Operator

Welcome to today's program. [Operator instructions.] It's now my pleasure to introduce Kevin Stitt. Please begin, sir.

Kevin Stitt

Good morning. Before Bruce Thompson and Brian Moynihan begin their comments, let me remind you that this presentation does contain some forward-looking statements regarding both our financial condition and financial results, and that these statements involve certain risks that may cause actual results in the future to be different from our current expectations. And please see our press release and SEC documents for more reference.

And with that, let me turn it over to Bruce.

Bruce Thompson

Thanks, Kevin, and good morning everyone. I'm going to start on slide four, as we work through the presentation. We earned $0.20 per fully diluted share during the first quarter or $2.6 billion, up significantly from both the first and fourth quarter of last year.

The one item we want to highlight up front, since it only happens once a year, is approximately $900 million of expense related to retirement eligible stock based compensation awards that we have had in the first quarter for the past several years.

We believe first quarter results demonstrate significant progress towards the goals we have discussed over the past several quarters. Global markets client activity drove improved sales and trading results versus the fourth quarter of 2012, while investment banking performance remained strong.

Global wealth and investment management reported record earnings post the Merrill Lynch merger. Expenses in most of our businesses continued to decline, although they are partially offset by higher revenue related incentive compensation and the impact of expense related to annual retirement eligible stock based compensation awards.

Capital and liquidity both continued to strengthen and are at record levels by most metrics. The interest rate environment continues to be challenging, but moderate loan growth and reduced average long term debt helped stabilize net interest income versus the fourth quarter.

Credit quality improved in almost all products, and both consumer and commercial loss rates were the lowest in several years. And we continue to make strides in resolving legacy issues as we just recently reached an agreement to settle three class action lawsuits involving Countrywide-issued RMBS.

On slide, if we look at the balance sheet, you can see the total balance sheet was down from both the fourth quarter of last year as well as the year ago period, although total loans are up slightly.

If we look at commercial loans and leases, they're up 3% relative to the fourth quarter of 2012, and up 17% compared to the year ago period.

If we move down to deposits, deposits were down slightly from the fourth quarter of '12 to the first quarter of '13, although up approximately $54 billion, or 5%, from the first quarter of 2012.

Tangible common equity ratio was up 20 basis points from the fourth quarter to 6.94%, and tangible book value was up about $0.10 to $13.46 at the end of the first quarter.

As you know, we started reporting under Basel I, incorporating the market risk final rule, this quarter. The change added approximately $87 billion to risk-weighted assets. As you can see on slide six at the end of March, our tier one common capital ratio under Basel I incorporating this change was approximately 10.6%, up from what we would have reported had we incorporated the change at the end of last year.

Under Basel III, on a fully phased in basis, tier one common capital was estimated to be $131 billion, or 9.4%, versus the fourth quarter estimated calculation of $129 billion and 9.25% respectively.

I do want to bring to your attention that effective January 1 of this year, on a prospective basis, we adjusted the amount of capital being allocated to the business segments. The adjustment reflects an enhancement to prior year methodology and now considers the effect of regulatory capital requirements in addition to our internal risk-based economic capital models. On slide 22, and the appendix, we summarize the adjusted allocations for you.

If we turn to slide seven, our global excess liquidity sources remain very strong at $372 billion. Ending long term debt did increase $4.1 billion from the fourth quarter of '12 as we funded the January payment for the Fannie Mae settlement and opportunistically accelerated our 2013 issuance plans.

While we issued $11.5 billion of vanilla parent company debt during the quarter, we still expect our long term debt to decline over the remainder of 2013 as well as during 2014.

Our parent company liquidity remains strong at $100 billion, and time to require funding was 30 months. We'd expect to continue to remain over two years of coverage.

If you turn to slide eight, net interest income, our net interest income increased from $10.6 billion, or a net interest yield of 2.35% in the fourth quarter to $10.9 billion, or 2.43% in the first quarter of 2013.

If we adjust these numbers for FAS 91, in hedging effectiveness, on the upper right hand chart, you can see that net interest income was effectively flat at $10.6 billion, or 2.37% during the first quarter of 2013.

As we look at these results, we benefited obviously from the market related premium amortization expense. In addition, we also benefited from higher commercial loan balances as well as the reduction in the average long term debt as well as the deposit rates paid. Those benefits were partially offset by lower consumer loan balances and yields, as well as two fewer days during the period.

Let's move to slide nine and look at expenses. Total expenses were down from both the first quarter a year ago and the fourth quarter as we delivered on expense reduction in LAS as well as ongoing cost savings in our other businesses from New BAC.

LAS expenses, excluding litigation and the IFR acceleration agreement, were down approximately $500 million from the fourth quarter to $2.6 billion during the first quarter. This decrease marks the first quarter, where the correlation between expenses and lower delinquent loan levels is visible. Delinquent loan levels started to drop during the middle of last year, but as we have previously said, there is a lag of one to two quarters before you see the associated expenses decrease.

LAS headcount for March was down approximately 3,000 from December, while headcount excluding LAS was down approximately 1,000. As we've said previously, we believe that LAS expenses, ex litigation, will be at $2.1 billion or lower in the fourth quarter of this year and with feel like the progress that we made during the first quarter in getting to that goal was quite strong.

Excluding LAS expenses, litigation, and annual retirement eligible cost, expenses in the quarter, in the red box on the slide, were $13.8 billion, an increase of $558 million from the fourth quarter of ’12, and down $920 million or 6% from the first quarter a year ago.

The increase from the fourth quarter was due to higher revenue related incentive compensation, approximately $800 million, which more than offset the impact of cost savings. We continue to believe that we will achieve 75% of Project New BAC cost saves, or $1.5 billion per quarter, by the fourth quarter of this year.

The effective tax rate for the quarter was 28%, with nothing noteworthy to point out. We would expect a slightly higher effective tax rate for the rest of the year, plus or minus any unusual items like another U.K. tax rate reduction. This year’s expected U.K. rate reduction of 3%, up from the previous assumption of 2%, should be enacted in the third quarter, and will result in a charge of approximately $1.2 billion to write down our U.K. DTA in that quarter.

If we turn to slide 10, you can see that credit quality continues to improve. Net chargeoffs declined 19% to $2.5 billion during the first quarter, which is the lowest level in several years. The consumer loss rate dropped 34 basis points to 1.7%, the lowest since the beginning of 2008, while the commercial loss rate declined 5 basis points to 25 basis points, the lowest since 2006.

Provision expense of $1.7 billion includes a reserve reduction of approximately $800 million, reflecting the improved trends. NPLs and reservable criticized balances also continued to decrease.

In addition, 28%, or $6.4 billion, of our NPAs are current consumer loans that were modified and are now current after a successful trial period or are loans classified as NPAs due to regulatory guidance that was issued in the second half of 2012.

Our allowance coverage to annualized chargeoffs increased from 1.96x in the fourth quarter of 2012 to 2.2x in the first quarter of 2013.

