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EARNINGS CALL TRANSCRIPT

BofA (BAC) Q4 2025 Earnings Call Transcript

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NYSE: BAC (/QUOTE/NYSE/BA
Bank of America

Market Cap	$383B
Today's Change	Current Price
(0.53%) $0.28	$53.05

Price as of February 20, 2026 at 3:58 PM ET

Date

Wednesday, January 14, 2026 at 8:30 a.m. ET

Call participants

- Chairman and Chief Executive Officer — Brian Moynihan
- Chief Financial Officer — Alastair Borthwick
- Managing Director, Investor Relations — Lee McEntire

Image source: The Motley Fool.

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Takeaways

- **Net Income** -- $7.6 billion, representing a 12% increase year over year.
- **Earnings Per Share (EPS)** -- $0.98, up 18% from the previous year's quarter.
- **Revenue** -- $28.4 billion for the quarter, with annual revenue of over $113 billion, growing 7% year over year.
- **Net Interest Income (NII)** -- $15.9 billion on a fully taxable equivalent basis, increasing 10% year over year.
- **Average Loans** -- $1.17 trillion, up 8% versus last year, with commercial loans rising 12% and consumer loans up 4%.
- **Average Deposits** -- Grew 3% compared to prior year, with commercial client activity as the driver; Mobile Banking deposits increased $74 billion or 13% year over year.
- **Operating Leverage** -- 330 basis points in the quarter, and 250 basis points for the year, reflecting disciplined expense management.
- **Net Charge-Off Ratio** -- Fell to 44 basis points, a year-over-year decline of 10 basis points.
- **Return on Tangible Common Equity (ROTCE)** -- Improved 128 basis points for the year.
- **Return on Assets** -- Reached 89 basis points, improving over the prior year.
- **Capital Return** -- Distributed more than $30 billion to shareholders, a 41% increase; Q4 share repurchases were $6.3 billion, $1 billion higher than Q3.
- **Client Balances** -- Surpassed $6.5 trillion across Wealth and Consumer Banking, with consumer investments totaling $600 billion and workplace benefits exceeding $600 billion.
- **Investment Banking Fees** -- Rose 7% for the full year and were 25% higher in the second half of 2025 compared to the first half.
- **Sales & Trading Revenue** -- Achieved a record of nearly $21 billion for the year; Q4 revenue ex-DVA grew 10% year over year, with equities trading up 23%.
- **Efficiency Ratio Guidance** -- Management confirmed that the recast accounting periods align efficiency ratio targets at 55%-59%, stating, "that's already in there when you use the comparative periods."
- **Net Interest Yield (NIY)** -- Improved 7 basis points from Q3 to reach 208 basis points.
- **Loan Growth Outlook** -- Company expects mid-single-digit loan growth in 2026, led by commercial but with consumer categories picking up.
- **NII Sensitivity** -- A 100 basis point decline in rates is projected to reduce NII by $2 billion; a 100 basis point increase would add about $700 million.

- **Expense Outlook** -- Q1 2026 expenses expected to be about 4% higher than prior year's Q1, with management targeting 200 basis points of operating leverage for 2026.
- **Regulatory Capital** -- CET1 ratio declined from 11.6% to 11.4% due to a $2.1 billion reduction linked to tax equity investment accounting; remains above the 10% minimum.
- **Tangible Book Value Per Share** -- $28.73, up 9% year over year.
- **Digital Adoption** -- Net new consumer checking accounts grew by 680,000 for the year, extending to 28 consecutive quarters of net growth; digital openings and AI (Erica) assisted processes continue accelerating.
- **Technology and AI Spend** -- Management reported, "Total spending [$13 billion, plus $4 billion] plus in initiatives," with AI alone saving the firm approximately 2,000 coder positions in 2025.

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Risks

- CET1 ratio decreased due to an accounting-related $2.1 billion n, with management explaining, "That accounted for roughly 12 b ET1 reduction in the quarter."
- Management noted that regulatory and policy uncertainty persists, saying, "we're still waiting for the rules to get finalized and they're multifaceted."

- New proposals regarding credit card rate caps could adversely impact growth and credit extension, with Moynihan stating, "if you bring the caps down, you're going to get strict credit, meaning less people will get credit cards and the balance available to them on those credit cards will also be restricted."

Summary

Bank of America (BAC (/quote/nyse/bac/) +0.53%) reported quarterly and annual improvements across net income, EPS, and revenue, with management emphasizing robust operating leverage and outperformance in loan and deposit growth. Leadership indicated continued investment in technology and AI, with measurable productivity improvements and further reduction in operations headcount anticipated through ongoing digitalization initiatives. The company maintained a CET1 ratio above regulatory minimums despite a one-time accounting-driven reduction, and reiterated a mid-single-digit loan growth outlook, supported by both commercial and consumer momentum. Management provided explicit guidance for a 5%-7% increase in 2026 net interest income, underpinned by dynamic repricing of fixed assets and deposit trends. Regulatory uncertainties and policy changes—including proposed rate caps on credit products—were highlighted as material considerations for forward risk management.

- Management confirmed that recast financials due to tax equity accounting changes have negligible impact on net income, but did cause a modest, temporary CET1 dilution.

- Digital innovation, such as AI-driven customer interactions and product launches, is directly credited with productivity gains and support for efficiency ratio improvement.
- Expansion in wealth management is evidenced by a $500 billion increase in client balances, while new client acquisition and cross-selling efforts are accelerating in both digital and physical channels.
- Sales and trading growth is attributed to increased equities activity, especially in Asia, and higher reimbursed transaction costs associated with global client growth.
- Client deposit growth has now turned positive in consumer banking, which management points to as a powerful earnings engine for the franchise.

Industry glossary

- **DVA (Debit Valuation Adjustment)**: An adjustment to the valuation of derivatives to account for changes in the company's own credit risk.
- **NIY (Net Interest Yield)**: The ratio of net interest income to average earning assets, expressing the yield achieved on earning assets.
- **TLAC (Total Loss-Absorbing Capacity)**: The amount of capital and eligible liabilities a bank must hold to absorb losses and support resolution in the event of failure.
- **SOFR (Secured Overnight Financing Rate)**: The benchmark interest rate for dollar-denominated derivatives and loans, replacing LIBOR.
- **MMSA (Market-Making and Sales Activity)**: Revenue associated with client trading and market-making activity separated from other fee or interest income.

Full Conference Call Transcript

Lee McEntire: Thank you, Leo. Good morning. Thank you for joining us to review our fourth quarter results. During the quarter, we elected to change the accounting method related to our tax-related equity investments in order to better align our financial statement presentation with the economic and financial impact of those investments. As a result, we filed an 8-K on January 6 and a related mini supplemental package recasting the numbers for the quarters of 2024 and 2025 and the full year of '23 and '24. The primary impact of the accounting change was a reclassification between the income statement line items in our income statement, which had an insignificant impact on net income.

Our discussion today is based on those recast numbers. As usual, our earnings release documents are available on the Investor Relations section of the bankofamerica.com website. Those documents include the earnings presentation that we will make reference to during the call. Brian Moynihan will make some brief comments before turning the call over to Alastair Borthwick, our CFO, to discuss more of the details in the quarter. Let me remind you that we may make forward-looking statements and refer to non-GAAP financial measures during the call. Forward-looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties.

Factors that may cause our actual results to materially differ from expectations are detailed in our earnings materials and SEC filings available on our website. Information about non-GAAP financial measures, including reconciliations to U.S. GAAP, can also be found in our earnings materials and are available on our website. With that, Brian, I'll pass it over to you.

Brian Moynihan: Thank you, Lee, and good morning, and thank you for joining us. This morning, Bank of America reported net income of $7.6 billion for the fourth quarter. That is up 12% from the fourth quarter of 2024. Our EPS was $0.98 per share. That's an increase of 18% from the fourth quarter of '24. We delivered 7% year-over-year revenue growth. This was led by a 10% improvement in net interest income, up to $15.9 billion on an FTE basis. For net interest income, we have delivered each quarter what we laid out across the year and finished a bit stronger than we expected. We grew average loans 8%.

