Operator

Good day, everyone, and welcome to today's program. At this time all participants are in a listen-only mode. Later you will have the opportunity to ask questions during the question-and-answer session. [Operator Instructions]. Please note this call may be recorded. I'll be standing by should you need any assistance.

It is now my pleasure to turn the conference over to Mr. Lee McEntire. You may begin sir.

Lee McEntire

Good morning. Thanks to everybody on the phone, as well as the webcast for joining us this morning for the second quarter results. Hopefully, everybody has had a chance to review the earnings release documents that are available on the website.

So before I turn the call over to Brian and Bruce, let me just remind you we may make some forward-looking statements and for further information on those please refer to either our earnings release documents, our website or our SEC filings.

So with that I'm pleased to turn it over to Brian Moynihan, our CEO for some opening comments, before Bruce Thompson, the CFO goes through the details. Brian?

Brian T. Moynihan

Thank you, Lee, and good morning, everyone and thank you for joining us for our second quarter results.

As you can see from our release we reported $5.3 billion in after tax earnings this quarter, which is up from last quarter as well as more than double what we made last year. Not only were we pleased with the bottom line, but revenue was up and expenses were down comparably against both periods.

Lots of things came together to achieve these results and we continue to work on all these also. On the expense side we told you that we achieved this new BAC cost savings back in the third quarter of last year. However, we didn't give up on our focus on expenses and you can see those in the results. It's the lowest non-litigation expense base since 2008.

At the same time we continue to invest in the future of this company. Just to mention a few of these investments, we added sales specialists in our financial centers, up 3% versus last year. We added 3% to our financial advisers since last year, 4% to our commercial and business bankers. We've opened new financial centers in new markets that we previously didn't have coverage and we continue to upgrade those in other markets.

In addition, we continue to invest in young new talent in our company. We hired a record number of teammates from college, over 1,200 and we have our intern program to over 1,800 this summer. And we continue to invest as we have said in technology, so that was $3 billion we spent this year to continue to improve and drive our products and our capabilities in the company.

As we are doing that we continue to focus on our process improvement, our simplified and improved effort continues to take hold and you saw that to have some affect that this quarter. The goal of that program is to hold the costs, manage them well as the economy continues to recover and our revenues continue to recover.

Away from expenses, a few other highlights for the quarter. We saw overall loan growth and balances from the first quarter. We saw continued improvement in our net charge-offs and credit quality; our deposits in our consumer continue to grow even faster this quarter than prior quarters.

We also built capital and tangible book value despite the OCI impact of higher rates. We've returned over $1.3 billion to our shareholders through share repurchases and common dividends and looking at the results this quarter you can also see that we're making progress on our path to our long-term targets of return on assets and return on tangible common equity.

Bruce will take you through the business activity in the various pages in the slides with some highlights. This quarter again we averaged about 5,000 new customers a day to our mobile banking platform, but importantly the team continues to make progress in bringing that platform into the company in multiple ways. Example of that is this quarter our digital channel sales were up 30% from last year in the second quarter. In addition to that we continue to focus on our mortgage area, our direct to consumer mortgage and home equity originations improved 40% from a year ago. In the mass affluent space our Merrill Lynch product, it continues to have record assets and they were up 15% to over $122 billion and that's on top of our investment brokerage services revenue teammates in U.S. Trusts and Merrill Lynch that continues to grow.

We also continue to drive our 401(k) business and this year we've added some of the industry's largest companies to our platform. So this is the trends in the business and Bruce will cover more later.

From a broad economic standpoint what do we see out there, notwithstanding uncertain economies outside United States we see the U.S. economy continues to steadily improve. In our middle market business, our commercial businesses, our company's balance sheets are strong and they continue to drive loans at a higher rate than they did last quarter. Our consumers continue to spend on our debit and credit cards, this quarter spending about $127 billion this quarter, up 3% from last year even with the down draft in gas prices in the year-over-year comparison.

Our industry leading research team under Candace's leadership and Bank of America research expects U.S. GDP growth for the second half of the year to be 3% for each of those quarters and we see that in our statistics. Our company is well-positioned to benefit from that continued health in the economy and we continue to manage this company to deliver for our customers and clients and for you our shareholders.

With that, I'll turn it over to Bruce.

Bruce R. Thompson

Thanks Brian and good morning everyone. I am going to start on slide three, and let's go through the results.

We recorded $5.3 billion of earnings in the second quarter or $0.45 per diluted share. This compares to $0.27 a share in the first quarter of 2015 and $0.19 in the second quarter of last year. A few items to note as you review the results. In the second quarter, we had $669 million of positive market related adjustments in net interest income, primarily driven by premium amortization on our debt securities from higher long-term rates. This provided a $0.04 benefit to EPS. The quarter also included $373 million in benefits from consumer real estate loans which added $0.02 a share.

One other item worth noting is the rep and warrant provision which is a net $205 million benefit this period. This was mostly associated with positive developments in legacy mortgage related matters, which I'll discuss later in the presentation. This added a $0.01 to EPS.

Revenue on an FTE basis was $22.3 billion in the second quarter and included the items that I just mentioned. Total non-interest expense in the quarter was $13.8 billion and reflects lower litigation costs, lower LAS costs and good core expense controls compared to both the first quarter of '15 and the second quarter of 2014.

Provision for credit losses this quarter was $780 million and included improved net charge-offs on an adjusted basis as well as less reserve release compared to the first quarter of 2015. Return on tangible common equity this quarter was 12.8%, return on assets was 99 basis points and the efficiency ratio was 62%. If we adjust for those metrics for the few items I mentioned earlier, return on tangible common equity was 10.9%, return on assets was 85 basis points and the efficiency ratio was 65%.

