentially the experience our clients have when they open a new account. So it's really looking at end to end, trying to optimize the growth of the business. So as a client comes in and wants to open a new checking account, as an example, right in that experience, it will also trigger a conversation about card, right, right in the experience, making it super simple and seamless for the client so they're not having to go out and do that separately. So things like that in the mobile app really excite me from a growth perspective for the business, and there is a lot of opportunity there.

The other things growth-focused are things like Spanish capabilities in that mobile app, really making the experience for the Hispanic/Latino segment really good and trying to optimize your growth opportunity there. And that's just one example. So that's from a growth perspective.

From an efficiency perspective, continued enhancements around efficiency. So this year, we have a whole health and support capability in the mobile app, making it a one-stop shop for clients to get status updates on things that they may be checking on or just a more seamless experience when they have a question. And then, of course, Erica.

Erika Najarian

Great name for an app. Fabulous. Well done.

Holly O'Neill

I know. It is. It's excellent. It's excellent. I'm sure we'll talk about, Erica, so I won't go into detail here. But I think those are the 3 big pieces that I'm really excited about as we move forward.

Erika Najarian

So given this high-touch, high-tech strategy, maybe give us some examples of how clients are leveraging the capabilities across both the physical and the digital.

Holly O'Neill

So I think the most intuitive way is through our digital assisted shopping. So if somebody walks into a financial center, if they talk to a specialist about opening a deposit account, a savings account, but they're not quite ready to close, it gets -- I'm sure you know shopping cart as I do. It gets put in the shopping cart and they can complete that sale on their own, right in the digital property.

The other example is if we have a client who wants to go into a financial center and wants to see a specialist, they can make the appointment right in the mobile app, look at the closest financial center, open times for making an appointment. So there are a whole host of ways that we're trying to really integrate that experience for our clients who use both digital and physical properties.

Erika Najarian

Got it. And AI is clearly a big topic of conversation, and your digital assistant, the well-named Erica, is an example of large language models of clients. So how has the capabilities and adoption of Erica evolved more recently? And are there any other areas of your business where you see opportunities to drive efficiencies or better customer experience, leveraging technology?

Holly O'Neill

Sure. So overall, Erica, in addition to having a great name, has been really popular with our clients. So we've had 47 million clients use Erica, so over 2.5 billion interactions with Erica since we launched it in 2018. So we've had really good adoption of Erica.

And so I think of AI large language capabilities really in 3 categories for us. First is through Erica, right? As the technology gets better and better, Erica will continue to get better and better and do more directly for clients. And so that's how it will really come to life for clients. So that's one.

Two is making our teams better and better, right, giving them the information they need when they're engaging with clients directly and making them more generalists versus specialists in some cases. So our client-facing with Erica, our teams -- and so I think AI can really support our teams to give them what they need to both grow the business and service our clients.

And then the third category that is a very big one is just how our processes work behind the scenes, whether it's how to detect fraud for clients, how we do quality assurance, quality control, et cetera. So lots of opportunity in that space. We have dozens of proof of concepts happening in the company. We have so many patents, over 1,000 patents across the business.

But really important to note that we are regulated, clearly. And so we're very careful about where we deploy technology, AI when it's direct to client. And we typically put a person in between that. So we'll continue to

monitor the technology in a way that we can really control what the experience is for our clients. So it's not the wild, wild West trying some of the stuff.

Erika Najarian

It sounds like as your -- the humans are servicing your clients, there's AI help that could make it more efficient, less frustrating.

Holly O'Neill

Absolutely. So think of a specialist sitting in a financial center or in a call center, you will have AI sitting on their desktop, giving them the information that they previously would have had to go look at 20 different systems to find, right? So it really makes it much easier for them.