We grew average deposits 3%, we delivered 330 basis points of operating leverage in quarter 4 through continuing disciplined expense management. Alastair Borthwick will take you through the details of the quarter. But first, I want to highlight a few things about 2025 to close the year out. I'm working off of Slide 2 in the earnings presentation. Our fourth quarter topped off a strong performance by my teammates at Bank of America for 2025. We delivered on our commitments to shareholders across the year with solid growth across revenue, earnings and returns. We drove operating leverage and continued robust investments in people, brand, technology in both our physical and digital networks.

Those results reflect the power of our diversified business model and our commitment to drive responsible growth. Some highlights of 2025, you can see here, revenue was a little over $113 billion, was up 7% year-over-year. We generated 250 basis points of operating leverage for the year. Asset quality was strong and net charge-offs improved from 2024. We grew net income year-over-year by 13%. In addition, we grew EPS year-over-year to $3.81 or by 19%. We also increased our profitability and returns during the year. Return on tangible common equity improved 128 basis points. Our return on assets improved to 89 basis points.

Our results and prudent balance sheet management allowed us to distribute 41% more capital back to shareholders, more than $30 billion. We grew loans 8% and we grew deposits 3%. Loans outpaced the industry and average deposits now have grown for the tenth consecutive quarter. Our focus on all the markets we serve, whether they're domestic or international, has allowed us to grow our client balances at a faster pace than the industry. Dean described how we do this in the U.S. at our Investor Day, and we will cover it later in the program. As you look to Slide 3, we've also highlighted some organic growth highlights for the year and the quarter.

We grew net new consumer checking accounts by [680,000] during the year. And that's while maintaining a strong average balance of $9,000 plus. This extended our consecutive quarter net growth to 28 or 7 years straight. We crossed over $6.5 trillion in client balances of investments, deposits and loans across Wealth and Consumer Banking. Our consumer investment totals reached $600 billion. Similarly, our workplace benefits totals, i.e., 401(k) balances related balances crossed over $600 billion also. It's worth noting that $28 billion of our year-over-year loan growth came through our wealth management clients.

Global Wealth & Investment Management showed improved nominal profit growth, stronger pretax margin improvement and continue to draw net new assets within the combined consumer of $100 billion during the year. In Global Banking, average deposits increased $71 billion, up 13%. We saw treasury service fees increased 13% over '24 and ending loans go across each line of business year-over-year, good core customer organic growth driving that. Investment banking saw good activity. For the full year, our investment banking fees were the -- were the highest they've been since going back to 2020 and the outside pandemic period recovery. They were 7% higher than the prior year.

Fees generated in the second half of 2025 were 25% greater than the first half. What does this show? It showed good momentum by our team. It also showed that our corporate commercial clients settled in during the year after tax policy being clear, tariffs became more understood, and they look forward and receive the benefits of deregulation. Global Markets under Jimmy's leadership saw continued growth in sales and trading with its 15th consecutive quarter of improvement and drove a record year of nearly $21 billion in sales and trading revenue. In addition to these stats, I commend you to review Slides 21, 23 and 25.

Those highlight the continued progress of digital deployment and activation statistics for each of our businesses. You should note there the impact of Zelle and the continued usage growth and also note the impact of Erica, our AI agent and its use both across our businesses and with our teammates. A couple of high-level comments on what we see in the economy. It was a pretty good decent environment as we move through year 2025. Consumer spending grew 5% -- at $4.5 trillion grew 5% over the 2024 levels. Account balances in the consumer business, that broad base of the U.S. consumer were stable through the year. Delinquencies and charge-offs improved in 2025 consumer credit.

Unemployment in the market remains stable, and the equity market appreciation benefit those consumers or investors in our Merrill Edge products or in our 401(k) platforms. This strong consumer health bodes well for the continued improvement in growth in 2026. When you go to our corporate commercial customers, again, as the tax law settled in, the tariffs appear to be manageable and deregulation kicked in. They had a pretty good year in good profits, including good credit quality and good money movement activity as we move through the year as they participate in the world economy. A world-class research team has the global growth rate for GDP at 3.4% in 2026 and U.S. at 2.6%. Risks remain out there.

They always do, but we're encouraged and constructive on the head -- a year ahead. So I'll turn it over to Alistair to cover the quarter.

Alastair Borthwick: Thank you, Brian. I'll start using Slide 4. And as Brian noted, the fourth quarter was a strong quarter for us with 7% year-over-year revenue growth and good operating leverage producing $7.6 billion in net income or $0.98 in earnings per share. Our EPS grew 18% compared to the fourth quarter of '24. Net interest income of $15.9 billion on a fully taxable equivalent basis was strong and a little better than expected, and we saw good momentum from market-based fees that complemented the NII growth. Of the $28.4 billion in total revenue, $10.4 billion came from Sales & Trading, investment banking and asset management fees. And those are 3 of the more highly compensable market-facing areas.

It's these areas that grew revenue 10% year-over-year in the aggregate. On expense, the teams have shown good discipline across the businesses as we held headcount flat across the year despite the volume growth of clients and activity. Most of the year-over-year expense growth was a result of revenue-related growth in markets and wealth-based activities I just described and our continued investments in the franchise. We saw productivity improvements through AI and digitalization more generally, and those enabled us to add client-facing associates as we eliminated work and roles in our operational support areas. This year, we brought another 2,000 college graduates into the company, and we remain an employer of choice with progressive benefit programs for our employees.

And even with those additions, we managed to hold our headcount flat for the year through good management. Provision and net charge-offs declined year-over-year. That's for a second straight quarter, driven by continued stabilization around credit card and lower losses in commercial real estate. The net charge-off ratio fell to 44 basis points and is down 10 basis points year-over-year. And lastly, we reduced our average diluted share count by about 300 million shares or 4% from the fourth quarter of '24. Slide 5 highlights the various earnings points that Brian and I have covered to this point.

So let's transfer to a discussion of the balance sheet using Slide 6 where you see total assets ended the quarter at $3.4 trillion, a little change from Q3 as securities and cash reductions were replaced with loan growth. Deposits grew $17 billion from Q3 and we use those deposits to continue to reduce wholesale funding as part of the plan we've discussed previously to intentionally lower balances and drive a more efficient balance sheet. Average global liquidity sources of $975 billion remain very strong.

Shareholders' equity of $303 billion was up less than $1 billion as earnings and a modest increase in OCI was mostly offset by capital return to shareholders.

In the quarter, we returned $8.4 billion of capital back to shareholders with $2.1 billion in common dividends paid and $6.3 billion of shares repurchased, $1 billion increase in share repurchase from Q3 reflects increased earnings over the past 6 months and some reduction in excess capital. Tangible book value per share of $28.73 rose 9% from the fourth quarter of '24. Turning to regulatory capital. our CET1 level decreased modestly to $201 billion, driven by a $2.1 billion capital reduction from making the tax equity investment accounting change period, and we were not required to restate prior period regulatory capital.

That capital reduction reflects the timing of equity and profitability in those investment deals and comes back into our capital over the next several years as those deals wind down. That accounted for roughly 12 basis points of CET1 reduction in the quarter, again, that we'll get back over time. Risk-weighted assets rose $22 billion from Q3, driven by loan growth. Our CET1 ratio then declined from 11.6% to 11.4%, and it remains well above our 10% regulatory required minimum. Our supplemental leverage ratio was 5.7% versus a minimum requirement of 5% as of December 31 and 3.75% under the new rule, which we are adopting starting in 2026.

This leaves ample capacity for balance sheet growth and our $467 billion of TLAC, means our TLAC ratio remained comfortably above our requirements. On Slide 11, we show a trend of average deposits and the consecutive growth across those periods. Average deposits were up nearly [3%] from the fourth quarter of '24, driven largely by commercial client activity. Mobile Banking grew average deposit $74 billion or 13% compared to fourth quarter '24. Our global capabilities, innovative solutions and our relationship managers continue to offer clients value and access to our award-winning digital platform in CashPro. Consumer Banking reported its third consecutive quarter of year-over-year growth and low and no interest checking was up $9 billion or 2%.