If we turn to slide 11, we highlight the results of consumer business banking. Starting this quarter, we’ve combined business banking and deposits for reporting purposes. Pretax earnings for consumer and business banking increased 4% versus the fourth quarter, driven by improved credit cost as well as lower expenses. However, net income was relatively flat due to a higher tax rate.

Average deposit balances increased 4% or $18 billion compared to the fourth quarter, driven by $11 billion of organic growth and $7 billion related to transfers from global wealth and investment management. As you know, we periodically move customers across business segments after an evaluation of how they can be best served by us.

Rates paid on deposits during the quarter declined 3 basis points due to pricing discipline and a mix shift in our deposits. Brokerage assets increased $6.7 billion from the fourth quarter, or 9%, due to market appreciation and increased customer flows.

We reduced banking centers during the first quarter as we continue to optimize the delivery network. Our mobile banking customer base reached 12.6 million, which is up 5% from the fourth quarter and 30% from a year ago.

Combined credit and debit card purchase volumes had a seasonal decline of 6% from the fourth quarter, but increased 3% from a year ago. U.S. consumer credit card retail spend per average active account increased 7% from first quarter a year ago.

Average loans did decline $1.6 billion from the fourth quarter, due to seasonality and continued noncore portfolio runoff. And as I mentioned earlier, credit quality continued to improve, with some of our credit quality indicators at historic lows.

If we turn to slide 12, we address one of the two businesses within our consumer real estate services area, home loans. As you know, the home loans business is responsible for [first lead] in home equity originations within consumer real estate services. First mortgage retail originations of approximately $24 billion were up 11% from the fourth quarter and were up 57% compared with retail originations from a year ago.

We believe these increases are reflective of improvements in our retail market share. Consequently, we are adding employees to improve our sales and fulfillment capacity, which is the driver behind higher expenses in home loans during the quarter. However, given lower margins realized during the first quarter, core production income decreased from the fourth quarter.

If we turn to slide 13, legacy assets and servicing had a loss of $1.4 billion in the quarter, a significant improvement from the fourth quarter that was impacted by our settlements with Fannie Mae. The provision for reps and warranties [unintelligible] was $250 million during the quarter.

The MSR ended the quarter at $5.8 billion, up slightly from the end of the fourth quarter. Although we announced the sale of mortgage servicing rights in January, the accounting sale will be recorded throughout the year, as the servicing asset is transferred. MSR results, including hedges, were positive for the quarter. The capitalized MSR rate ended the period at 61 basis points versus 55 basis points at the end of the year and 58 basis points a year ago.

Results did include approximately $700 million of litigation during the first quarter of ’13, as well as a similar amount during the first quarter of 2012. As you can see from our press release, this morning, as well as on slide 24 in the slide presentation, we did reach an agreement in principle to settle for $500 million three class action lawsuits involving Countrywide-issued RMBS.

We feel very good about resolving these exposures, which addressed original principal balance RMBS that exceeded $350 billion, or what we believe represents approximately 70% of the unpaid principal balance of all MBS, as to which securities disclosure claims have been filed or threatened as to all Bank of America related entities.

Servicing income decreased 17%, or $182 million, compared to the fourth quarter. 47% of this decrease was related to the legal sale of MSRs in connection with the sales that we announced in January, together with other, smaller MSR sales.

The balance reflected payoffs that exceeded originations in the portfolio, due mainly to our exit from the correspondent channel in late 2011, combined with the seasonality and the timing of mortgage payments.

The number of loans in our servicing portfolio totaled approximately 6.5 million at the end of March, down 866,000 from the end of the year, due to actual transfers of approximately 570,000 and the rest due to payoffs.

60-plus-day delinquent loans dropped from 773,000 units at the end of December to 667,000 units at the end of March, of which a third of the decrease is associated with transferred servicing. We continue to believe that our 60-plus-day delinquent loans at the end of this year will be at 400,000 units or below.

If we turn to slide 14, global wealth and investment management had a very strong quarter. Earnings increased 25% to $720 million from the fourth quarter and continue to set post-merger records in several metrics. The pretax margin of approximately 26% was impacted by low credit cost and a higher contribution from corporate ALM activities, some of which we would not expect to continue.

Overall, client activity in the wealth management business in the quarter was strong across all categories. Client balances were up $82 billion, or 3.8%, from the fourth quarter, due to higher market levels and net positive flows offset somewhat by the net migration of deposits to consumer and business banking.

Period-end deposits dropped $26 billion, driven by $19 billion of net migration once again to consumer and business banking. The rest of the decrease reflected year-end seasonality, heightened by the fiscal cliff and client investment activity, including long term assets under management activity.

Ending loan balances were at record levels, and long term AUM flows were a record $20 billion, the highest quarterly amount since the Merrill merger, and the 15th consecutive positive quarter.

Net income in global banking, slide 15, was $1.3 billion versus $1.4 billion in the fourth quarter, and down from the first quarter of last year, primarily due to higher provision expense, due to loan growth and asset quality stabilization. Revenue increased 2% from the fourth quarter, reflecting increased business lending revenue.

Asset quality continues to improve. Net chargeoffs declined $117 million, or 51%. Reservable utilized criticized exposure declined 6%, and NPAs dropped 20% to $1.7 billion.

On slide 16, you can see corporate-wide investment banking fees increased 26% from a year ago, but were down slightly from a record-setting fourth quarter in debt issuance. Per [unintelligible], Bank of America Merrill Lynch gained market share compared to the fourth quarter of 2012, and based on our reported peer results, we believe, at $1.5 billion in investment banking fees during the first quarter of 2013, we were a very strong number two.

Average loans increased almost $12 billion from the fourth quarter, driven by growth in C&I as well as within commercial real estate. Ending loan balances continue to be higher than average balances, reflecting the momentum that we saw throughout the quarter. Average deposit balances at $221 billion for the first quarter declined approximately $21 billion compared to the fourth quarter, partially impacted by the expiration of tax.

If we switch to global markets, if you flip to slide 17, net income of $1.4 billion increased approximately $1 billion, excluding DVA, from the fourth quarter, reflecting increased sales and trading activity. We did record DVA losses of $55 million in the first quarter of this year versus losses of $276 million in the fourth quarter and losses of $1.4 billion a year ago.

Total revenue ex DVA was up $1.9 billion, or 58%, from the fourth quarter, and was down 11% from the first quarter a year ago. Sales and trading revenue, ex DVA, increased $1.9 billion from the fourth quarter, driven by our [fic] business, due to improved market sentiment. [Fic] revenue ex DVA was up 85% from the fourth quarter due to improved customer activity across all product categories.

Versus a year ago, [Fic] revenue was down 20% ex DVA, as market making opportunities and credit products were reduced due to spread tightening being much more significant a year ago than what we experienced in the first quarter of this year. Also contributing to the decline was a gain in credit products in the first quarter of last year that did not repeat and a decline in commodities revenue.

In equities, excluding DVA, results increased 61% from the fourth quarter, due primarily to improved trading performance and increased volumes in cash markets driving higher commissions. Versus a year ago, equity results were up 8% due to increased client financing balances. Average VAR of $81 million in the quarter is down from $100 million in the fourth quarter and effectively flat with the year ago period.