And then from a growth perspective, it also has the capability to say, "Erika has an opportunity for a card. She doesn't have a card with us. Engage her in that conversation and see if that's of interest." So there are so many different applications for our associates to just make it easy, seamless and almost like they'd have to think about it. And that's the goal because ultimately, the specialist is sitting there across the desk on the phone with that client, and you're wanting to make their job as easy as possible.

Erika Najarian

So let's pivot perhaps, Holly, to growth. The consumer business has consistently showed good organic growth. So for example, you added 1 million net new checking accounts in '24. I think you mentioned that already. And you've grown, again, you mentioned this already, net new checking accounts for 24 consecutive quarters. What strategic advantages allow you to retain clients and deliver good organic growth consistently? And your base is huge, right, already?

Holly O'Neill

Yes. We do have a big base. I mean we have 69 million clients. So we have a very big client base. And I think it's a whole host of things that differentiate us with our competition. But number one, and I already mentioned this, but I'll do it again, our strategy around having that core operating account. Our clients, we have their primary account, and that is a really important statistic for us. So we want to own that core operating relationship and build the relationship around that, whether it's card or we're there when they want to buy a car or a home or when they want to invest.

Erika Najarian

And just to reemphasize, 92% of your customers have that core operating account where they have their direct deposit come in and pay their mortgage?

Holly O'Neill

Yes, yes. Correct. So -- and that's the goal because we have a relationship strategy with our clients. So that's one. And then high-tech, high-touch, we've talked about that. And Preferred Rewards is really a differentiator for us as well, which is a rewards program for our clients who have their relationships centered with us. And we provide them huge value, whether it's on a discount on an auto loan, a mortgage or on their card. So that Preferred Rewards relationship is for our clients who have their operating account with us, and we really want to give them the benefits directly.

Erika Najarian

So the consumer investments business recently crossed over \$500 billion in client assets. Could you give us an update on this business and how you continue to drive growth here?

Holly O'Neill

Yes. So consumer investments, it centers on that strategy, right, core operating account, and we really want to have the investment relationship with our clients. And so we did surpass the \$500 billion, which was huge. We have about 4 million accounts. And we have consumer investment specialists located in our financial centers to engage clients on that investments conversation around our self-directed platform. So

we'll continue growth, and that is really key to our strategy in terms of being there to serve all of the needs of our clients.

Erika Najarian

And on the lending side, are you starting to see demand pick up with lower interest rates? Or what do you think will drive more consumer lending demand?

Holly O'Neill

So I think overall, I don't think they've come down enough to really see that pick up. I think the card growth that we're seeing really hasn't been impacted all that much by the rate environment, to be honest with you. And from a home perspective, the cost of homes still hasn't stimulated more home loan growth for us. So I think there would have to be a much bigger move to really see the impact of rates.

So -- our business, though, is built to grow regardless of the rate environment. And that -- again, that comes back to our strategy around that core operating account and being there when our clients want to buy a home or want to buy a car.

Erika Najarian

I mean it's a big macro issue, right? It's funny, we were talking to your colleague, Jeremy Barnum, CFO, JPMorgan. And we asked, "How do you revitalize the housing market?" He was like, "Lower interest rates, more houses. Pretty simple."

Holly O'Neill

Yes. It's true. It's a pretty simple formula, for sure. And again, we want to be there and -- for our clients when they're buying a new home or when they're refi-ing, there's not a ton of refi, obviously, out there still. But when our clients want to buy a home, we're there.

Erika Najarian

Yes. Could you give us an update on your credit card strategy? You mentioned it a lot in terms of being part of the ecosystem when you go in and you open an operating account. Maybe talk a little bit more about that.

Holly O'Neill

Sure. So card is core to our strategy for our client base. We still see good opportunity in that space on card. So when you look at our client base, we have about 60% penetration of our customers with card in our buy box. So there is still opportunity there, which then leads me to what we talked about earlier in terms of the unified sales app and really trying to capture that card relationship at the same time we're opening a deposit account.