On slide four, the balance sheet was up less than 1% versus the first quarter of '15 as loan growth and higher securities balances were offset by a decline in the ending balances within our global markets business. Loans on a period end basis were up reflecting good core loan activity. All of our loan categories showed growth from the first quarter of '15 with the exception of consumer real estate, which declined from both discretionary activity as well as other one-offs. Common shareholders' equity improved, the solid earnings growth was partially offset by a $2.2 billion decline in OCI and $1.3 billion in capital return to common shareholders. We repurchased 49 million shares for $775 million and paid approximately $500 million in common dividends this quarter. Tangible book value increased to $15.02 and tangible common equity improved to 7.6%.

If we look at lending activity on slide five, our reported loans on an end of period basis increased for the first time since the third quarter of 2013 growing $8.5 billion from the first quarter or 4% on an annualized basis. Activity in our discretionary portfolio which is reflected in the LAS and all other box, where we used consumer real estate loans to manage interest rate risk in the LAS unit where we have home equity run-off portfolio together showed a decline from the first quarter of '15 of $15 billion.

The loan sales I mentioned earlier accounted for roughly half that amount and included certain loans with long-term standby arrangements that were converted into securities. After we exclude this activity, our core loans increased $23.5 billion or 4% from the first quarter of '15. Commercial lending was strong. Among other initiatives, the management team challenged our corporate and commercial lenders for the past several quarters to more fully utilize the credit limits, to drive responsible growth.

In that light, global banking showed a continuation of loan growth from the end of the first quarter of '15, growing $11.4 billion or 4% during the quarter from a mix of C&I across large corporate and middle market as well as growth in commercial real estate.

Our wealth management business continues to experience strong demand in both securities based lending as well as consumer real estate. And our consumer banking area grew both card and auto loans.

We move to regulatory capital on slide six. Under the transition rules our CET1 ratio improved to 11.2% in the second quarter. If we look at our Basel

III regulatory capital on a fully phased-in basis, CET1 capital improved $1.1 billion driven by earnings partially offset by the OCI decline, share repurchases and dividends. Under the standardized approach, our CET1 ratio was steady at 10.3% as RWA was stable with the first quarter of '15.

Under the advanced approaches, CET1 ratio increased from 10.1% to 10.4% as RWA improved by approximately $34 billion. Lower counterparty RWA drove this decline and was equally split between three factors. The first, lower derivative exposures, mainly driven by movements in both rates as well as FX. Second, optimization through better collateral management and reductions in certain positions. And third, an increase in the population of trades eligible for model treatment. The balance of the improvement was driven by lower levels of market risk.

In regards to the Fed's requested modifications to models in order to exit the parallel run that we have previously communicated to you, at the end of the quarter we estimate if we made the requested modifications that our advanced approaches CET1 ratio would be approximately 9.3% at June 30th.

Moving to our supplementary leverage ratios we estimate that at the end of the second quarter we continue to exceed the U.S. rules that are applicable in 2018. Our bank holding company SLR ratio was approximately 6.3%, while the primary bank subsidiary BANA was approximately 7%.

If we turn to slide seven, on funding and liquidity, long-term debt of $243 billion was up $6 billion from the first quarter as issuances outpaced maturities. As you can see from the maturity profile we have $10 billion of parent company debt scheduled to mature in the rest of 2015 and we'll continue to be opportunistic in regards to issuance.

Our global excess liquidity sources reached a record level during the quarter at $484 billion and now represents 23% of the overall balance sheet. The increase from the first quarter of GELS reflects a continued shift from discretionary loans into HQLA securities as well as the increased debt balances.

Our parent company liquidity increased to $96 billion and our time to required funding improved to 40 months. And at the end of the second quarter we estimate that the consolidated company was well above the 100% fully phased-in 2017 requirement for the liquidity ratio.

If we turn to slide eight, our net interest income on a reported FTE basis was $10.7 billion, an increase of $1 billion from the first quarter of ’15. Volatility of long end rates over the past few quarters has clearly caused some variability in our reported NII. The market related adjustment from our bond premium amortization this quarter was a benefit of $669 million, as rates rose 40 basis points in the quarter, while in the first quarter of ’15 we reported a negative $484 million adjustment from a decline in rates in the period. If we adjust for those items our NII declined approximately a $100 million from the first quarter of ’15 to just over $10 billion, as the impact of lower discretionary balances in consumer loan yields more than offset the impact of one more day of interest.

At the end of the second quarter an instantaneous 100 basis point parallel shift and increase in rates would be expected to contribute roughly $3.9 billion in NII benefits over the following 12 months and that split roughly 60% to short-end rates and 40% to long-end rates. Given the movement higher in long-end rates, our balance sheet did become less sensitive to long-end rates compared to March 31st as we realized some of that sensitivity through FAS 91 in the second quarter.

As you can see on slide nine, non-interest expense was $13.8 billion in the second quarter and included a $175 million in litigation expense. Litigation expense did decline significantly from the second quarter of ’14 levels. If we exclude litigation expenses were $13.6 billion in the quarter, a decline of $900 million or 6% from the second quarter of 2014. On balance we’re quite pleased with our year-over-year expense improvement even while we continue to invest in the franchise.

In the third quarter of ’14 we wrapped up the new BAC cost savings initiatives and several quarters later we continue to see good progress on operating cost reductions in LAS, as well as in other areas. Our headcount is down 7% compared to the second quarter of ’14 and as a reminder we do expect to incur some cost associated with our CCAR resubmission through the balance of the year.