On slide 18, we show you the results of all other, which to remind you includes our global principal investments business, the non-U.S. consumer card business, our discretionary portfolio associated with interest rate risk management, insurance, and the discontinued real estate portfolio as well as the international wealth management business.

The loss of $867 million was driven mainly by first quarter annual retirement eligible costs. The $1.7 billion decline in net income versus the prior quarter was driven by the annual retirement eligible costs and the absence of tax benefit that were recognized in the fourth quarter of last year.

With that, let me turn it over to Brian.

Brian Moynihan

Thanks, Bruce. Before we take questions, I thought I'd leave you with a few thoughts about the quarter. As you can see on slide 19, we continue to work to stabilize the revenue streams and begin to build the strength to drive in the future.

At the same time, we continue to work on the cost structure, both reducing costs and at the same time investing in the business. As Bruce talked to you about, the 4,000 people we put to help drive our mortgage production and the 1,000 more loan officers are examples. That in turn will help increase our profitability now and in the future.

We continue to see continued momentum and driving balance growth across all our customer groups. When you look at the consumer side, this quarter we were pleased with the growth in deposits, the continued stabilization and profitability of the credit card business, and the ability to continue to drive the mortgage activity, the production activity, the way we want to, up 50% plus year over year.

As you can see in our global wealth management businesses, we have had a record level of assets under management come in from our industry leading business, and they had strong performance, including operating margins.

As you think about the commercial lending business, you can see both year over year and linked quarter we've had strong commercial loan growth as those businesses continue to produce strong profits for our company.

We remain strong in our investment banking revenues, as Bruce said, the number two positioning, and we continue to drive our positioning in that business. If we look at our capital markets business, as you can see we continue to show good profitability and a strong increase from the fourth quarter, but we continue to maintain a low risk in the methodology which will run that business, driven toward the customers that we serve and making sure that we balance risk and reward at any turn.

We still have a lot of work ahead of us as a company. We feel good about where we are and the progress we made this quarter. We'll continue to drive the earnings forward to deliver the results that you expect of us and we expect of ourselves. So let's open it up for Q&A.

Question-and-Answer Session

Operator

[Operator instructions.] We'll first go to the line of Glenn Schorr from Nomura. Your line is open.

Glenn Schorr - Nomura

Good loan growth in the C&I and commercial real estate side. Just curious, what kinds of yields are being brought on? And from what I understand, there's pretty reasonable competition for those new loans, so just curious on how you balance the growth and margin compression in the markets?

Bruce Thompson

It's interesting, if we look at the commercial loan balances across the platform, the spread on the new originations was actually up slightly relative to both the fourth quarter of last year as well as relative to the first quarter of last year. And it's interesting in that the loans that came on, not only were the spreads wider, but based on our internal risk ratings, the credit quality of what was being brought on was also stronger.

So we feel like the loans that we're bringing on we're doing in a prudent way. And you can see that as you look in the supplements that a decent chunk of the loans that are being brought on are international. Not any real concentrations, but both international, domestic, and really across all products.

Glenn Schorr - Nomura

I wanted to get your thoughts on the expenses, on slide nine. I wanted to make sure that I understood. Should the starting point, being that the retirement eligible is a first quarter phenomenon, is the starting point the 18.12, less the 900 or so, as we think about second quarter and then folding in the New BAC incremental efficiencies?

Bruce Thompson

Yes. I think, Glenn, that's exactly right. That 18.2 included the 900 from the retirement eligible employees that only happens once a year. So you're right, as you go to the second quarter, the starting point should be 17.3 million.

There would be two other things that I would point out once again, that if you look at the compensation expense in the first quarter relative to the last couple of quarters of last year, it was elevated by about $800 million based on the revenues that we saw within the sales and trading, the global banking, and to a lesser extent the wealth management business.

So we hope those repeat, but I would just highlight that that's a delta relative to the last several quarters of last year. And then obviously from that starting point we would look to continue to drive down expenses based on the work that we've spoken about with New BAC that we would expect to achieve throughout the year.

Glenn Schorr - Nomura

And you also mentioned your long term debt is down $75 billion year on year, and you expect more maturities in '13 and '14, in the 20s. I guess that's perfectly straightforward. Does that include any adjustments for what's coming down the pipe with OLA, or do you have to just take a wait and see attitude on what those rules are?

Bruce Thompson

We obviously are paying close attention to the different OLA proposals. I think if you look at the mix between the Merrill debt as well as the BAC debt, and you compare those dollar amounts relative to risk weighted assets, and you compare us relative to our peers, at least all of the work that we've done suggests that we're at the very high end of the amount of debt and related instruments that we have relative to risk-weighted assets.

So the rules obviously are not clear at this point. We feel like we're positioned very well based on what we understand the different proposals are that are out there, realizing it still is moving around. So as we go throughout the year, we would expect, as I said, to continue to drive that footprint down, not only in 2013 but throughout 2014, and we continue to be very focused on that.

Brian Moynihan

I'd add that there's also a rationalization of the footprint. Remember this was put on by various companies, not by one company, that we've been restructuring. So even if there's an amount outstanding, the cost could come down, because you can string it out. The rates paid are fairly high, because they're different environments than we've been in, and expect to be in in the next couple of years. So there's even value, even if you said the [notional] wouldn't move as far, based on some interpretation of the rules, to get debt footprint more rational and more spread across time than it is today.

Operator

We'll go next to the line of Matt O'Connor with Deutsche Bank. Your line is open.

Matt O'Connor - Deutsche Bank

Just to follow up a little bit on the fixed income trading results. Obviously it can be lumpy quarter to quarter, but it was down a little bit more than we saw elsewhere. You talked about some of the mortgage areas. Was there a particular gain last year that was unusual? Or it just activity?

Bruce Thompson

We referenced three things. The first was, there was a gain, that, as you look at that decline, that was in the area of $250 million that I would categorize more quite frankly as a recovery than a gain, that we had highlighted during the quarter last year. So a decent chunk of that was a gain that did not recur.

Then I think it's important, if you go and look at, during the quarter, we saw the financial spreads, which tend to be a fairly significant part of any [fic] trading business, tighten significantly in the first quarter of last year, and during the first quarter of this year start to finish, actually widen. So that was the second piece of it.

And then the third piece we referenced is that commodities had a particularly strong quarter last year and did not have as strong a quarter this year. So those three general things I would say. Flows generally continue to be very strong, and as you look at where we were relative to the fourth quarter last year, I actually think we continue to make good progress. But it was a little lumpy in the first quarter of last year.

Brian Moynihan

And I'd add that as you think about how we're running the global markets business, if you look at our VAR and our risk taking, we're keeping a balance relative to the rest of the company. And so there will be times when people do better than we are, and there will be times we'll do better than them. But we're keeping it balanced.

The second thing that Tom [Montag] and his team worked on is the expense side. So you can see the operating leverage when you look across the first quarter of last year to this year, and importantly the fourth quarter of last year to this year. You can see that with a little bit of revenue, you generate a lot more profit.