Importantly, ending deposits improved sequentially in every segment. Team also showed continued discipline on pricing while achieving that growth, overall rate paid on total deposits of 163 basis points declined 15 basis points from Q3, reflecting lower rates and disciplined actions in our Global Banking and Wealth Management businesses. Global Banking and Wealth Management rate paid both declined 28 basis points from Q3. The rate paid on the roughly $945 million of consumer deposits fell 3 basis points to 55 basis points in Q4 and remains low driven by the operating nature of that account base and that client base. Let's turn to loans by looking at average balances on Slide 8.

Loans in Q4 of $1.17 trillion improved $90 billion or 8% year-over-year, driven by 12% commercial loan growth. Consumer loans grew at a slower 4% year-over-year pace and importantly, we're up across every loan category of card, mortgage, auto and home equity. For the fifth quarter in a row, every business segment recorded higher average loans on a year-over-year basis. While commercial loan growth has been driven by our Global Markets Group, we've also seen year-over-year growth of 3% in Global Banking and strong custom lending growth of $18 billion year-over-year in Wealth Management as affluent clients borrowed for investments in assets like hospitality, sports, yachts, arts and business.

In addition, small business saw its 12th straight quarter of year-over-year lending growth. Let's turn our focus to NII on Slide 9, where on a GAAP non-FTE basis, NII in Q4 was $15.8 billion. And on a fully taxable equivalent basis, NII was $15.9 billion. And as I said earlier, that's up 10% from the fourth quarter of '24. On a fully taxable equivalent basis, NII grew $1.4 billion year-over-year, and $528 million over the third quarter.

Our growth was driven by several factors: First, we saw good core NII performance from loan and deposit growth and disciplined pricing; second, we benefited from asset repricing as higher-yielding loan growth, replaced loan and security maturities and paydowns; third, client activity in Global Markets drove more of the sales and trading growth through NII than fees this quarter compared to Q3. That was about $100 million more of a shift in global markets activity to NII from MMSA than we had originally anticipated.

And lastly, we had a small benefit from an average Fed fund rate, which primarily impact our liabilities dropping more than the way average SOFR rates behaved on variable rate assets, so we had a slight benefit there. Our net interest yield, NIY, improved 7 basis points from the third quarter to 208 basis points, reflecting the growth in NII, while the earning balance remains stable as higher-yielding loan balances replaced lower-yielding securities. And as I said earlier, higher deposits allowed us to reduce wholesale funding while cash balances declined. Regarding interest rate sensitivity, on a dynamic deposit basis, we provide a 12-month change in NII for an instantaneous shift in the curve.

That means interest rates would have to move instantaneously lower by another 100 basis points more than the 2 expected cuts contemplated in the curve. On that basis, a 100 basis point decline would decrease NII growth over the next 12 months by $2 billion. And if rates went up 100 basis points, NII growth would benefit additionally by approximately $700 million. With regard to a forward view of NII, let me give you a few thoughts.

At Investor Day in November, we indicated our expectation that we would see 5% to 7% growth in net interest income in 2026 compared to 2025, and that's still our belief today based on the latest interest rate curve, which includes 2 rate cuts in 2026. To reiterate our expectation from Investor Day, we expect good core NII performance from loan and deposit growth that will additionally benefit from sizable fixed asset repricing and cash flow swap repricing to drive the 5% to 7% NII improvement.

During 2026, we expect roughly $12 billion to $15 billion in combined mortgage backed securities and mortgage loans to roll off quarterly, and those will be replaced with new assets at 150 to 200 basis points higher in yield or they'll allow us to pay down expensive short-term debt. For Q1 NII expectations I would use Q4 as a base after excluding about $100 million or so for the shift in Global Markets client activity that I referenced, that is likely to be offset in MMSA. So simply a change in geography that's revenue neutral. I'd also note, we have 2 less days of interest in Q1 than Q4.

And of course, we had a 25 basis point rate cut in December. Still we expect Q1 NII will grow roughly 7% from Q1 '25 based on the assumptions on Slide 18, in line with our full year guidance. Okay. So let's turn to expense and we'll use Slide 10 for our discussion. This quarter, we reported $17.4 billion in expense, up a little less than 4% year-over-year. When combined with our 7% revenue growth, this good expense management allowed us to generate more than 300 basis points of operating leverage, and that aligns to our target for the medium-term operating leverage range that at Investor Day.

The increase in expense was mainly driven by incentives tied to revenue growth and higher brokerage clearing and exchange costs, or BC&E, costs from trading activity. Those BC&E costs reflect client activity shifting toward higher growth and higher transaction cost overseas markets. Now these costs are the ones that are generally reimbursed by the client, so they're included in our revenue essentially offset one another. If we isolate change in expense for the incentives tied to Wealth Management, and remember, that reflects a 13% year-over-year improvement in asset management fees and we isolate the BC&E costs that supported a 10% increase in sales and trading revenue.

Then combined, they represented roughly 2% of our expense growth for the year and they came with good revenue. Beyond that, productivity improvements from AI and digitalization continued to help offset higher wages, benefits and technology investments. Headcount remains our key driver of expense from compensation and benefits to real estate and technology. And we manage this closely, not only in total numbers, but also an organizational structure aiming to strike the right balance of managers and teammates. Since the end of 2023, we've operated within a tight range of 213,000 employees. This year, we hired about 17,000 new teammates just to replace departures from what was a very low attrition rate.

And every time someone leaves, we take the opportunity to evaluate whether the role needs to be replaced. [Coming to] the third quarter. Noninterest expense was up about $100 million, driven by technology investments and wealth management revenue-related costs. That was partially offset by a $200 million net benefit from the combined impact of the reduction of the FDIC special assessment accrual and some other settlements that modestly increased litigation expense. Looking ahead, our focus remains on delivering operating leverage for shareholders. We expect to generate about 200 basis points of operating leverage in 2026. Those expectations include a constructive fee environment that complements our expected NII growth.

We've seen encouraging momentum in asset management fees, investment banking and Sales & Trading, and we look for that to continue. And importantly, if revenue comes in below our expectations, then obviously, revenue-related expense will be lower. As for Q1, we typically see seasonal strength in sales and trading activity and elevated payroll tax expense. Combined with the absence of the FDIC benefit we saw in the fourth quarter and combined with ongoing productivity improvements, we expect Q1 expenses to be about 4% higher than Q1 of 2025. And even with that, we still expect to deliver operating leverage. Let's now move to credit and turn to Slide 11.

And where you can see asset quality remains sound with small improvements in several key indicators. It's not a great deal to cover here. Our net charge-offs were $1.3 billion, down about $80 million from the third quarter and driven by lower losses in commercial real estate. Total net charge-off ratio this quarter was 44 basis points, down 3 basis points from the third quarter and down 10 basis points from Q4 '24. Provision expense in the quarter was $1.3 billion and mostly matched net charge-offs.

Focusing on total net charge-offs looking forward in the near term, we expect continued stability in total net charge-offs, given the mostly benign consumer delinquency trends and low unemployment data, the continued stability of C&I and reductions in our commercial real estate exposures. On Slide 12, in addition to the consumer delinquency statistics, note the modest changes in other stats for both our consumer and commercial portfolios. Let's now turn to the performance across our lines of business, beginning with Consumer Banking on Slide 13. Our Consumer Bank had a strong year. And for the full year, the team generated $44 billion in revenue and delivered $12 billion in net income.

Net income grew 14% from 2024, and we earned a 28% return on allocated capital. In Q4, Consumer Banking delivered strong results, generating $11.2 billion in revenue, up 5% versus the fourth quarter of last year and $3.3 billion in net income up 17%. So a really strong finish to the year. These results reflect the value of our deposit franchise and underscore both the breadth of our platform and the success of our organic growth strategy and digital banking capabilities. Our focus on client experience and investments in both physical and digital capabilities, combined with more investment in product innovation and rewards drove the strong results.