If we go ahead and switch to asset quality on slide 10, reported net charge-offs were $1.1 billion versus $1.2 billion in the first quarter of ’15. Both periods include charge-offs associated with the August 2014 DOJ settlement which we had previously reserved for. If we exclude these impacts and a small impact from recoveries on NPL sales our core net charge-offs declined $75 million from the first quarter of ’15 to $929 million.

Loss rates on the same adjusted basis improved to 43 basis points in the second quarter of ’15. U.S. consumer credit card delinquencies improved as well and on the commercial front we saw an uptick in NPLs and reservable criticized exposure from the first quarter driven by downgrades in oil and gas exposures. Despite these downgrades we feel good about our exposure in this area as they are well collateralized and most of these credits only had a one level migration on a risk rating scale.

The second quarter provision expense was $780 million and we released a net $288 million in reserves which includes the utilization of previously accrued DOJ reserves. Releases in consumer card and consumer real estate were partially offset by reserve bills within the commercial loan growth area.

Let’s go ahead and move to the businesses on slide 11, Consumer banking had earnings of $1.7 billion which was 4% greater than the second quarter of 2014 and 16% above the first quarter of ’15 level. This in turn generated a strong 24% return on allocated capital. Within revenue fees were up 2% from last year driven by higher card and higher mortgage banking revenue, but this growth was more than offset by a decline in net interest income. The decline in net interest income is a result of the allocated impact of our ALM activities as well as some compression in card loan yields. Provision decreased $44 million from the second quarter of '14 driven by the continued improvement that we saw in both the credit card as well as the auto portfolios.

Our non-interest expense was down 4% from the second quarter of '14 as we reduced the number of financial centers and associated costs and personnel. The cost of average deposits ratio is now less than a 175 basis points and we have a 57% efficiency ratio within this segment. This business is a good representation of how the company is doing more business while we continue to reduce expenses.

We also continue to experience a shift in consumer behavior patterns away from branches and towards more self-service. For example, the number of mobile banking customers continues to grow and increased to more than $17.6 million customers this quarter and these customers look to mobile devices for approximately 13% of all transactions -- all deposit transactions.

If we look at some of the key drivers and trends within the consumer area on slide 12, we remain a leader in many aspects of consumer banking, doing business with roughly half of all U.S. households.

Let's look at card activity. Card income increased 5% from the second quarter of '14 on strong sales and solid spend levels. Card issuance reached almost $1.3 million units in the quarter on increased sales efforts while the average book FICO score was also strong. Average loan balances were down slightly from the second quarter of '14 as we do see customers paying down more of the balances. Net charge-offs declined from very low levels and were 2.7% in the second quarter and risk adjusted margins remained high at roughly 9%. Mortgage banking income in this segment was up 8% from last year as originations had nice follow through from the elevated pipeline at the end of the first quarter as well as the higher productions margins.

First mortgage originations for the total company were $16 billion, up 44% year-over-year and up 16% from the first quarter of '15. Home equity line and loan originations increased 23% to $3.2 billion from the year ago quarter and were stable with the first quarter. Revenue improvement versus the second quarter of '14 was driven by improved margins. Although the mortgage pipeline remained solid it is down 15% from the end of the first quarter driven in part by higher rates. Service charges were down modestly versus the second quarter of '14. This fee line item does continue to be somewhat muted as we continue to open higher quality accounts and those accounts are carrying higher balances. Compared to the second quarter of '14 our average deposits of $545 billion are up $31 billion or 6% even as we lowered the rates paid which now stands at five basis points.

Lastly, while we are bringing down our overall headcount in this business, we continue to invest in the growth opportunity of our preferred client base and we've been increasing sales specialists in the financial centers and that's resulted in increased activity.

If we turn to slide 13, Global wealth and investment management produced earnings of $690 million, which was up 6% from the first quarter of '15 level but down 5% from the second quarter of '14. Compared to the second quarter of '14 solid fee growth was offset by lower net interest income, higher credit cost and modestly higher expenses, which resulted in a decline in year-over-year results. The allocation of the impact of our company's ALM activities more than offset the NII benefits that we had from solid loan growth within the space.

Year-over-year non-interest income was up 4% on strong asset management results. Non-interest expense was modestly higher in the second quarter on the strength of our asset management fees as well as the continuing investment in client facing professionals. The year-over-year increase in provision reflects larger reserve release in the prior periods. Pretax margin was 24% and the return on allocated capital remained strong at 23%.

If we look at activity and drivers on slide 14, asset management fees continue to grow and are up 9% from the second quarter of '14. This was partially offset by sluggishness of transactional revenue in the brokerage business. We did increase our financial advisers by 6% over the last 12 months and we feel good about the number of advisers that are joining us from competitors.

Client balances are above $2.5 trillion, up almost $12 billion from the first quarter of '15 driven by solid client balance inflows as well as improved market valuations. Long-term AUM flows were $9 billion for the quarter and that's the 24th consecutive quarter where we've seem positive flows. As I mentioned earlier we continue to experience strong demand in both our securities based and residential mortgage lending areas and we reached a new record for loans within the space during the quarter.

We turn to slide 15; global banking earnings were $1.3 billion, which is 14% on allocated capital. Earnings did decline 13% from the second quarter of '14 as lower non-interest expense was more than offset by lower net interest income, lower investment banking revenues and higher provision expense that was associated with the strong loan growth that we saw during the quarter. The year-over-year decline in net interest income reflects the allocation of our ALM activity and liquidity costs as well as some compression in loan spreads. Non-interest expense did decline 3% from the second quarter of '14 as lower litigation and other technology initiative costs were partially offset by investment in client-facing personnel.