And so the idea is we're keeping this business so that we can make some money on a $3 billion trading revenue level in the aggregate in the business and a lot of money at a $5 billion level, and you're seeing that play out. So if you think about it, we made money on every trading day of the quarter. The VAR was down.

And so I think we should be careful to think that we may not [roar] as much as other people might, because this is one of the many businesses that we have, and we drive it for the benefit of the investing customers, and also the issuing customers.

Glenn Schorr - Nomura

And then just separately, in terms of your capital actions, I think many were positively surprised by the CCAR Fed approval for buybacks in both common and preferred. Just any commentary in terms of the pace of the common share repurchase and on the preferred side? The timing of that? And do you have to issue any to replace what you're calling?

Bruce Thompson

Two things on that. The first is you probably saw, I believe on April 1, we actually went ahead and issued the redemption notices for the $5.5 billion of preferreds that are outstanding. Just under $500 million of preferred dividend savings that we'll have on that. And there was no requirement to issue to replace that, so as you look at that redemption, that's a good redemption, where you can look at those savings.

As it relates to the common, we'd expect to be balanced and work through the share repurchase throughout the year, and really don't have much more to comment on no.

Operator

We'll move next to the line of Chris Mustascio with KBW. Your line is open.

Chris Mustascio - KBW

Bruce, a quick question. We've gone through expenses in terms of the stock compensation in the quarter and also higher first quarter compensation related to revenues. And you can kind of back that out and see what the run rate is for the second quarter. But you also mentioned that you expect to achieve $1.5 billion in call saves per quarter by fourth quarter of 2013, related to Project New BAC. How do I account for that third piece of the pie? I know the stock compensation in the quarter. I know the overall compensation being high because of revenues. How do I account for New BAC into a run rate up second quarter?

Bruce Thompson

We've said that at the end of 2012, on a quarterly basis, we had achieved $900 million per quarter of New BAC cost saves in the fourth quarter of 2012. So as you look to adjust your models, we will take that $900 million a quarter that we would have had in the fourth quarter and that will grow to $1.5 billion by the fourth quarter of 2013. Some of that we achieved during the first quarter, and we'd expect to achieve that throughout the year.

And then the second piece, outside of the more one-timers that we talked about in the first quarter were the LAS expenses, where we've said we'll get that number below $2.1 billion by the end of 2013. And we obviously got that from $3.1 billion in the fourth quarter down to $2.6 billion. So in addition to those compensation related items, we've got those two levers to continue to drive expenses down during the balance of the year.

Chris Mustascio - KBW

And just to be clear, the $1.5 billion in New BAC by fourth quarter 2013, what are the cost saves running in this quarter on New BAC? The delta I can kind of gauge.

Bruce Thompson

We've not given an exact number. I think what you should do is if you go back to slide nine and look at the red bar, we've said that there was 800 of increased incentives in that 13.8. That gets the number down to 13. You should assume that's part of the benefit between 13.3 and 13 related to New BAC, but we've not given an exact number.

Operator

And we'll go next to the line of Meredith Whitney with Meredith Whitney Advisory Group. Your line is open.

Meredith Whitney - Meredith Whitney Advisory Group

I just wanted some commentary on sequencing of litigation reserves and what's already been factored in in terms of the bulk of litigation settlements, and then what's on the horizon?

Brian Moynihan

I'm going to walk through the different pieces, and as it relates to overall litigation as well as the rep and warrant. And I'd ask you to flip back to slide 23, where we lay this out. I think one of the things that we feel very good about the progress during the quarter is if you walk through what we've laid out on the bottom of page 23, if we start with the reps and warrants, between the settlements at the beginning of 2011 as well as the Fannie settlement that we had at year-end, you can see that as we lay out here, we're generally through the GSE exposure as it relates to rep and warrant.

You then go down to the monolines. There are three significant monolines that we did business with, five in total. We obviously have had previous settlements with two of those three monolines. The one that obviously gets a lot of press is MBIA, that continues to be out there. You then go down into the private label rep and warrant, and obviously the most significant piece of that is the Gibbs & Bruns settlement, that continues to work through the court process and we would expect the outcome of that to be during the third quarter of this year.

So as you look at reps and warrants, we're through a significant portion of that. If you then flip to the securities litigation, which is the other significant piece of the litigation expense, one of the reasons that we think the settlement that we announced today was significant is as I referenced, if we look at the original unpaid balance company wide, of all of the securities that were underwritten, this settlement today relates to, companywide, about 70% of that.

So I don't think anyone's going to ever, at this point, declare complete victory. We do think that between the Fannie and related settlements and the look back in the fourth quarter as well as the settlement that we've announced today, that we're moving through in a pretty meaningful way this pipeline of items.

Operator

We'll move next to the line of John McDonald with Sanford Bernstein. Your line is open.

John McDonald - Sanford Bernstein

Bruce, just following up on that, you have on that same page the range of possible loss above additional accruals of up to $4 billion. There was some concern that some of the recent legal decisions in the monoline cases, particularly around the causation issue, might have impacted your estimates there. It doesn't look like it did. Can you tell us why that hasn't changed any of your outlook on that RPL number?

Bruce Thompson

Once again, the RPL that we have within the rep and warrant will continue to be up to $4 billion. As we've said before, at this point, given we don't have repurchase history with the monolines, the monolines are covered within our litigation reserves. And we have both litigation reserves as well as range of possible loss for litigation. And you should assume that there was some additional monies during the quarter in litigation expense that was set aside for the monolines.

John McDonald - Sanford Bernstein

And then you noted that the settlement that you announced today covers 70% of issuances on which claims have been made. Is that what you said?

Bruce Thompson

That's correct. Claims or threatened claims.

John McDonald - Sanford Bernstein

So where does that leave some of the higher-profile government suits, like FHFA and some of the things that we know about?

Bruce Thompson

The two most significant that are out there on the securities litigation that have been more public would be [FAFA] as well as AIG.

John McDonald - Sanford Bernstein

And on the Gibbs & Bruns, the final hearing is in late May. I guess deliberations could extend for a few months after that. Do you hope to get the final resolution in the third quarter?

Bruce Thompson

That's our best sense. Far be it from us to forecast that process, but our best estimate would be the third quarter.

John McDonald - Sanford Bernstein

And then switching gears, on the net interest income, do you expect to maybe do better than the core $10.6 billion now that you have a little bit of loan growth, and then day count, or do you expect to kind of stay around that level?

Bruce Thompson

I think at this point, where we've guided is we've said that with the work that we've done that ex any market related impacts that $10.5 billion is a good starting point. That number can bounce around, but I would continue to look at that $10.5 billion in the near term as the right starting point.

John McDonald - Sanford Bernstein

And how about on credit costs? You had a nice move down this quarter. Do you still have the capacity to take the reserves down further and do you expect the provision to make further progress below the $1.7 billion that you did this quarter?

Bruce Thompson

It's a good question. I think as we look at the chargeoffs and the move in chargeoffs, to have almost a 20% decline in chargeoffs I think speaks to the quality of the portfolio, and the work that we had said had been done back in late '08 and early '09 as it relates to consumer underwriting.