Business was also managed well for shareholders as we grew expense less than 2%, allowing us to improve our efficiency ratio to 51% and deliver nearly 350 basis points of operating leverage. This 2% expense growth reflects our continued investments in our brand, highlighted by our minimum wage increase to $25 earlier this year and incentives for more production. Digitalization and early utilization of AI helped offset some of the investments. Consumer investment balances grew $81 billion from Q4 '24 to nearly $600 million, supported by $19 billion in full year client flows and market appreciation. Average balance per investment account at $147,000 is up 12% from last year.

And this investment platform serves as a great catch basin for first-time investors and for more experienced investors looking to manage some element of their own money. As mentioned, consumer net charge-offs improved again on a year-over-year basis, and we continue to see stability in asset quality metrics. Credit card net charge ratio of 3.4% improved nearly 40 basis points from Q4 and improved linked quarter. Finally, as shown in the appendix, this is Slide 21. You can see strong digital adoption and the engagement that all continued, and the customer experience scores remain strong, reflecting the impact of our ongoing investments in digital. Turning to Wealth Management on Slide 14.

And you can see this is a business that has strong momentum right now, and we've improved growth as we work towards the medium-term targets laid out at Investor Day. For the full year, revenue of $25 billion grew 9% compared to 2024, and net income grew 10% to nearly $4.7 billion. Over the past 3 quarters, net income has gone from $1 billion in Q2 to nearly $1.3 billion in Q3 and to $1.4 billion in Q4. Return on allocated capital went from 20% in Q2, up to 28% in Q4. And the pretax margin has climbed back into the high 20% range as we ended the year.

Underneath all that, client balances grew $500 billion across the year to $4.8 trillion and that included strong ending loan growth of nearly $30 billion or 13%. Within that, AUM flows were $82 billion and total flows of 80 -- sorry, [$96 billion]. And coupled with the flows of consumer investments, we saw $115 billion of well flows for the firm this year. And for the year, Maryland, the Private Bank added 21,000 net new relationships with the average size of new relationships continuing to grow across both businesses. Importantly, we're not just growing relationships, we're deepening them as we added 114,000 new bank accounts this year.

And finally, I'd highlight the continued digital momentum as shown on Slide 23, where new accounts have increasingly opened digitally, underscoring the effectiveness of our digital investments and the evolving preferences of our clients. On Slide 15, you see the results for Global Banking. The team had a good year and generated $7.8 billion in earnings and that represented about 25% of the company's overall net income. Year-over-year earnings were down a modest 2% as a result of interest rate cuts impacting NII from the variable rate assets in the business. [indiscernible] grew average deposits $71 billion or 13% and grew loans $12 billion.

This included the addition of roughly 500 new clients in middle market, banking and more than 1,000 in business banking that chose Bank of America as their financial services provider in 2025. For the fourth quarter, Global Banking delivered net income of $2.1 billion down 3% year-over-year with a 6% improvement in fees overcoming the NII pressure. Business remains very efficient with a 50% efficiency ratio and we earned 16% return on allocated capital in Q4. We generated $1.67 billion in investment banking fees, up modestly over Q4 '24. And we maintained our #3 position for the full year.

And as Brian and I said earlier, investment banking fees showed good momentum, given all the regulatory and tariff announcements around the globe uncertainty settling in and our pipeline remains strong. Noninterest expense grew 6% compared to last year as we position the firm for the future with continued investments in technology and bankers. Switching to Global Markets on Slide 16. I'll focus my comments on results that exclude DVA as we typically do. The Global Markets team produced a record year of record -- sorry, a record year of revenue, improved earnings and solid returns. We generated $24 billion in revenue for the year, and that exceeded last year's revenue by 10%.

Earnings of $6.1 billion for the year were up 8% and the business generated a 13% return on allocated capital. It's worth noting this is the 12th consecutive quarter of year-over-year net income growth. Q4 Global Markets generated net income just shy of $1 billion, up 5% from Q4 '24. Revenue, excluding DVA, grew 10% year-over-year driven by strong sales and trading performance. And focusing on Sales & Trading, revenue ex-DVA, rose 10% year-over-year to $4.5 billion. And it was equities trading that led the improvement, growing 23%, supported by increased activity in Asia.

And that brought higher revenue, it also brought higher revenue -- sorry, higher cost in the form of transaction costs as the clients still reimburse us for those fees. [indiscernible] revenue grew 1% driven by improved performance in macro rates and FX products offsetting a modest decline in credit products. Loan growth continues to benefit from opportunities tied to highly collateralized pools of high-quality assets and clients value our expertise and in delivering these solutions. On Slide 17, all other shows a loss of $132 million in Q4, with very little to cover here. And as we wrap up, I would just note Q4 effective tax rate was 21%, and it was 19% for the full year.

For 2026, we expect an effective tax rate of roughly 20%. And then finally, I'd just note on Slide 18, we provided a summary of the forward-looking guidance that we discussed today. So I'll stop there. Thank you. And with that, we'll jump into Q&A.

Operator: *[Operator Instructions]* Our first question comes from Betsy Graseck with Morgan Stanley.

Betsy Graseck: Thanks so much for all the detail here. I did just want to understand one thing on the outlook as we're thinking about the expense ratio. I know that you've got the accounting change, and you also have outstanding guidance for the expense ratio over the medium term, I believe it is 55% to 59%, is that right?

Alastair Borthwick: Right.

Betsy Graseck: Okay. I'm wondering, are you going to be adjusting that expense ratio guide given the accounting changes that you have made in this quarter?

Alastair Borthwick: Well, I don't think -- so at this stage, Betsy, but similar to our comments at Investor Day, the numbers that we put out aren't a cap on our ambition.

So obviously, as we go through the course of the next couple of years, if we improved our efficiency ratio by a couple of hundred basis points this year, we're going to keep driving towards that range. And once we get in that range, we'll reassess and we'll consider whether it's time to consider a lower efficiency number in the future.

Betsy Graseck: Yes, I was just thinking mechanically with the accounting change, the revenues improve, right? So with the denominator moving higher, shouldn't that target expense ratio of 55 to 59 move down a percentage point on each side?

Alastair Borthwick: Well, remember, we recast the prior periods. So that's already in there when you use the comparative periods. And I think part of the reason that it was important for us just to recast all the numbers and adopt the accounting is because that's how our competitors showed their results. So now we feel like it's on a comparable footing.

Operator: We'll now move on to Ken Usdin of Autonomous Research.

Kenneth Usdin: So [indiscernible] just a follow-up, Alastair, you made the point about just your outlook for fees is strong, and obviously, there will be compensation aligned with that. So just coming back on expenses in an absolute sense with 4% year-over-year growth expected in the first quarter. And I know everyone is just thinking about just how do you get to this operating leverage algorithm. Is that around what you're expecting just absolute expenses to grow given your underlying base of good fee growth in there?

Alastair Borthwick: Well, I think what we're trying to convey is, and we've said this over the course of the past several years. Ours is an organic growth company. We're investing for growth all the time. And when we perform the way that we believe we can, we're going to create operating leverage every year. That's what our North Star is in terms of the financial model. So we've guided you towards NII, up 5% to 7% this year. We've said in the first quarter, we believe the first quarter will be up 4% or so. We've said that we expect the operating leverage to be a couple of hundred basis points.

So that should allow you to work backwards into the expense side of the equation, especially since we've given Q1 essentially. And then I think it would just depend on your revenue assumptions regarding assets under management fees, markets and investment banking because those will be the big drivers. And yes, we remain constructive on all 3 of those.

Kenneth Usdin: Okay. Got it. And then so -- as you think about your -- when you talked about the Investor Day, you talked about a 200 to 300 basis point range. So obviously, each year is going to be different things, but you've got -- with a strong base of NII growth and fee growth and we're on the 200 side, what are the things you could do to kind of longer term expand that and potentially get back -- to get up to the 300 side of that 200, 300 range that you had given us in November?