If we look at the trends on slide 16, we chart the components of revenue. Investment banking fees for the company were $1.5 billion, down 6% from the near record levels that we experienced during the second quarter of '14. Advisory fees were up 5% during the quarter, debt underwriting was relatively stable as increased activity in the investment grade and other products offset the declines that we saw within our leverage finance area.

Equity underwriting was down 19% from what was a record level for our company in the second quarter of 2014. Outside of investment banking fees other banking revenue declined from leasing gains partially offset by modestly higher treasury fees and card income.

If we look at the balance sheet, loans on average were $301 billion, up 4% from both the year-over-year and linked-quarter periods. The growth was broad-based across both corporate and commercial borrowers. Although average deposits were relatively stable versus the second quarter of '14 we did see a favorable shift in mix with our non-interest bearing deposits up over $20 billion and our interest bearing deposits down $17 billion versus the second quarter of '14. This growth in non-interest bearing balances was driven by a continuing focus on the growth within operating balances. The decline in interest bearing balances was driven by targeted reductions in these low liquidity value deposits.

Switching to global markets on slide 17, in the second quarter earnings were $1 billion on revenues of $4.3 billion. We generated 11% return on capital in this business during the quarter. Earnings were up modestly from the first quarter of '15 levels, which included higher litigation, but down from the second quarter of '14 as revenue declined. Total revenue, excluding net DVA declined from the second quarter driven by lower equity investment gains, lower sales and trading results and lower investment banking fees. If we exclude a $188 million difference between periods on the sale of an equity investment, revenue was down 4% in the second quarter. Non-interest expense was reduced 5% from that same period, in line with the revenue reductions.

We focused on the sales and trading performance components on slide 18. Sales and trading revenue of $3.3 billion ex-net DVA is down 2% from the second quarter of '14 levels. Compared with the same period a year ago, fixed sales and trading was down 9% and not unlike what we saw in the first quarter of '15 strength within the macro-related products like FX, rates and commodities was offset by lower levels of activity within the credit product space. And to remind you our mix does remain more heavily weighted to credit products based on the size of our new issue business.

Equity's trading was up 13% year-over-year driven largely by increased client activity within the Asia Pacific region as well as a strong performance within the derivative area.

Slide 19 shows our legacy assets and servicing business, where we were profitable during the quarter given the net benefit in our rep and warrant provision. Revenue excluding this benefit did decline from the first quarter of '15 on less favorable MSR hedge performance as well as lower servicing revenue. Litigation expense declined significantly from the second quarter of '14. Non-interest expense ex-litigation was roughly $900 million this quarter improving $122 million from the first quarter of ‘15 and $526 million going back to the second quarter of '14. We remain on track to hit our fourth quarter goal of approximately $800 million in LAS cost ex-litigation. We were also pleased that during the quarter our number of 60 plus day delinquent loans decreased to 132,000 units. That's down 14% from the first quarter and almost 50% from the prior period of last year.

Before I move away from the mortgage space let me mention an important development in our legacy mortgage exposures. This quarter there was a closely watched case in New York's highest court which confirmed that the New York's six year statute of limitation on filing rep and warrant claims begins to run at the time the reps and warranties are made and not at some later point in time. Based on our review of the relevant documents we believe the vast majority of the bank's remaining PRs representation on warranty obligations are governed by New York law.

As a result of the case ruling you can see on slide 20, a significant $7.6 billion reduction in our gross outstanding private label claims as a result of certain claims now being time barred. This ruling also had positive implications on our rep and warrant provision, as I mentioned, as well as the range of possible loss above those reserves. You'll recall the RPL had been a range of up to $4 billion for several years and so that the top end of that range has now been reduced to up to $2 billion.

On slide 21 we show all other. The $637 million of earnings this quarter resulted in a swing in profitability is a result of the improvement in the NII market related adjustment from quarter-to-quarter as well as the prior period inclusion of the annual retirement eligible incentive cost. The loan sales, I mentioned earlier are also included in revenue. Our effective tax rate for the quarter was 29% and I would expect the tax rate to be roughly 30% for the rest of 2015, absent unusual items like the recent UK tax reform proposals. Among the UK proposals where a reduction in the corporate tax rate, a surcharge tax on bank earnings and a reduction in the bank levy rate.

Our preliminary read is that we could have a one-time charge of several hundred million dollars later in this year to re-price our UK deferred tax assets upon enactment. At this time on an ongoing basis we expect the recurring tax impact to be modest. Before wrapping up on this slide, let me remind you that our preferred dividends in the third quarter should be $440 million and $330 million in the fourth quarter of this year.

So to wrap up, as Brian started the presentation with, many things that our teams have been focused on for some time came together nicely this quarter and that enabled us to report more than $5 billion in earnings and move closer to our long-term targets. Revenue reflected relative stability. We lowered cost, we grew loans nicely, credit quality remains very good and we're focused on operating leverage within the business. The foundation of the company's balance sheet has never been stronger with record capital and record liquidity levels and we remain well-positioned to benefit from a rising rate environment.

With that, let's go ahead and open it up for Q&A.

Question-and-Answer Session

Operator

[Operator Instructions]. Our first question is from Betsy Graseck from Morgan Stanley. Your line is open.

Betsy Graseck

Hi. Good morning.

Brian T. Moynihan

Good morning.

Betsy Graseck

The question I am getting from people this morning is around the expenses. You showed some very nice improvement in core expenses coming down meaningfully Q - on-Q and year-over-year, and the question is have we reached the end stage here or is there any further opportunity to bring down expenses from here?