Additionally, I think we have opportunity in technology to create some new capabilities out there for our card clients, whether it's referral programs, pre-fill on applications and really making that experience for our clients super seamless. So we're investing a lot in card over the next couple of years from a technology perspective.

And then third, I would say, we have some opportunity in marketing. We've announced a few partnerships, which I'm sure you've heard of with FIFA and U.S. Soccer and The Masters. And I'm really excited about that because those types of partnerships really can energize some of the marketing we do in spaces specifically like card.

Erika Najarian

So let's double-click on that. We heard from American Express yesterday, we heard from JPMorgan this morning, we're going to hear from Capital One later this afternoon, marketing spend has been big for these cohorts. And with Capital One, Discover could get bigger. You've discussed the recent partnerships that you've made. How are you thinking about further marketing spend and strategy, especially -- I mean credit card is always really tough, right? But it feels like, especially for the premium space, which should be directly in your buy box, it continues to get even more competitive.

Holly O'Neill

Yes. So we'll continue to invest in marketing in the consumer space. Card is probably the biggest beneficiary of that for us. And again, those partnerships, I think, will provide some new energy in that category. So we'll continue to invest in marketing and card.

But we also invest in things like Preferred Rewards, right? And so for our clients in the Preferred Rewards program, our card is one of the most competitive out there, if not the most competitive in most of the categories when you do the math. So we'll continue to push on Preferred Rewards. That program versus some of our competitors who have really big co-brand businesses is important, and that's a differentiator for us because those rewards go entirely back to our clients and not to the co-brand partner. So that is a key element of our strategy and a bit of a differentiator for us when you look at the portfolio overall.

Erika Najarian

So just to unpack that, something like if I'm a Merrill client, I would get more for dollar of spend, and then they get that back in cash versus what you're mentioning something more experiential like a lounge or like hotel -- is that.

Holly O'Neill

Correct. Yes. That's exactly right. So a Merrill client, if they're part of Preferred Rewards, our cards, when you do the point value and what goes back to the client is very rich and valuable for those clients.

Erika Najarian

And is it fair to say that the more a client does with you, the better the Preferred Rewards program?

Holly O'Neill

Yes.

Erika Najarian

To that end, what new strategies are you deploying to extend your reach and acquire new clients in the consumer bank?

Holly O'Neill

Sure. So there are a few. EBI, so Employee Banking & Investments, is a great program that we have, where we go out to companies and give them Preferred Rewards benefits for their employees. And we provide the account access to their employees with Preferred Rewards. We have over 600 companies as part of that program. And that's really exciting for us because it provides incremental growth opportunity with their employees. So that's one.

The other, I would say, is just our overall strategy around high-growth segments. We talked about Hispanic/Latino. We've got military, we've got new-to-country, youth and young adult, right, those segments that are going to provide growth for the business for the long term. And we come at all of these segments from a systemic perspective. What are the solutions we're providing to them? Are we giving them everything that they need and their unique needs? Are we educating them in a very personalized way? Do our digital properties enable them to do exactly what they need to do?

And we -- so we have a very strategic approach to those high-growth segments that we've identified for the consumer business. And I think that has huge opportunity for us to drive that organic growth going forward. And I'll just highlight one item that we deployed in late 2024, Family Banking, targeting 10 million parent clients that we have and enabling them to open up accounts for their kids as young as 6 right in the mobile app. So no need to walk into a financial center, you can do it right in the mobile app, you get alerts. It's a simplified experience. And you can create controls for that child. So that's really exciting because you're capturing that account very early.

And the way we've built it, which is unique and differentiated to others, is that it's built on our SafeBalance platform. So it's built on our checking account platform. So when they're ready to graduate, if you will, it's a super-seamless flip of the switch.

Erika Najarian

You have 5 years and 2 months to get my son in.

Holly O'Neill

That's excellent. Start now.

Erika Najarian

I will let him graduate though.

Holly O'Neill

That's right. Someday, he will.