Alastair Borthwick: Well, I think one of the things we've talked about when we went back to Investor Day, and this gets back to driving return on tangible common equity over time. You think about the fact that we've just gone from 13% to 14% last quarter. Prior quarter, we were at 15%. We Said we're going to get in that 16% to 18%. If you think about the organic growth opportunity we have around deposits and loans, and then you add the fixed rate asset repricing that drops to the bottom line. And then you combine it with the fee growth that we've talked about.

When we manage expense carefully as we have done this year and headcount flat, sort of the core expense minus BC&E and incentive comp closer to 2% type growth. Then you'd look at something that gets pretty interesting over time. So that's what we're trying to drive over a period of time. And you're right, it won't always show up every year where it's exactly the same. But what we're trying to do, most importantly, drive organic growth, keep our expense discipline. That's it.

Brian Moynihan: So Ken, the number one thing is to continue to let the headcount -- work the headcount through operational excellence and applications of new technologies, including AI that we gave you some sense for. So as we told you at Investor Day, today's activity in Erica in our consumer business alone is worth thousands of teammates that we don't have to have to do the great work we do for the customers. So we've applied digital, and that's why I put the pieces in the deck that you can see in the Pages 21 and beyond. We apply the digital capabilities now AI capabilities.

And you saw during the year, the headcount was basically flat while we added more people in the field facing off the clients and generating new client flows. And that's why when Alastair talked about the middle market business, particularly in the private bank business, why we're seeing strong growth there. So it's going to be about bringing up the numbers of people down over time, and we expect the headcount to come down during this year.

And each month, we get the -- to maintain neutral headcount, we have to hire at a 7%, 7.5% turnover rate, you got to think it's higher than 1,000-plus people so we can just make decisions not to hire and let the headcount drift down. The team has done a good job of we ended the year basically flat. And we absorbed, as Alastair said, 2,000 very talented teammates from colleges in July. And by the end of the year, we were down to 2,000 people and end up back net neutral. So that's what you're going to get there.

If you look at the expense load, it comes from people and it comes from the benefits and compensation, and it ultimately comes from the buildings and computer systems to allow them to do the great job for clients. So that's what we're working on.

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

Michael Mayo: If you could just give more of an update on technology. What do you expect your spend to be this year versus last year, your spend on AI? And then Slide 21, again, we -- I think everybody appreciates the data you provide on your digital engagement, which is more than others. But no good deed goes unpunished. I'm just looking at Slide 21 and your interactions in consumer with Erica took a dip down in the last year, even while your users go up. So if you can talk about the spend investments and the results from Tech and especially AI.

Brian Moynihan: Yes. So Mike, we'll be up on initiatives this year, 5%, 6%, 7%, I think, types of numbers. Total spending [$13 billion, plus $4 billion] plus in initiatives, that's all new code. And in that spending, remember, also we get the advantage of all the other people. So for example, under the 365 CoPilot rollout, which is now out across a total of 200,000 teammates and using it and learning from it, we expect to get good leverage of that. So that's an increase in the run rate year-over-year.

So that's -- the technology is increasing, the technology number is sizable and the team does a good job in implementing change every weekend, frankly, except for 1 a year. So we feel good about that. One of the things that you'll note is you use these technologies and combinations. So your point on Erica, I asked the same question, Mike, because it's pretty straightforward why would the interactions of the Erica could go down. The reality of that is -- well, we don't show is the amount of alerts that we deliver.

So you can set up alerts which then has slowed down the need for Erica because the alerts are up to, I think, billions a quarter that are telling you when you're balanced low and things like that, that avoid you go in and asking the question. So that combination of things is growing very quickly.

So again, what you always try to do is look at a process from a customer to you and figure out how you can get that customer the best client -- the best customer experience at the lowest cost so you can plow that back into the low fee structures, which help us grow the business for, as we said, for 7 straight years in [checking] accounts. So there's a technical explanation on the Erica that is a little bit different. But thematically, you can see just the digital enablement just continues to grow and continues to help us leverage our franchise and frankly, consumers now pushing through 50% profit margin, and it will continue to go up.

Michael Mayo: Okay. And specifically on AI investments, like how much do you spend on that? Or the number of people, if you could dimension that and kind of what kind of outcomes you're looking for, especially as we say here at the start of the year?

Brian Moynihan: Yes. Well, we're looking for -- we have the -- we have -- to give you an example, we have 18,000 people on the company's payroll who code. And we've using

AI techniques. We've taken 30% out of the coding part of the stream of introducing a new product to service or change that saves us about 2,000 people. So that's how we're applying it. That was this year's statistic, meaning '25. Next year, we should get more out of it as we figure out and apply it across. So there's different projects going on in the company. I don't know off the top of my head the total expenditure, but it's several hundred million dollars.

Importantly, we're going through the company to generate more ideas how to apply AI. And I use example like our audit team has built a capability they think a series of prompts around doing audits and stuff to allow them to shape the head count back down that they had to grow during the regulatory on side over the last few years. They're going to be able to bring that down in AI, they'll be able to bring it down further, and they've laid out plans to do that. And so that's going on everywhere.

But that was organic from there starting to use the copilot capabilities and then learning how to do the prompts and then using it to set up audit practices. So you're seeing it everywhere in the company. So there's, I don't know, 15, 20 projects going on, and there will be a laundry list of much bigger size as we go through the company now and are generating ideas now that people are using it and getting used to how to use it.

Operator: We'll now move on to John McDonald with Truist Securities.

John McDonald: One of the other levers for the ROTCE ambitions that you guys have talked about is the denominator with the CET1 ratio. Could you talk a little bit, Alastair or Brian, about the time line for kind of where you are today with [11.4%] to the target you laid out, which I think was around mid-10s?

Brian Moynihan: Yes. I think, John, if you think about that we're still, as you well know, and your colleagues will now, we're still waiting for the rules to get finalized and they're multifaceted rule set that we got to make sure how it applies. But our goal, we appealed from 11.6% to 11.40%. And you're going to keep peeling that number down through expansion of our markets business, expansion of lending and other uses of RWA and so -- and we bought back a little more stock than in dividends than we earned. And so we'll keep working that down. But the idea is not to take the $200 billion-ish nominal and reduce that a lot.

The idea is to use the excess to grow the balance sheet and let that work down as we see the final rules, the constraint may be sort of to common equity ratio stuff or $6.20. Could you be in the mid- to high 5s or something like that, that might be possible. And if you -- so we'll let this all drift down over time. And so just expect us to keep buying back -- to paying the dividend, increasing it and buying back the stock. And remember that as you said, we've drifted down a little bit by growth, but also the accounting change hit it, which will repeat. So the next quarter we'll keep walking it down.

Just the idea is as this will settle in, then maybe we can be more aggressive, but we got to know exactly what we're dealing with.

John McDonald: Okay. And then maybe if we pull back just the broader timeline on the ROTCE path. It looks like for 2025, you kind of ended in the 14, low 14s. What's the ambition to get to the lower end of the 16 and then the 18 over time.

Brian Moynihan: I think we made it clear that you had -- and by the 8th quarter to the 12th quarter, you move in the lower part of the range and then the upper part of the range given a core economy growing it to 2.5% type of number. So -- and all the other attributes. So we made that clear. So that's basically 8 quarters from -- including this quarter, obviously, first quarter '26 and then we move into the 16 level, and then we move to the upper end of the range as we move through the third year.

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

Matthew O'Connor: I was hoping you could elaborate a bit on your outlook for loan growth and some of the drivers. You've obviously been bringing loans quite a bit. And just well in excess of the industry and how sustainable is that? And what are some of the drivers?

Alastair Borthwick: Yes. So embedded in our NII assumption is loan growth in the mid-single digits Matt. Obviously, we've had pretty good loan growth this year, kind of $20 billion a quarter or so. A decent amount of that has been on the commercial side. And we highlighted that in our financials and in our commentary earlier. So we're still seeing the growth in each of the consumer categories. And that feels like it's in a position where it's likely to continue to grow from here. So we feel pretty good about those 2.