Bruce R. Thompson

I think that's in the broadest context we continue to work expenses and if we talk to, about each quarter 18 straight quarter reduction in core operating expenses outside litigation, 15 straight quarters, 3,000 people or more reduction each quarter. So we just continue to apply technology to continue to long-term reduce expenses. So the goal we have in some is to keep the expenses flat as revenue increases and if the world economic situation changes, different what we were expecting we would have to look at it differently but as you can see this quarter that will result in a constant downward pressure given where we are in the economy.

Betsy Graseck

Okay and then on the reps and warranty side you had what looks like a little bit of a true up based on this litigation decision. Is that the right way of reading it or is there potentially even more to come in the future as you go through each case?

Bruce R. Thompson

No, clearly what the case is significant, is this Betsy we look to add and as do every quarter, look at the rep and warrant provision, and you are right it was a net benefit of $200 million this quarter. I think the important thing; I think more than the $200 million is that if you look back on our slide 20 in the earnings materials the effect of the decision led to two things that do reduce tail risk on a go forward basis. The first is you can see the number of new claims that came was just over $200 million, which is a dramatic improvement from what we've seen historically. And second as a result of the time barring of certain claims that the outstanding claims that we have, and keep in mind these outstanding claims are based on original UPB, came down fairly significantly to just below $19 billion.

So while it was nice to have the modest benefit that we did in the quarter, I think importantly on a go forward basis it does reduce the tail risk, that's out there and we saw some of the benefits from that in the activity level this quarter.

Betsy Graseck

Okay thanks. And then just one last question, you indicated the upside that you have in the event of rate rise, $3.9 billion if the parallel shift is 100 basis points, the question is how you are thinking about dropping that to the bottom line? Is there reinvestments that would take up some of that or are you at sufficient run rate in investment spends that you would be able to drop more to the bottom line?

Bruce R. Thompson

I think there is no question Betsy as we look at and I just remind people that we were at $3.9 billion for 100 basis point move. If you look at that roughly 60% of it's on the short end now 40% of it's on the long end and there is no question that we would expect to drop a significant portion of that to the bottom line if and when we see that 100 basis point move.

Betsy Graseck

Okay. And then just back to the expense side the expense run rate that you've got right now is something you think you can hold, at least if not improve from here, is that fair?

Brian T. Moynihan

Yeah. That's really in your last question we've been investing in headcount to open up our customer facing capacity, so I replicated some of statistics earlier. So we are comfortable from a technology spend rate from an investment client facing capacity, marketing and everything we had a good run rate so there will be downward pressure as headcount continues to come down through the application of technology across the platform of customers and internally.

So we're comfortable that we can continue to drive it, and make no bones about it this is what we work on every day and we are yet to put out a dollar target because frankly that tells the team we've made a goal and stop as opposed to just get better at it every day. So we just want that we are constantly working to improve the dynamics of revenue versus expense in this company.

Betsy Graseck

Thanks a lot.

Operator

And we'll take our next question from Matt O'Connor from Deutsche Bank.

Matthew D. O'Connor

Good morning. If you look at the core net interest income ex the market related marks, it was down little bit versus last quarter but you are starting to see loans inflect as you mentioned earlier. Do we start seeing stability in the core net interest income looking at the next quarter or two or do we really need higher short-term rates for that?

Brian T. Moynihan

No, thanks for the question. It's a good question. I think if you look at, we typically have a little bit of seasonal pressure in the second quarter and as we sit here today, based on the curve we would expect to see the core net interest income, which obviously excludes FAS 91 move up from Q2 to Q3 and we'd expect further growth from Q3 to Q4.

Matthew D. O'Connor

Okay and that's without any benefit from rates?

Brian T. Moynihan

It's just based on the realization of what the existing curve is, which quite frankly we don't look at and our models don't show fed funds going up until January of 2016. So there's not a lot of great benefit in that at all.

Matthew D. O'Connor

Okay, and then on the discretionary book you mentioned it came down a little bit, when you look on a combined securities, mortgages basis and I guess as we saw long term rates go up and some banks have been increasing the discretionary book, with higher reinvestment rates or higher investment rates herein, what's your thought on bringing that book down as rates have gone up?

Brian T. Moynihan

Okay, two comments, I think. The first is that when we talk about the discretionary balances coming down that's basically the whole loan portfolio as well as certain pieces of the home equity portfolio. So we referenced that those came down about $15 billion quarter-over-quarter; half due to the sales and half due to pay downs. We probably have one more quarter where you will see some of the conversion of those loans to securities. But if you actually look at the amount of securities from a balance perspective they went up a little bit Q1 to Q2 based on the conversion of those loans to securities and as we continue to see the deposit footprint grow we will continue to invest and we're obviously mindful of the balance between increasing net income interest, like I spoke about as well as being sensitive to OCI risk.

Matthew D. O'Connor

Okay, thank you very much.

Brian T. Moynihan

Thank you.

Operator

Our next question is from Jim Mitchell from Buckingham Research. Your line is open.

James Mitchell

Hey, good morning.

Brian T. Moynihan

Good morning.

James Mitchell

Just a quick follow up on the NIM outlook, I think first, Bruce last quarter you mentioned that the yield curve stayed where it was, you talked about $600 million of drag in NII over the next few quarters. Are you saying that that's pretty much changed with this deepening of the curve since April, when you spoke last, and not only NII is growing but NIM should stabilize or is it just sort of offsetting each other, or you are getting a boost from that, how do we think about the yield curve versus your prior comment?