Erika Najarian

So when you're thinking about all these opportunities that you talked about and investing for future growth, how do you manage the associated expenses to deliver strong net results from the business?

Holly O'Neill

Yes. So we obviously historically have had a very comprehensive approach around efficiency. And so when you look at the consumer business over the last decade, decade-plus, we've made tremendous progress. So going back to 2010, about 80% of our interactions were automated. Today, we're almost 99%. That's driven a lot of efficiency for us.

So we've taken financial centers down from 6,000 to 3,700. The people serving this business have come from 100,000 FTE to like in the mid-60s. So -- and those efficiencies have been reinvested in the business, whether it's continuing to build out the digital platform, renovating our financial centers. We've spent \$5 billion over the last decade, renovating our financial centers. So it enables reinvestment into the business.

Erika Najarian

So final few questions for me, Holly. How do you leverage local markets to drive growth and deepen relationships with clients across the U.S.? And maybe this is a good time to remind investors how -- the local market strategy, how you go to market in local markets.

Holly O'Neill

Sure. So we operate, obviously, in 100 local markets. And the local market focus for us is really how we bring our 8 lines of business to life at the ground level. And I'll use EB&I as an example. So that's a great example of how we leverage that local market infrastructure. So we're selling consumer checking accounts, leveraging our relationships with institutions that might be a resident in our Global Commercial Bank or our Business Bank or our Corporate Bank. And that really comes to life in that local market.

We had 9.5 million referrals last year between the different businesses as a result of that local market focus. And so there's huge opportunity. I would say, not only are we looking at those referrals that are happening between business in the local market, but we're also focused on increasing market share. So we're evolving the focus in the local market to really drive market share growth at the line of business level. So it's a way to take this massive company operating in 8 lines of business down to the local level, meeting clients where they are, whether they're a consumer client or they're a client of our markets business or our corporate business.

Erika Najarian

And it seems like that's just more doable, right, when you break it down to the 100 local markets versus at the top?

Holly O'Neill

That's right. You break it down into 100 bite-sized pieces.

Erika Najarian

Yes. Exactly. So let's talk about how you leverage the opportunity that you have to serve clients across the company from the individual wealth spectrum to corporate client relationships. Again, let's double-click on what you just mentioned.

Holly O'Neill

Yes. So there is a continuum here, right? So when you think consumer, we're at the front end of that continuum with retail clients being mass-market clients all the way up to the corporate business. And that local market organization helps us bring that to life through referrals and focus on market share.

But our product suite is also built around that continuum. So when you think of the consumer business with Merrill Edge as an example with a great self-directed platform, we are leveraging that and then graduating clients into the Merrill business as they become more -- or the Private Bank as they become more sophisticated and have different needs. So that is how the company is built is to really move clients through the continuum when the client need demands a different type of coverage.

Erika Najarian

That makes sense. Are there any final messages from us? And we'll gather questions if you have -- oh, actually, there's one here. Before we do that, there's one question on the iPad. How do you see BofA's investments in Consumer Banking changing with continued high interest rates?

Holly O'Neill

So I think our investments will continue to be investments in the client, right, investments in that client experience to drive the organic growth of our business. That will happen in technology, it will happen in marketing, it will happen in the financial center footprint. Those are our biggest investments when you look at the business. And I don't really see that changing.

As AI continues to evolve, we're going to continue to invest in that. And technology is probably our biggest investment, and it needs to be because that technology is evolving, that makes it better for clients and it makes it better for us. It makes it more consistent. And overall, I think -- I wouldn't expect to see any changes.

Erika Najarian

Any other questions from the audience? All right. Holly, any final messages from the retail bank?

Holly O'Neill

Yes. No, thank you for having me. And I think we really expect a good 2025 with NII growth, continued organic growth in the business and really contributing good earnings for the company.

Erika Najarian

That's great. Thanks for coming.

Holly O'Neill

Thank you.

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