We previously said that as we look at provision, chargeoffs will come down about the time that the releases also come down to get you to a level between 1.8 and 2.2. If you look at what we experienced this quarter, and with what we're seeing with the trends, it clearly feels like we'll be at the low end of that going forward.

John McDonald - Sanford Bernstein

This quarter you were below the range, right?

Bruce Thompson

Yes.

John McDonald - Sanford Bernstein

So are we setting a new range? Or do you still think we should think about that range of 1.8 to 2.2?

Bruce Thompson

I would think about it at the bottom of the range at this point.

Brian Moynihan

It's clear it's all about the home finance side now. You see the credit card business continue to make some incremental improvement. It's made a dramatic improvement from the high points going back several quarters. But it's really about mortgages and everything you hear about in the market that we're witnessing in our portfolios in terms of house price improvement. Activity levels will bear well on that as we look forward, obviously.

John McDonald - Sanford Bernstein

One more thing on the revenue side. The mortgage servicing revenues seemed to take a step down from the MSR sale. What should the cadence of that be going forward? Is part of the decline kind of built in from the phased in sale?

Bruce Thompson

I think what we said is that roughly $90-100 million of the decline in servicing revenue was a result of the sales. We've said that as we get to the end of the year, the sales will ultimately lead to a reduction in revenues of about $200 million related to the MSR sales. We obviously had a fair bit of that given that a decent chunk of the performing sales had an effective close date on January 31. So we've clearly taken a piece of that, and there's probably another $100 million a quarter to come relating to those sales by the end of this year.

We tend not to just look at the revenue number, but we look at the contribution from a pretax perspective, and obviously as you see from the work that we're doing within legacy assets and servicing we continue to think that the opportunities there are significant.

John McDonald - Sanford Bernstein

And how do you guys think about the ultimate target FMSR size and maintaining a balance between origination and servicing in the mortgage business for when rates eventually rise?

Bruce Thompson

At this point the MSR balance was roughly $5.8 billion at the end of the first quarter. If we were to pro forma those sales throughout the year, assuming rates stay where they are, it gets you down to about a $5 billion number. From an overall capital perspective, plus or minus, that feels about right. Obviously any change from that's going to be a function of the opportunities to originate things that make sense versus any type of accelerated prepayments that may or may not happen. But I think $5 billion from an MSR balance perspective is not a bad number to be looking at.

Brian Moynihan

From the origination side, the first order of business after we got out of the correspondent business was to kind of get the business on an upward trajectory. And if you go back and look, starting in the fourth quarter of '11, we've basically grown retail originations quarter after quarter after quarter, and this quarter again we had another 15% off the fourth quarter last year.

But if you actually look at the headcounts, remember, we've got a thousand plus loan officers working this quarter that weren't here last year. They're training and getting up to speed, so the next order of business is how to overcome the HARP refinancing levels which we have in the portfolio and sort of get to a core run rate.

But there's no cap on us in terms of retail originations. We'll do as much as we can do for our clients. And you've seen us drive it forward every quarter, and now we have more people, more training, we're up to speed. 4,000 more people in the fulfillment area. And we don't see the pipeline slowing down.

Operator

We'll move next to the line of Brennan Hawken with UBS. Your line is open.

Brennan Hawken - UBS

In wealth management, just hoping to dig in. You guys highlighted a couple of things that helped. The margins have been higher, which it seems you don't think are going to repeat. About how much of a tailwind were those items? And if we were looking ex, it seems as though maybe we might have an updraft anyway, because we were looking at like a 500 basis point increase year over year and quarter over quarter.

Bruce Thompson

We talked about credit costs. I think within the business there was roughly a $30 million reserve release during the quarter that we wouldn't assume is necessary going to continue. But I think if you look at overall pretax margin, we've been kind of in the 20-21% area. This quarter was 26%. I think the assumption going forward is that we'll clearly be north of the 21%, but I wouldn't expect that in the near term we run at 26% either.

Brennan Hawken - UBS

I think you also highlighted the ALM as a tailwind too. Is there any way to quantify that? And can you help me understand the mechanics of how ALM will run through GWIM.

Bruce Thompson

I think the easiest way to look at it is if you look at deltas we had some of the market-based benefits that we quoted that were roughly $300 million during the quarter. A portion of that gets allocated to GWIM and if you look at the GWIM business, you can see that the net interest income was up about $100 million. So I'll give you those pieces of data, but we're not going to quote exact numbers as to how we allocate that out. But it's a piece of that.

Brennan Hawken - UBS

On the NPAs, I guess you guys had said that 20% from mods or regulatory requirements, and we've run through the regulatory requirements before. Just hoping to understand on the mods, it was my understanding that after about six months of payments, the [TDRs] are reclassified such current. Do you guys account for TDRs differently than that? Or can you help me understand how that works?

Bruce Thompson

You're exactly right. Once a borrower goes through the trial mod period and gets to a permanent mod, they need to be current for six months before we would look to bring those back in. And when you consider that number, realize that coming out of the national mortgage settlement there was heightened modification activity during the third and fourth quarters, in particular, of last year. So we clearly would expect some of those to cross the six month period during the second quarter.

And if you go back to I believe it was the third quarter, when we adopted the regulatory guidance, the biggest of that $6-plus billion, north of $4 billion of that is the regulatory guidance that was given. So that's going to be the bigger piece of the two things.

Operator

We'll move next to the line of Betsy Graseck with Morgan Stanley. Your line is open.

Betsy Graseck - Morgan Stanley

A couple of questions, one on mortgage. You indicated in the past that you were interested in increasing the mortgage origination share, and you've done that. I'm just wondering how close you are to where you want to be, or are you still in the process of building out what capacity you want to have there?

Brian Moynihan

On the page you can see that the mortgage loan officers are up about a thousand year over year. We are still adding as we speak. The success of putting them into the branch environments where you have a mortgage loan officer, an FSA, personal bankers, is multiples of the success in other branch environments. And so we're just driving that.

So the pipeline is still as strong as it's ever been. We added thousands of people to get them closed on time, and we're still working our tail off to get mortgage loans closed on time. I don't think there's any cap on where this could go. We still have tremendous opportunity within our client base that are unserved, that our clients go elsewhere to get their mortgages.

So you've seen it drive up 50% plus year over year, another $3 billion increase in quarterly production fourth quarter to first quarter. So I challenged the team, they've got to outrun the HARP at some point, because that will die off, although it's been extended. But I wouldn't tell you there's any sort of cap. I think we should be able to drive it up to more of our natural share in things like deposits and stuff, which is more than 10% over time.

Betsy Graseck - Morgan Stanley

So go from 4% a couple of quarters ago up to 10-12%?

Bruce Thompson

Yeah, but this could take time. I mean, we've been about a 0.2% increase in market share each quarter, so this is a lot of activity. But $24 billion of retail production, and we're in the the top two or three, and our view is we ought to be able to push that forward.

Betsy Graseck - Morgan Stanley

And so two follow ups on that. One is on HARP, how much of the production right now is HARP, and how much HARP is in your footprint, your client base, that you haven't done yet?