Bruce R. Thompson

Yeah, I think again, as we look and step forward that there are a lot of things that influence that number, one is obviously the ability and how much we've put up the increase in deposits to work through growing loans, and clearly we've seen, during the second quarter we saw that loan growth move up, which is obviously a good thing, which lessens some of that sensitivity. And as we look at the amount and what we're doing from an investment portfolio that there is less to do during the second half of the year. So all-in-all as we look at those different factors it's why we're comfortable saying that we'd expect the quarter increase both Q2 to Q3 as well as from Q3 to Q4.

James Mitchell

That's fair enough. And just on the capital side, when do you think the modifications become official and you exit the parallel run, how long do we think we have to wait for that and is there anything that could change in terms of your expectation around I guess the 90 basis point hit to your CT1?

Bruce R. Thompson

I think, I'd say that we can't say too much about regulatory matters. I think given the updated disclosure we have given you can assume that we're getting closer to having that result. You never know until you're ultimately done. But we feel very comfortable with the guidance of 9.3% factoring in the adjustments based on where we were at the end of the second quarter and we'll look to get that wrapped up sooner than later.

James Mitchell

Okay, that's helpful and just one last quick one on the $3.9 billion of sensitivity to higher rates, how much is FAS 91 related versus for the core?

Bruce R. Thompson

Sure, as I mentioned roughly 40% of its long end which is a $1.5 billion of the amount and roughly half of that's FAS 91 and half of it's non-FAS 91 related.

James Mitchell

Okay, thanks a lot.

Operator

Our next question is from John E. McDonald from Bernstein. Your line is open.

John E. McDonald

Hi, thanks. Bruce, just one more question on the rate sensitivity, the $3.9 billion move for a 100 basis point parallel move, I assume that illustration is to a 100 basis points move, that's a shock or an instantaneous move in rates. Can you give us any feel for how that number would change if the move in rates is more gradual, as the Fed is kind of saying if I go gradually, how does that change if it's not instantaneous?

Bruce R. Thompson

Well, I mean ultimately overtime if you get to the 100 basis point number you have that. I think your point is, is that, if they move 25 basis points, is it 25% or is it more than 25%. And I think that the thing you have you to keep in mind, and we've talked about it a lot with what we would expect from a deposit re-pricing perspective, is that, that clearly you'd expect the first 25 to 50 basis points move up that we would not have to do much from a deposit perspective. So net-net on a relative basis that should be a positive as you look at the numbers.

John E. McDonald

Okay, and then a clarification, where is the gain on consumer real-estate loans, is that in the mortgage banking line?

Bruce R. Thompson

No, it's in other income. And it's reflected in the all other segment.

John E. McDonald

Okay. The mortgage banking income was very strong and the fee income line obviously had the rep and warrant in there. Was there anything else in there that helped on the mortgage banking line?

Bruce R. Thompson

I would say that generally that the hedge results on the MSR were fairly decent in the quarter and then you can see, like we said there just wasn’t much litigation during the quarter as well. So all of those things led to the results being where they are. But you're right that we've typically had 100 to 200 of rep and warrant provision and we had 200 benefits that you get a sense of the magnitude of the swing on a comparable period basis.

John E. McDonald

Got it, got it, okay. And then last question from me on the credit, do you see the net charge offs kind of dancing around the current level, the $929 million. And how you see it playing out in terms of provision, reserve release relative to what you just did this quarter?

Bruce R. Thompson

Yeah, I think this quarter I think you're seeing kind of a continuation of what we've been talking about. And I want to be careful that we're -- particularly we need to exclude DOJ book both on the top, as you did in your 929 number as well as in the reserve release. So if you back out what we had for DOJ the reserve release was about 150. The charge-offs of $929 million were down roughly $75 million. And while this can bounce around a little bit I think what you're likely to see over the next couple of quarters is probably a convergence where the charge-offs and the provision number become more closely aligned.

And I would just say that particularly on the consumer side we continue to like what we see on credit. And on the commercial side you can see that the charge-offs are virtually nil within the large corporate space. And there is nothing that we see out there that's going to change that materially.

John E. McDonald

Okay, and on top of that will the DOJ still be a factor for next couple of quarters?

Bruce R. Thompson

As it relates to that I want to think John that it will be in the $100 million type area, as it relates to both charge-off and reserve release. And then by the time we get to the fourth quarter it should virtually go away. It can bounce around a little bit, but it should largely be gone by the end of the third quarter.

Brian T. Moynihan

But it's pares off John. So the way you expect this quarter to continue. So you know it’s a number that’s offset by our previously established reserve.

John E. McDonald

Got it, okay. Thank you.

Bruce R. Thompson

Thank you.

Operator

And our next question is from Glenn Schorr from Evercore ISI. Your line is open.

Glenn Schorr

Hi, thanks. Two quick ones on the average balance sheet. When you look at the debt securities line, the yields went up some [indiscernible] lot from 2% to 3.2%. I'm assuming some of that is LAS loans converting. But could you give a little color on what drives that because the overall size of those book didn't change that much.

Bruce R. Thompson

Yeah, it's interesting if you look year-over-year and you adjust for FAS 91, which shows up in the NII, when you're looking back at the table, that the yields were almost identical from the second quarter of '14 to the second quarter of '15 once you make that 91 adjustment.

Glenn Schorr

Okay, similar but different question. Inside the C&I book, the used commercial book, it was just a four basis point drop quarter-on-quarter but there is growth there. So I'm just curious the trade-off between price and yield give up on the new loans you're putting on versus the responsible growth you've talked about, doesn't seem that bad. I'm just curious on what kind of yield you're putting new loans on.