I don't see any reason that it would be a whole lot lower necessarily than it was last year, but last year was a good 1 year, no question. So that's why we're saying mid-single digits. I think it will still be led by commercial. But you see the consumer categories picking up.

Matthew O'Connor: Okay. And then I guess, specifically in credit card, the spending was good, up 6% year-over-year or the balances were up just a couple of percent, fees were down. I know at Investor Day, you talked about accelerating the growth there. Maybe just update a little on kind of the initiatives there and the timing.

Alastair Borthwick: Yes. So [indiscernible] was very clear about this at Investor Day. It's our intention to continue to accelerate the growth in card. I think we've seen that in the last 3 or 4 quarters. It's picked up sequentially quarter after quarter. And if you were to look at what the team is doing right now, they're investing a little more for future growth. So you can see that in some of the things we're doing around the World Cup this year. You can see it in some of the things we're doing around more rewards in November. You can see it in our rewards program with our co-brand partners.

And you could see it in the June cash back rewards offering. So we've got a lot of things going on right now that we're excited about. We know what we've committed in terms of higher credit card growth, and we feel like we're on the right path.

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

L. Erika Penala: I just need to reask this question, Brian, Alastair because as I speak with investors, I think the communication on efficiency and expenses is a big part of what's holding down the stock. So just to clarify in terms of what Betsy was asking, she was asking, well, given the restatement and thereby higher fees, shouldn't you adjust the efficiency ratio range to 54% to 58% because you shouldn't get credit for the restatement, right? So that's why she was asking that. And I think what Ken was asking was, everything that Alastair mentioned, the curve, the growth capital markets, it's hitting this year, right?

And so you're on the low side of the 200 basis point -- of the 200 to 300. And so I guess the question here is what should we take away in terms of the expense messaging? Is it sort of what Brian alluded to that the headcount just needs time to work through and then you'll hit 250 to 300, and we just need to be patient. Is there more investment spend like you told Mike Mayo that you wanted to front load in a great revenue year.

Like what exactly do you want your investors to take away in terms of how you're viewing the expense growth relative to your -- the revenue side because, for example, for your closest peer at JPMorgan, they grow expenses to $105 billion, no one really links, right, because of the revenue side. So what is the underlying message for operating leverage for Bank of America over this year and over the 3 years that is underpinning that 16% to 18%?

Brian Moynihan: Let's back up to it. We -- as Alistair said, we are driving these numbers and they have improved on a recast basis by a couple of hundred basis points, and they'll continue to improve. And so the range will move down to lower numbers. And when we get into the range, we'll reset the range. But I think we're focused on the wrong thing. The question is, what are you doing now as opposed to what you say you're going to do. We have a tendency to actually deliver as opposed to talk about what we do in the future, and that's what we focus on. So what have we done?

The efficiency ratio came down a couple of hundred basis points on an apples-to-apples basis with the parts of the revenue stream that are least efficient, the wealth management revenue growing very strong in the capital markets revenue. So when the consumer bank revenue grows in and Global Banking revenue grows at the efficiency ratio there at, they produce a lot more pop than wealth management, which has, obviously, the financial advisory tariffs. So you have to also think of where the revenue growth is coming from to see the improvement, but we moved to 200 basis points. We've moved in past years when rates stabilize, we'll move it into the 50s.

As you get the lower efficiency ratio, the operating leverage can be narrow and you still get a bigger earnings spot. One thing that we've been telling you and that we want to make sure people understand is our goal is to keep driving all the extra NII to the bottom line meaning the difference between sort of the core and the repricing because we owe that to drive the returns up and the rest of it will have more normalized attributes to it. So we've driven the efficiency down, and we expect to continue to drive it down. It is all going to be due to headcount because that's 60-plus percent of our expenses.

We've absorbed inflation and everything while we're doing that. The expense growth Alastair just told you first quarter, 4% with expense increases and base increases and third-party inflation coming through, et cetera. So we're very -- we're very efficiently to our businesses, and we're very efficient relatively to our peers, and that will continue to improve. And that's -- I don't know how to do it. One of the things when I talk to investors and I actually talked to people own a lot of stock every quarter.

Their view is stay away from -- focus people on the operating leverage in the company because at the end of the day, we've got to grow expenses at a faster rate, which we have been doing than a slower rate than revenue -- excuse me, revenue at a faster rate than expenses for operating leverage. We produced that for our last 5 quarters. We had 5 years of it leading up to the pandemic. You should expect us to get back on a streak.

But the reason why they want us to focus on that, the people that own the stock is to get away from the nominal dollar debate every quarter and get more focused on how the team is doing a great job of driving the revenue and driving the expense. The revenue growth slows down because the dynamics outside our company, the expense growth will slow down.

Operator: We'll now move on to Jim Mitchell with Seaport Global Securities.

James Mitchell: Maybe just a question on deposits. We've seen 3 rate cuts in September. Can you speak to what you're seeing in terms of deposit pricing whether betas are worse, better or worse than expected? And just also what you're seeing with respect to client behavior would just be helpful to?

Alastair Borthwick: Okay. First, with respect to our pricing discipline, really when you talk about pricing, we're most focused on the upper end of the corporate banking, commercial banking, a very large global banking deposit base where we're passing on rate cuts essentially the moment that they take place and in full. And so that's why you see the beta there, obviously quite high. Same thing in the upper end of wealth management. Consumer, you see much less in the way of pricing coming down because we have so much in the way of noninterest-bearing and checking and so much in the way of low interest-bearing. So we feel good about the team's pricing discipline overall.

In terms -- and you should expect that to continue in Q1, recognizing that the rate cut was late in Q4. In terms of growth, I think if you were -- to look at Page 7 in the earnings materials, it sort of tells you the picture. On the bottom right, you can see Global Banking. That's had a very good period of growth. Not sure that sustains at that sort of level. But we've had good growth in Global Banking. And most importantly, on the top right, consumer has begun to turn and is growing. And that's the most powerful engine for us. Those are the most valuable balances. We've now got 3 quarters of year-over-year growth.

It's poised to grow, place to accelerate. So that's very important and wealth management is bottoming here. So we feel good about the mix of deposits changing in our favor this year. I won't just need to make sure that we keep track of that through the course of the year, but we're pretty optimistic on that, Jim.

James Mitchell: Right. So I guess when you think about maybe inflection [indiscernible] in deposits growing loan growth still strong. You have an NII target of 5% to 7% for this year. Could we just drill down and look at NII ex markets, it's grown about 5% over the past 2 quarters. Is that a reasonable growth rate for this year? Or do rate cuts make that a little more challenging? Just how do we think about the markets versus ex markets NII dynamic?

Alastair Borthwick: Yes. So markets is going to benefit from a couple of different things. First, we obviously invested 10% plus into the Global Markets balance sheet. So that tends to mean that we're likely to grow NII, okay? Second, a big portion of that growth has been in loans. They're totally about NII. So that obviously is helpful. Third, when rates are cut, because markets tends to be liability sensitive that tends to be good for markets NII, okay. All those things are true. And the only thing, Jim, that I was just making sure that I pointed out in my comments earlier was we ended up at $15.9 billion.

That is what I would consider to be mostly all core NII. It just happens that we had about $100 million or so of Global Markets NII that I think will revert back to MMSA next period. So that's the 1 part that I just feel like is important for us to note, but otherwise, I think Global Markets NII will grow with the continued investment in loans and in the business over time.

Operator: We'll now move on to Chris McGratty with KBW.

Christopher McGratty: Alastair, on the funding remix. I guess what's left to go in your view based on your core deposit trends? And how much of that is baked into the guide, the liability optimization?

Alastair Borthwick: You're talking how much of the wholesale funding can we take down over time?

Christopher McGratty: Yes, that's right.

Alastair Borthwick: I'd say probably at this point, somewhere around $50 billion to $100 billion just on ballparking that between repo CP, some of the short-term wholesale funding institutional CDs that we put out there that are just quietly rolling off now quarter after quarter after quarter. So that's the sort of number I would use.