Bruce Thompson

If we look at both combined MHA and HARP, that's just under 50% of the total for the quarter.

Betsy Graseck - Morgan Stanley

And what's left in your client base to do that you haven't done yet? How many more quarters of this do you think you have?

Bruce Thompson

I would say generally there was more of it this quarter than we probably would have thought coming into the year. And we're hesitant to give an exact number, but as Brian referenced, I would say overall pipeline in activity, as we went through the first quarter, continued to be very strong.

Brian Moynihan

I expect that component, though, is probably at a strong point right now, and will come down over the next three or four quarters, just because frankly, some of that opportunity goes away. That was part of the transaction value that we got. But key is if you look at the non-HARP production, making homes affordable production, you're seeing that grow at a faster rate.

Betsy Graseck - Morgan Stanley

And you're just HARPing your current portfolio set? You're not going after other people's? You have enough to do with your own portfolio?

Brian Moynihan

We’ve got enough to do with our own portfolio.

Betsy Graseck - Morgan Stanley

And then just separately, on page 6 you go through the regulatory capital. Can you just remind us what your expectation is for RWAs going forward, passive mitigation, active mitigation?

Bruce Thompson

I’d say generally throughout the quarter with some of the growth that we’ve seen, and I assume you’re referring to Basel III?

Betsy Graseck - Morgan Stanley

Correct.

Bruce Thompson

As we go through over the next couple of quarters, we’d just say what we continue to say, which is that with where we are from the DTA perspective is we go forward pretax, should be the way that generally we’re creating capital.

And I think as it relates to different mitigation opportunities, the biggest thing that we see out there is that as home prices continue to move up, and we continue to see the home equity portfolio amortize, which has been about $3.5 billion a quarter, that there’s a fairly significant tailwind as it relates to reductions in risk-weighted assets there. As we go forward, the runoff of the structured credit portfolio that we have we would expect to accelerate as we go into ’14, ’15, and ’16. And that will obviously be gone by the end of ’17. So that’s an opportunity.

And then the third thing I would say is that we continue to work through, and you can see we made progress on the private equity portfolio this quarter, and we’ll continue to wrap that up. So the biggest item as we go forward is just going to be the pretax income line. But I do think that there will continue to be other opportunities to drive that as well.

Betsy Graseck - Morgan Stanley

And the runoff of the structured credit, how much is that right now?

Bruce Thompson

We’ve not given an exact number that we would expect that to run off, but you should assume it’s north of $20 billion of risk-weighted assets.

Betsy Graseck - Morgan Stanley

Today, in Q1?

Bruce Thompson

That's correct.

Betsy Graseck - Morgan Stanley

And then the last question is on how you get to the $5 billion ask that you had for CCAR that got approved. Because with the 9.4% common tier one ratio in Q3 and these RWA mitigation opportunities coming going forward, clearly you must know going into it that you were going to be well above the 8.5 FSC minimum that's out there, and that you'd be approaching 10%, that kind of high end of the range scenario that people in businesses like yourselves have targeted. So just wondering how you got to $5 billion and how we think about capital ask going forward?

Bruce Thompson

I think there are three different metrics and ways that you get to looking at capital allocation and capital return. The first is obviously where your ratios are after stress, through the CCAR process. And as you look at the results that we had, we ended up just above 6% after our ask, which relative to our peers positioned us well.

The second item, which as you referenced, you moved to Basel III, and we feel like we've done a very good job on Basel III, and to your point, are above the minimums, above buffers, and feel like we've done a good job there.

And then the third, which is what you've heard us talking a lot about, is just driving the core earnings as the third component. And so we've balanced all of those three. And I guess the other thing I'd say is if you look at the ask, obviously we've got $5 billion that will get returned to the shareholders based on our plans, but I don't think you should also minimize the other $5.5 billion that will go to redeem preferred stock, because that preferred stock had coupons between 8 and 8 5/8 percent. It's not tax deductible, and we're not replacing it with other preferred stock.

Operator

And we'll move next to the line of Nancy Bush with NAB Research, LLC. Your line is open.

Nancy Bush - NAB Research

A couple of question for you on retail. You've closed, I think, 262 branches, if I'm looking at the numbers correctly, over the past year. Can you tell me how that number looks for the coming year, and if there is some "optimal" number of branches that you want to maintain?

Brian Moynihan

I think we were clear a few quarters ago when we said we'd do the 750, and I think you can see that number is close to 5,000. So think about that as 5400-odd getting down to 5,000. The point was at the time we did an optimization thought process, looked at it with the customer behavior and got that number, and we're busily doing that in a very thoughtful way so that we retain a lot of the customers, especially on the consolidation side.

And then also, obviously, as you know, we have exited some of the markets and sold community banks where they can get the leverage in the operations that we can't get in some of those markets. So the question of what happens next, I think, is probably a question we take up as we get into '14 and think about what the customer behavior change has been.

Because we're seeing a fairly strong change in the behavior of the customers, evidenced by the mobile volumes. And so not only do we have a number of mobile customers, it goes up about 10,000 a day, and it's 12.6, it's also what they do. So 100,000 checks a day get deposited by people taking pictures of them. And so that behavioral change we've got to keep monitoring.

At the same time, we're building the centers to be these more destination, with the FSAs, which are brokers in the branch, the mortgage loan officers. And so that configuration I think we're still testing, so I don't know the exact answer, but because the near term is to get the other 400 change that we're talking about through.

If you step back from it and look year over year, the branches are down, the customer satisfaction is up, and the deposits are up strongly, which is a nice combination.

Nancy Bush - NAB Research

So what I hear you saying is that as you go into 2014, this 5,000 branch number is not written in stone, is that correct?

Brian Moynihan

Think of us as a retail looking at what the best way to get the most out of the market and serve our customers the best. And that will always be a subject we'll talk about. And we're making massive investments in our ATM architecture, virtual ATMs, and the mobile space to make sure that we're right with our customers.

Nancy Bush - NAB Research

And my second part to the question would be addressing all these changes in consumer behavior, etc. Has part of this program also been to address some of the service issues that you guys had encountered over the past few years, as other stuff took more attention?

Brian Moynihan

Absolutely, and part of it is continuing to upgrade the systems. So if you look at our company between 2009 and 2015, we'll have rewritten all the systems, and we'll bring systems which were more standalone product systems into systems which are consistent with a customer approach. So the kinds of inquiries you get where we can see a person wants us to not [unintelligible], and those are going away. Frankly, getting out of the multiple deposit systems helps.

And so our complaints are down a lot. Our attrition is way down. And so we're seeing the benefits of this as we go through it. But absolutely this is all geared at maintaining the customer satisfaction posture, which is up year over year, and driving it to places we haven't driven before, honestly, based on all the tools we have.

Nancy Bush - NAB Research

Bruce, the stock is down roughly about 3% in the market right now, and there was some disappointment with the headline number. But all the ingredients of the quarter look pretty good. Was it your sense that the the $900 million in seasonal costs was built into most estimates? Or was this a point of variance do you think?