Bruce R. Thompson

Sure, and I think when you look at commercial loan spreads, there are two things that those numbers reflect, I think that there is -- the first thing which is just from a macro perspective that has been a little bit of compression, although, we're seeing it slow is it relates to just the competitive landscape and where the loans are getting done. As it relates to your question about the new loans, the responsible growth, if you looked and particularly in the areas that picked up during the second quarter, that on our risk rating scale they would translate to credits that tend to be in the strong triple B or single A area. So they are largely investment grade type credits where we are extending it. And if you look at average spreads in that area they tend to be in the LIBOR plus 150 type area on average, which is a little bit lower than the average across the commercial platform, but as you can see the credit's clearly at the upper end.

Brian T. Moynihan

So Glenn, broadly stated, if you think about it, we are not -- on a credit structure we held our discipline. On price there has been pressure but you then you have to look at that whole relation [ph] basis with the other fees and revenue you get from cash management stuff and we try to [ph] have our client focused discipline to it, but your observation is right, there is little pressure on those spreads due to that.

Glenn Schorr

Okay, I definitely appreciate that. Last one is when you talk about the pushing for growth and you mentioned the difference specialists in the branches, the business banking, the financial investment consultants, I am curious what are you doing to incent them, to encourage them, in other words are there actual incentives or do they get paid on the productions?

Brian T. Moynihan

In the sales context there is -- there are incentives for production, but it has to be done the right way with the right customers and with the right structure. So it is not -- it doesn't drive their behavior. It's different than the wealth management business in terms of the balance between incentives but if they are okay to open -- the mortgage loan officers are paid to produce mortgages and to open up checking accounts and other things. But it's really, it's actually deploying the people and building the capacity to sell, as we are reducing the need for services through all the automation that's going on and then shifting that group of people so that, it's really just having more of them then think of it as incentive driven behavior.

And then really then, having the information at the point of a sale through our technology, offers that have been made to people for credit cards and et cetera, so that you can make the offer again, that's already been made to them, on mine [ph] or something. So it's commonly just sales practice is more people and then just the discipline of the team, Tom, Glenn and Dean [indiscernible], then it would be incentive driven.

Glenn Schorr

All right, thanks very much.

Operator

Our next is from Eric Wasserstrom from Guggenheim Securities. Your line is open.

Eric Wasserstrom

Thanks very much. Just to follow up a little bit on that last point, when I was trying to shift through the core loan growth numbers this morning, it looked like the core loan growth coming out of the institutional bank and the wealth management looks strong. But the -- I am still unclear what the core level of growth was inside the consumer organization and so I am just trying to reconcile that with where the incremental hiring is occurring on the sales front. So could you just clarify what the core level of customer growth was?

Brian T. Moynihan

Well, if you look at -- I think in the consumer on page five you can see the balances, then you can see the different pieces. We have changed our practice of how we book residential mortgages for our consumer customers, that had impact on that, but overall remember they are still fighting a couple -- we are still fighting a couple of things in consumer, one is the card balances have probably [ph] stabilized and you saw it from our first quarter, second quarter a slight uptick there. That's because we had -- we've been hitting increasingly record sales of credit card, so I think we did about $1.3 million this quarter, Bruce. That is again a record for us since we changed the business model six-seven years ago.

And if you look at things like the home equity balances and things like that, those were under pressure just because we are still seeing significant repayments even though we are producing a lot in that area. So if you look at that you can see it's across the board just little bit upside still, in part the interplay between some of the run off in the other category and the build-up in residential but they do a lot more themselves, loans in that place and so the investment sales levels that drives that Merrill Edge, in fact the FSA and the branches that we deploy do $4 million of notional on average a month of new investment products in building $4 million to $5 million, they sell, obviously check accounts, net check-in accounts this quarter we had a net check-in account growth position even taking into account the run off from divestitures and other things, and then you have the loan side.

So they are responsible for driving all that and so it shows up in the loans a little bit, that's why the fee categories are stable in other areas.

Eric Wasserstrom

And so do you have a sense or is there some sense maybe Brian you can give us to how that investment in sort of front office staff is contributing to growth outside of the segment?

Brian T. Moynihan

Well -- in the small business arena, the first half of the year we get about $5 billion of originations in what the -- what we would define the small business, we have across two divisions and they helped grow that. Merchant services growth it fell, that goes into the business banking segment -- the global banking segment. And they send [ph] about 20,000 customers here in the wealth management, that literally walk in our branch are wealthy and they get moved over and that helps our wealth management business.

So you can think of them - you're right that sales force -- that [ph] segment that it has a benefit across the board, and then services, a lot of our customers business, business banking, commercial banking customers coming to the branches obviously for cash related, really to the cash management revenue.

So it is across the board and contributes and so the good news is they are making more money than they may have last year on their own. But it's still providing that services and capabilities across the platform.

Eric Wasserstrom

And so and this is just my final question, with the -- if we divorce just the run off from some of the legacy asset that's still occurring, would you expect the core consumer asset growth to accelerate as a consequence of this investment or do you think that it's currently run rating [ph]?

Brian T. Moynihan

The run off subsides in the consumer category, this is consumer banking here and then you've got the LAS piece, the LAS will continue to grow down because frankly those products we put in there -- we could decide not to do it but in consumer you should see as its stabilizes you will see a little better loan growth but remember they've focused on the response, of our responsive growth. We're not going to open up the credit card business in a way that will produce charge offs later down the road that we won't be happy with. So we are driving that growth into the core strong credit quality that we want to have in this company and [indiscernible] assuming that this leads to because to do that you have go in the credit postures that we won't do.