Christopher McGratty: Okay. Great. And then just piggybacking on the loan growth comment. The optimism I heard on the commercial growth. I guess any asset class is perhaps not as optimistic into '26? And if I missed it on the card expectations with the proposal, any comments there about either growth or expectations for -- to offset that would be great.

Alastair Borthwick: Just restate the question one more time for me. Just say it again.

Christopher McGratty: Sure. Expectations for loan growth, anything you're not pushing on for growth? And then given the President's proposed 10% cap on card yields, any comments related to that related to your current strategy?

Alastair Borthwick: Okay. So on loans, I don't -- I mean, I'd say we're pushing for loan growth everywhere we can find good high-quality loan growth. So there is no place that we're not pushing. We obviously have substantial excess of deposits above our loans. So we've got a lot of capacity there. We've got a lot of excess capital, we'd like to continue to deploy if we can find productive uses with our client base. So pushing everywhere I think commercial has obviously had a good period. Wealth Management has had a good period, too.

Some of that relates to things like traditional securities-based lending, but some relates to wealthy people looking to purchase expensive assets, and we're there to help them with that, obviously. The consumer piece had been quieter last year, maybe picked up a little more this year. We can see the growth now in a variety of categories. Interesting to see home equity beginning to grow and right in across time. Mortgage, a little more activity this past quarter, if you see our originations, so we had more there in resi mortgage. So we're looking to continue to see pickup in consumer activity broadly. And again, we're trying to drive more card balances. So that's really important for us.

That remains the front of our strategy.

Brian Moynihan: Chris, on the rate cap, obviously, you're here -- there's a good public debate going out there on the -- if you have unintended consequences of capping rates as has been proposed over many years by various components in Congress and stuff like that. The explanation we've always made sure people understood is that the if you bring the caps down, you're going to get strict credit, meaning less people will get credit cards and the balance available to them on those credit cards will also be restricted. And so you have to balance that against what you're trying to achieve on the affordability. We're all in for affordability. You all know how we run our consumer business.

It's the most fair to the consumer, and that's why we get good growth in high customer scores and those increasing. So we build a product to stop people from going to payday lenders. It's called Balance Assist. We've had 1 million -- 2.5 million to 2 million plus consumers have used that product to borrow a short-term loan for $500 or -- up to $500 for a $5 fee. We have a no-frills credit card with lower rate structure to it, and we've had [700,000] clients this year took that card. And so we believe in affordability.

But if you -- with instruments that cap, you will see unintended consequence of that, and I think that's what you're seeing a debate going on is people are making our points to the various -- the administration and Congress and others involved.

Operator: We'll now move on to Glenn Schorr with Evercore.

Glenn Schorr: I think you brought up an interesting point getting people to focus on away from the nominal expense sales. And you obviously mentioned the less efficient revenues are growing good from Wealth and Capital Markets revenues. So my question is in a good backdrop like we're in, good economy, strong economy. Everybody's got a job, markets are doing well. If you take a step back, and you see flattish consumer deposits and down [indiscernible] deposits, it's not what maybe you would have expected. And that's not a you thing. That's an everybody thing. So I'm just wondering if you could address that, even with 680,000 new checking accounts, like why do you think we see this sluggishness in deposits?

And do you think we'll see a turn at some point in '26? Because that would help the operating leverage story as well?

Brian Moynihan: Yes. So I think you have to think about what the consumer, especially in the -- even the wealthy consumer, they come to us for the transactional accounts and they come to us, whether they're savings money. And as market alternatives off-balance sheet alternatives, money market funds, et cetera, ran up in rates, you saw a fair amount of money move in that, especially in the wealth management business. What Alastair explained earlier is that's kind of all behind us now the consumer has been stable and bumping along. The wealth management actually grew in the last part of the year. And so you're seeing it -- and these have settled into much higher levels than they were traditionally.

So I think wealth management was maybe $200 billion before the pandemic, maybe $230 billion, something like that $240 billion maybe, and it's moved to $280 billion type of level. So you're seeing a lot more cash towards. So on the wealth side, it's people putting money into the off balance sheet yielding things because, frankly, we don't need the cash, as Alastair explained on some of the things and the early on the rates paid in CDs and things like that. And then secondly, it's actually the risk on trade of when the market. And on the general consumer side, what's happened is that they fine-tune some of the higher pieces.

And a lot of the decline in balances that we experienced up until the last -- about a year ago, most of that decline was driven by wealthy consumers and our consumer franchise. In other words, the balances for the people had less than $10,000 average balance before the pandemic or that were multiples of what they were pre-pandemic and then have been stable for the last few years. But the people who had $50,000, $100,000, $500,000 and average collective balance is pre-pandemic were down 20%. And with the percentage of total deposits there that drove it down on a relative basis, but again, that has stabilized. So we feel good where it's going. It's a lot of leverage.

You have a consumer business, which has a 50% profit margin round numbers. And so it contributes to that. And if you go back and look historically, we have gotten that number down pretty far. And that has the biggest profit engine in the company is core to us driving that expense efficiency across the whole place.

Glenn Schorr: Okay. I appreciate that, Brian. Maybe just a little more color on your comment on the IB pipeline looks good. There's moving parts in the fourth quarter, so I don't want to overemphasize the revenue environment. But maybe you could talk about the outlook, it's expected to be a pretty strong year. The underlying conditions are pretty strong for cap markets activity. So my question is, do you feel like you've made enough investments to capture more than your fair share, pick up share? And do you expect as good as the year as I do.

Alastair Borthwick: Well, I mean, I think we feel good about both of those. We feel good about the deal environment. Brian noted earlier, second half of the year, investment banking fees were 25% higher than the first half of the year, and that's largely based on more and more certainty around tax and trade and some of the things that really matter to and CFOs and Boards of Directors. So we feel good about the investment banking environment. We feel good about our pipeline. And yes, on the second question, we feel good about our investments.

So you know this, Glenn, but for the benefit of everyone, we've expanded our local banking presence around the United States to improve our client coverage. Today, we're in 24 different cities. We've got over 200 bankers in a group that really focus on middle-market clients. We've seen the benefit of that. We expect to see that continue as their relationships continue to grow. We're covering newer and emerging companies in things like technology and health care in a different way, earlier in their life cycle, and we're covering more clients internationally. So all of those places, we feel like are sorts of places that we should perform well. So yes, we feel good about that.

And then I'd just say when you look at performance overall. Yes, we're at the top with some of the very largest transactions. So we feel like the franchise is in good shape.

Operator: We'll now move on to Steven Chubak with Wolfe Research.

Steven Chubak: So wanted to ask Alastair -- so I wanted to ask on the GWIM targets that you had outlined at Investor Day. You saw some good momentum exiting the year. You outlined the 30% margin target with accelerating growth expectations on the organic side, but new recruitment does require some upfront investment. So I just wanted to understand what gives you confidence you can deliver both the acceleration in organic while still driving better operating leverage.

Alastair Borthwick: Yes. So I think if you were to ask Lindsay and Eric, they'd tell you, and if you ask [indiscernible], they tell you that they enjoy significant competitive advantage as it relates to covering our clients. So obviously, we're in the wealth business, but we're also in the banking business. We have high tech and we have high touch. We are digital, but we're also local, and we offer scale. And then in terms of prospecting for wealthy families to add net new -- we've got consumer, business banking, commercial banking, corporate investment banking, all helping that group working together. So that franchise is one then that can deliver.

And if you were to look at what -- if you were to look at, for example, competitive attrition this quarter, the lowest we've seen in years. I think the Merrill FA see the value of our franchise and how they can help their own clients over a long period of time, and we're picking up the recruiting of experienced advisers. That isn't an enormous part of our strategy, but it's a training program so that we're training people in wealth management, Bank of America and Merrill and that is what that's ultimately what we believe we can just keep driving in order to improve the net new flows.