Bruce Thompson

I think they are probably two things. I think the $900 built into the estimates, which we have every period as we look out there, I think it was in some, not in others. So I don't think there was uniformity on that? And then I think the other item that was out there as we look at a lot of the analysts they look at core, they don't include any litigation number, and obviously there was a $900 million litigation number.

We obviously need that to come down, but what I mentioned to Meredith's question, I think getting this class action and shrinking the tail risk with respect to our mortgage backed security litigation tail risk was a significant item for us, and we were able to get through that this quarter being generally in line with what you all had expected.

Operator

We'll go next to the line of Eric Wasserstrom with SunTrust Robinson. Your line is open.

Eric Wasserstrom - SunTrust Robinson Humphrey

I just want to circle back to the litigation issues for a moment. Could you just help me understand what precisely, at the upcoming hearing on the 30th, is being debated? Is it simply the amount of the settlement? Or is it more the actual legitimacy of the process by which the settlement was derived?

Bruce Thompson

It's hard for us to predict what's going to happen on the 30th. We're obviously not a part of this. This is Bank of New York Mellon, in their capacity as trustee. And obviously the standard and what needs to be worked through is did they go through, and were they prudent, and did they follow a process to getting to the point to say that this settlement made sense for investors. And so that will be the general topic. We're not going to predict what exactly happens on the 30th. Besides, we obviously wouldn't have entered into the settlement if we didn't think that there was a basis for it.

Eric Wasserstrom - SunTrust Robinson Humphrey

And I'm certainly not asking you to anticipate an outcome, I just want to make sure it's not as narrow as the monetary settlement. It's the broader issue of whether [Boney] followed the appropriate procedures in terms of determining a settlement. Is that correct?

Bruce Thompson

That's correct.

Operator

We'll go next to the line of David Hilder with Drexel Hamilton. Your line is open.

David Hilder - Drexel Hamilton

Just another litigation question. Is it fair to assume that the Countrywide RMBS that were included in the settlement that you announced this morning are all included in the securities that were the subject of the settlement of the Gibbs & Bruns and Bank of New York as trustee process?

Bruce Thompson

There is clearly a significant overlap. The people that were part of the settlement today tended to be people that would have been original purchasers of the securities. With respect to Gibbs & Bruns, they could have either been original purchasers or subsequent purchasers, but there is overlap. And as we've said in the release, that the people that were part of the settlement today, to the extent that Gibbs & Bruns gets approved, they will receive whatever they would have otherwise received as part of Gibbs & Bruns.

David Hilder - Drexel Hamilton

But looked at from the perspective of the Countrywide securities issues, would all of the ones in today's settlement be included in the Bank of New York as trustee settlement?

Bruce Thompson

Yes, because as we said in the release, this covers 80% of the Countrywide securities, of which Gibbs & Bruns was obviously a very significant piece. So you're absolutely correct in that.

David Hilder - Drexel Hamilton

And then I don't know if there's anything you can say on this, but any prospective statement about the settlement or possible timing of resolution for the various alphabet soup of remaining litigation MBIA, FHFA, and AIG?

Bruce Thompson

No, there's really nothing that we would say there. I think I would just reiterate, though, that as you look at the component of what we settled today from a securities litigation perspective, as it relates to current outstanding amount as well as what was originally underwritten, it's obviously a significant piece of that. We continue to want to resolve and get these legacy issues put behind us. At the same time, between the capital that we've built, and the number of them that we've put behind us, it has to make sense for the shareholders.

Operator

We’ll go next to the line of Moshe Orenbuch with Credit Suisse. Your line is open.

Moshe Orenbuch - Credit Suisse

Just like on the trusts that were outside of the Bank of New York, you did provide, on a similar basis. Is there anything you could say about the other lawsuits as to whether there’s a provision that’s been in there for them, based upon some of the experience in the other cases?

Brian Moynihan

I’m not sure what you’re talking about.

Moshe Orenbuch - Credit Suisse

You’ve had experience with some of the monolines. I don’t know if it’s like a facts and circumstances, when you think about MBIA. How do you think about whether there’s been a provision there? And the same thing for the FHFA lawsuits? Are there elements of some of the others that cause you to have had some degree of provisioning for them? Or would that only happen once those get advanced?

Brian Moynihan

They’re all in litigation reserves, which are not on that page. Those are just the rep and warranty reserves. The monolines, the [FHFA], and those are in litigation reserves, because the [FHFA] and AIG are RMBS cases.

Moshe Orenbuch - Credit Suisse

Right, but the question is, should we think about there having been a component of them, or is that all going to be pending?

Brian Moynihan

I want to make sure I understand the question. As you go through the litigation reserves, we have reserves for those litigation items that we have the basis to reserve. To the extent that we don’t have the basis to reserve, we have a range of possible loss. So as it relates to these items, those are the two ways that we work through the reserves.

And the litigation reserves, as we’ve said before, are where we house reserves for litigation matters, as well as, as I said, the monolines reside within that litigation bucket as well, because we’re in litigation with them. And then obviously, as you move to the rep and warrant reserve, we’ve got the actual reserves, and then we've also disclosed the range of possible loss for those items that we don't have the basis to reserve.

Moshe Orenbuch - Credit Suisse

Okay, thanks. I'll take that offline. Just a second question, with respect to the mortgage business and the gain on sale, the primary secondary spread did end the quarter lower than where it was on average. Talk a little bit about how you see that gain on sale trending into Q2 and as we go forward.

Bruce Thompson

I would say that if we look at where we ended the quarter relative to where we started, I would say that it feels at this point that the spreads have somewhat settled out. But obviously those spreads are going to be a function of activity versus capacity, and we'll have to see how that unfolds over the quarter.

We've obviously built up, and as Brian referenced, the capacity to do what we need to do for our customers. And we'll just need to see where those margins go throughout the quarter. But at this point, there was obviously a step down in margins during the first quarter. It feels to some extent as if that's leveled out, but we'll have to see how it plays out over the second quarter.

Operator

We'll go next to the line of Matthew Burnell with Wells Fargo. Your line is open.

Matt Burnell - Wells Fargo Securities

Just a quick question in terms of the deposit costs. You've got your domestic deposit costs down to sub-20 basis points. You've got similar higher costs outside the U.S., although obviously much smaller balances. How are you thinking about being able to reduce the non-U.S. deposit costs, particularly the time deposit categories, over the next six to 12 months.

Bruce Thompson

You're right, the international component is obviously a very small component. Those are large. They're almost exclusively either wholesale deposits that are out there. I'm not sure you're going to see much more movement in that. I think to your earlier question the majority of the costs of the deposits are those housed in the U.S., and you can see that as we build up the core deposits, the amount of time deposits that we have here in the U.S. we would expect those to continue to come down. And as those come down, all other things being equal, you'd expect the cost of domestic deposits continue to move down.

Matt Burnell - Wells Fargo Securities

And a bigger picture question on OLA. You've got about $134 billion of long term debt at Bank of America Corporation as of the end of the year, an additional $90 billion of Merrill Lynch debt. When you're thinking about OLA, do you think about potentially explicitly agreeing to support the Merrill Lynch debt? Does that help you at all under OLA? Or are you planning on just maintaining the status quo on that basis?

Bruce Thompson

I think as I said before, the OLA rules continue to evolve. If you look out at our annual filings that we've put out there, we've said that we're looking at does it make sense to have ML and Co merged into BAC. That's ongoing work that continues. We believe ultimately, as the Merrill debt runs off, and to the extent there's reissuance, it's at the Bank of America level. So we pick up that benefit. And like I said, as we look at any ratio, and as we consider the different rules, it feels like we'll have more than enough in total parent company debt relative to risk-weighted assets.

Matt Burnell - Wells Fargo Securities

And then just one final question. You mentioned the time to require funding has come down a little bit from the end of last year. And you intend on maintaining that above two years. Should we think about that coming down closer to 24 months over the next six to 12 months? Or is it too early to tell?

Bruce Thompson

When you mentioned it came down in the quarter, realize that one of the reasons why it came down is that we've included the $5.5 billion of preferred redemptions in the time to require funding. That largely drove that. But to your question, it's a good one. We would expect over time that the amount of parent company liquidity that we have would tend to come down over time.

As we get through the '13 and '14 maturities, we still believe we can bring the parent company liquidity down, bring the cost of it down, and you're right, we will keep time to required funding at at least two years. Initially, given we work through maturities, that will stay elevated in the high 20s, 30. But the goal is to obviously flatten out the maturities and have that become more in the two-year area, which is consistent with what we've been saying for some time.

Operator

We'll go next to the line of Mike Mayo with CLSA. Your line is open.

Mike Mayo - CLSA

I had a question on the litigation, but before we go there, there's an article saying that Brian you are leading a revenue push at the company. And I was wondering if this is a tweak, a strategic change, and as far as revenue push, starting from the top, is that because of what Bank of America is not doing, or is it because of the weaker than expected environment, or both?

Brian Moynihan

We have been driving the company, and so there's been two basic pieces of strategy. One is to continue to push the legacy issues and costs out of the company and at the same time take the company and drive the underlying business metrics. So that's been going on. And as we clean up more of the former, then the focus of the company is on the latter.

And involved in the latter, in other words driving the core company, was that we had, say in credit card, a big book of business that we were running off. We're getting towards the end of that, or less impact quarter to quarter, and now we've got to grow the credit card business. This quarter I think we did 900,000-plus credit cards, which is the highest amount we've done in the quarters since 2008 or something like that. And 70% of those are through the branch structure and through the preferred business and things like that.

So the goal is to continue to drive this company and get the value of the combination of all the pieces of the business through it. It's not a new push. It's just, as the other issues go away, this is what the team has to be focused on. So we're seeing great progress in some of the businesses, and look at the GWIM business and look at the connectivity to the GWIM business.

We literally have millions of referrals that go between businesses a year. We goal those at 30-50% increases every year, and we see that number being hit and is tracked in every single market, 100-plus markets, with about 20 different pieces of business flows between businesses tracked that we track and monitored on a monthly basis. It's all geared to just driving the value of the franchise, and frankly delivering to customers the entire franchise.

And so it appears in all the businesses, whether it's in the commercial business, bringing our 401k platform, which is new to the Bank of America structure since Merrill came in. And we just see wins in that happening every day. It is bringing the capital markets expertise deeper into our middle market business. It's bringing the personal side of the wealth management business to our business entrepreneurs. It's all those things.

And so new is a word that probably overstresses it. It's just what we have to do to drive the revenue and continue to work the expenses to produce the bottom line we need.

Mike Mayo - CLSA

So you're farther along with the cleanup, just more external focus?

Brian Moynihan

And one of the tough things is we have 260,000 people in this company, and a lot of them have been focused on this. And it's just their time to shine. And the rest of what Bruce and I have been working on, and others, restructuring, balancing, getting the capital up, getting liquidity, legacy issues, is starting to fade away.

Mike Mayo - CLSA

And back to the litigation, the 10-K and some 10-Qs say that if the courts disagree with the argument of loss causation, then the reserves may need to go up. And that has not taken place. Your range of possible loss is about the same. So I'm trying to reconcile those two thoughts. Because it seems as though with Assured versus Flagstar, loss causation was shot down, there's some other comments in the court. So how do I reconcile what happened with Flagstar, some other court comments, that shoot down loss causation with the comment in your 10-K?

Bruce Thompson

I'm not going to drill into the Flagstar case, but I want to be clear, Flagstar gave a borrower fraud reference, and that was part of that case, which is not something we've done. But at a high level, Mike, that's correct. It's in the disclosure. And as I said in my earlier comments, within the litigation reserve during the quarter, we reassess those every quarter, and we did provide within the litigation expense some element of cost with respect to monolines during the quarter.

Mike Mayo - CLSA

And the big question here is what happens if the $8.5 billion settlement doesn't go through. And I asked Bank of New York that question this morning, and the answer from Bank of New York is, well, it's up to the courts to decide. But what if the courts decide the $8.5 billion agreement does not go through? What would be the impact on your reserves?

Bruce Thompson

The court is not opining on a number. They're either opining on approving or not approving. And obviously if they don't approve, we've set up reserves within the Countrywide securities, assuming that every trust gets to the 25% threshold. And so obviously, if it doesn't get approved, this will revert back to going individual trust by trust and working through it. But I don't think it's appropriate to comment on reserves on something that is not going to happen.

Mike Mayo - CLSA

You have $8.5 billion in reserves for the $8.5 billion settlement, and that may change, but you'll wait and see what happens on May 30.

Bruce Thompson

That's correct, and I think the other important thing is when we set up the $8.5 billion to the Countrywide, we also used that same methodology with respect to bank issued securitization rep and warrant to set up reserves based on the same methodology across the company.

Operator

We'll take our final question from the line of Paul Miller from FBR. Your line is open.

Thomas [Latourneau] - FBR Capital Markets

This is actually Thomas [Latourneau] on behalf of Paul. I have a quick follow up, and I just want to make sure I heard you guys right. Did you say that 50% of your total originations were HARP? And if so, do you think you can replace that with other normal retail volume if HARP starts to dissipate in the back half of the year?

Bruce Thompson

The 50% was both MHA as well as HARP.

Brian Moynihan

And in fact if you think about it year over year, the growth rate of those activities has been a strong growth rate. And that's the challenge going forward, is just how we keep originating a broader product set? But right now that is an opportunity which is here and near, and it goes away over time. But the rest of the production continues to grow at a fast pace also.

Thomas [Latourneau] - FBR Capital Markets

And one additional question. Can you tell me what type of products you're actually portfolioing right now?

Bruce Thompson

Within the consumer mortgage business?

Thomas [Latourneau] - FBR Capital Markets

Yes.

Bruce Thompson

Largely nonconforming. What we want to do is provide the mortgage product and balance sheet for that which there isn't another alternative, and we're pressing hard within the different businesses. The mortgage activity within the wealth management business this quarter was very strong as well as within the [mass affluent] client space. So that's largely the focus.

Brian Moynihan

Just on the underwriting of those, though, you should rest assured that the underwriting is consistent with very strong underwritings going on in the industry in total right now.