Steven Chubak: That's great. And then just one ticky-tack question on the tax rate. First off, thank you for implementing the accounting change. It certainly makes our lives much easier from a modeling standpoint. I know that it appeared at least in the 8-K that there was a small stub of tax advantage investments where you didn't adjust the treatment. So I wanted to just understand if that 20% tax rate is expected to hold going forward beyond 2026 or if there's any potential for very modest but still a little bit of upward drift as earnings continue to ramp?

Alastair Borthwick: For now, I'd use the 20% -- I mean, obviously, hence the guidance earlier. You're right, there are a small number of deals that don't qualify for the treatment. Now over time, all of those are going to burn down and burn off. And then in addition, you've got the question of whether or not some of the tax credit equity deals will end up expiring after 2027. So I think over a very long period of time, it's possible that the effective tax rate drifts up. But we'll be able to give you more guidance on that as we go through the various years.

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

Gerard Cassidy: Can you guys share with us, as you know, the Genius Act was passed and there's a lot of talk about stablecoin deposits. I think they're now trying to figure out how to close a loop hole so that the stable coin deposits cannot pay interest. If they are not -- meaning Congress, if they're not successful in closing that loophole, what's kind of the impact that you guys are thinking that could happen from this trend in stablecoin deposits?

Brian Moynihan: So I think I would not -- look, we'll be fine. We'll have the product. We'll meet customer demand, whatever may surface. And so I don't worry about it. But the point we've tried to make, and if you look at some studies, I think, were done by treasury is that they say you can see upwards of $6 trillion in deposits flow off the liabilities of a banking system to as the deposits into the stablecoin environment. And the key of that is to think that the restrictions to be a stablecoin is basically think of it as a money market mutual fund concept that has to be invested in only deposits, banking Fed or treasuries in short term.

And so when you think about that, that takes lending capacity out of the system. And that is the bigger concern that we've all expressed to Congress as they think about this, is that if you move it outside the system, you'll reduce lending capacity of banks that particularly hurts small-, medium-sized businesses because they're largely lent to end consumers by the banking industry where capital markets-oriented companies go off into the market. So I think in the end of the day at the margin, the industry gets loaned up.

And if you take out deposits, they're not going to -- they're either not going to be able to loan or they're going to have to get wholesale funding and that wholesale funding will come at a cost that will increase the cost of borrowing. And so that's the issue that people have to struggle about. Do I think it affects the course of history of Bank of America, no, we'll be competitive and drive it. But I think in the industry overall, I think it's something that we've expressed concern as an industry, and we continue to make sure that they see those issues as they are trade groups and others as they work through the funnel legislation.

What will come out of it? I don't know in terms of adjustments or thoughts about that and are working on as we speak.

Gerard Cassidy: Very good. And then just as a follow-up question. Obviously, you guys have presented a positive outlook for yourselves for 2026. The industry appears to be setting up very well with deregulation, steepening yield curve, healthy economic growth. Loan growth is picking up according to the H8 data. And as bank investors, we've learned to always look over our shoulder, but it seems like the worry now is there aren't many worries out there. Do you guys -- when you look at -- other than the geopolitical risk, of course, which is always a risk, what do you guys focus on just to keep an eye on in case something goes off the rails or something?

Brian Moynihan: Yes, don't be a [indiscernible] there, Gerard. At the end of the day, think about the structure. We are always doing stress tests that reflect a 50% decline in house prices and market declines and all that kind of stuff and we test ourselves every quarter. We have trading stresses run every day. And so you're always trying to see, at the end of the day, whatever configuration of activities that produce as a result, the result that's going to reverberate into the global financial system and the U.S. financial system and the U.S. banking system is going to be the economy, right, in a recessionary environment, a high unemployment, those types of things.

So what we do is we stress scenarios that produce those characteristics. But really, if you think about it, the stress test is going from where we are today up to 10% plus unemployment, house prices are down, as I said, they don't -- the way the methodology doesn't really allow you to adjust your operating expenses, which we know we would adjust. And you can see the industry passive stress tests, and that's, I think, 1 of the most valuable things that came out of the regulation.

And our goal is to get those fine-tuned a little bit so they don't swing back and forth depending on who is supplying to test, but the reality is it's a good thing, and we all support that. So I think that's the way to measure it. Is there [indiscernible] that you can outline you started rattling off and I could [indiscernible] off, yes.

But you sat there and said last year at this time, those same dimensions were in place 2 years ago, 3 years ago, 4 years ago, but we just don't see what we see differently than this maybe 3 or 4 years ago is the momentum in the market -- the capital markets activity in the investment in AI and the consumer spending is 150 basis points higher than it was back then -- our customer base, the credit quality is -- we're running at 40 basis points level.

That's a level that is among the lowest in the history that we could find in a company going back 30, 50 years, these are good setups, but we're always worried about what could happen next as you say, and that's why we did the stress testing. That's why we have to balance. And effectively, that's why we drive responsible growth. We have a balance in lending. We're not overlent in any 1 industry. We manage those things. We make sure that we take the credit risk. We don't have a lot of stored risk that the industry had leading the financial crisis, meeting CDOs and things like that.

So the industry is in pretty good shape, yet there'll be something that will happen and we'll all have to adjust to it. Let's just hope it takes us longer the next year to happen.

Gerard Cassidy: Yes. No, no, I totally agree with you.

Operator: We'll now move on to Saul Martinez with HSBC.

Saul Martinez: I wanted to follow up on credit. And I apologize if you addressed this in the prepared remarks, but it's been a busy morning. But your loan loss provisions and charge-offs have been particularly low in the last couple of quarters. And Brian, you just mentioned the 40 basis points being historically low. Wholesale also very low. I'm just curious your thoughts on whether you think we're at below trend levels of losses and in what categories? And is there a way to think about what more normalized levels of losses would be even in an economic environment that remains benign as we have now.

Alastair Borthwick: Well, you're right, asset quality has performed quite well. You can see that in consumer. You can see that in commercial. At Investor Day, we gave an idea of what we thought through the cycle might be. I think we said at the time, 50 to 55 basis points. So you can see right now the last 2 quarters, we were at 47 and 44 overall. So we're obviously happy to see that. We feel like we underwrite the right risk. We feel like we select the right clients. We feel like we've earned that and it happens to be a good environment right now. But maybe the 50% to 55% is the right number or through the cycle.

No change to investment.

Saul Martinez: Okay. Okay. That's helpful. And I guess in consumer deposits, you expressed some optimism that you're seeing an inflection there and some acceleration. Just curious where you think the growth can get to? Do you think we can get to mid-single-digit types of growth in consumer deposits? And what are some of the variables that would drive that? Does it depend on additional rate cuts? And just kind of curious what you think a more normalized level of -- or not on a more normalized level of growth. But where do you think it could go to as rates come down and deposit growth starts to materialize?

Alastair Borthwick: Well, look, Brian did a nice job of sort of setting the historical context. We've had an enormous pandemic bump followed by normalization back towards something that would be more just normal for consumers in terms of what they would have in their checking accounts. That has taken years. But what we're seeing right now, Saul, is if you look at the checking account balances, for example, they're up a couple of percent now year-over-year, not 0. So do I think it can go higher again next year? I believe we do. Historically, we might see consumer deposit growth at GDP to GDP plus type levels.

Now that would put you in the sort of 4% to 5% type of range. Maybe we don't get all the way there this year, but we just come off a year where we added 3%. So we're obviously expecting and hoping for something slightly higher again in 2026 as we move to something more normal.

Operator: Thank you. At this time, there are no further questions in queue. I will now turn the meeting back to Brian Moynihan.

Brian Moynihan: Well, thank all of you for joining us. And just in summary, it was a good quarter and a good year, and I want to thank our team at Bank of America for producing it. We've laid out at Investor Day, that world-class franchise we have across all these businesses their performance continues to make good progress in '25, both on revenue profitability and returns. The organic growth that I outlined earlier remains strong. The credit is very stable and very good quality. And we continue to manage head count and expense as we talked about to drive operating leverage. So thank you. We look forward to talking to you next quarter.

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

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