Bruce R. Thompson

And I would just add if I may, if you look at home equity it's a good example of where, if you look within the consumer banking space and during the second quarter of this year the home equity originations of line amounts were about $3.2 billion. They were to loan to value less than 60%. FICOs deep into the 700s, and so there were more than $3 billion of those booked. That's number one market share, roughly a $1.5 billion of that was funded but you do have some of the legacy stuff that running off. So I think when you wonder about activity levels and what's happening, I think you need to realize that with that number one share and what we are doing it is growing. It's just there is a run off that mutes that effect.

Eric Wasserstrom

Great, thanks very much for the answers to my question.

Bruce R. Thompson

Thank you.

Operator

Our next question is from Ken Usdin from Jefferies. Your line is open.

Ken Usdin

Thanks, good morning. First question just on the RWA, looks like when you look at the reconciliation of the move to fully phased-in, there's a little bit of a help on the advanced models this quarter. I just, in a general sense obviously we still have that finalization to come but what additional tweaks that you are working on inside the modules and what additional mitigation could we still see from here on the RWA side?

Bruce R. Thompson

Ken, if I may, there are couple of things. We are obviously working hard to move there's many of the exposures from CEM treatment to IMM treatment, which generally has had favorable benefit there. The second thing I talked about better collateral management as well as looking to work, to do more compression and to net things out and we continue to see some benefit there. The third is we continue to move out and we're largely through this but as we continue to move out some of the non-performing consumer real estate as well as the benefits of improved consumer credit quality we're seeing benefits there and there are still a lot of few RMBS and other type positions that we would expect to get benefit for over the next couple of quarter.

So I think that this quarter was clearly a quarter between the activity that we undertook as well as what happened from a rates and FX perspective where we saw pretty good quarter-over-quarter improvement and obviously there was not only in the markets business but also in the consumer businesses.

Brian T. Moynihan

That's said, Bruce the other thing, we have a healthy dose of operating capital due to the operating risk embedded from the country wide [ph] and other things that we have to figure out over time, how we can work through the system because we never did the activities in the company. But on the other hand we had to deal with the cost of them and so both operating and general. So as you think about that longer-term we have to get the more rational deal, or better offering result to the company today which is different, but that will take time, and working through the models there too.

Ken Usdin

Okay and then my second question, this just relates to the wealth management business and Bruce you alluded to there being a little bit of a slow down on the revenue. So if I look at the segment or the line item on the income statement, there has been a deceleration, advisor productivity looks a little bit lower and you've added a lot of people, you have added a lot of assets. So I'm just wondering what do we need to see to get a re-acceleration of the revenue side and brokerage and wealth management and is it -- or is it just the time lag relative to those additions?

Bruce R. Thompson

Couple of points in that. I think first that there is clearly a building up of advisors, particularly if we're bringing them in and training them, that there is a ramp up in productivity that occurs. I don't think there is any question. The second thing that I do think is important is that when you look at the net interest income line, that as I've mentioned it looked a little bit muted. If you saw gross loan net interest income you would see those increasing.

So some of the push out of the ALM activities has muted the NII line a little bit. And then the third thing which you referenced that I do think is a little bit more of a trend that and I think is not only -- is somewhat consistent with some of the regulatory standards which we're seeing more and more of the assets that we manage being managed on a long term basis, where we were managing them, and so that's leading to growth in the asset management fees. And the corollary to that is that you do have lower brokerage income. But net-net you can see that we are growing in the segment and we feel good about the activity that we are seeing there.

Brian T. Moynihan

Yeah, I say, a few quarters we saw the margin, the pretax margin come down and you are seeing it start to turn back and go up, and there is positive pressure on the future on that after the end of this year because some of the deal stuff runs out will add a couple of points to margin. It’s in the numbers this year, but won’t be in the numbers next year. And then your point as the maturity of the investment cycle, so because we are adding the financial advisors, the folks are coming in, they are building the books and as that maturity happens you’ll see it get a little better. But the encouraging signs we’re seeing the margin come back up. And remember this business also benefits a lot by the rate changes too ultimately, it is a --

it’s a big bang. It’s got $250 billion deposits, round numbers, a lot of loans and it has a lot of the same sensitivity our consumer bank does, that people don't think of in this context.

So as we think about the comp structure is in place, but there is added deal piece that runs off. You are seeing the maturity cycle that people coming up and the team is just working hard on the revenue expense management and we start to see some better signs. They got some work to do still left.

Ken Usdin

Understood. Okay, thanks guys.

Bruce R. Thompson

Thank you.

Operator

Our next question is from Steven Chubak from Nomura. Your line is open.

Steven Chubak

Hey, good morning. So I have a couple of questions on the topic of capital. The first is a follow-up to Ken's earlier question regarding RWA mitigation potential and Bruce, I do appreciate the color you cited relating to all the mitigation opportunities on the horizon. I'm just trying to get a better sense, given your efforts to grow the core loan portfolio, how we should be thinking about the trajectory in advance RWAs? Maybe excluding the upward adjustment tied to regulatory guidance. Just to give us a sense as to what that trajectory should look like over the next couple of quarters.

Bruce R. Thompson

Let’s make the caveat that this assumes that we don't have a significant change one way or -- in market conditions because obviously there is a part of Basel III, that’s somewhat pro-cyclical. But I think net-net if we do a good job of managing this the way that we would expect to, that absent any exogenous changes we should be able, in the institutional business, which is both global banking as well as sales and trading, that we should be able to grow loans while at the same time having -- have reductions in the overall risk weighted assets that are attributed to that area.

Now where you will probably see it be more dollar-for-dollar is obviously under standardized those loans tend to be -- every dollar of loan is a dollar of RWA. So you have to be a little bit careful between which method you are looking at.

Steven Chubak

Okay, well presumably the focus, at least on your part is going to be on mitigating the advance RWAs given that, that appears to be your longer term binding constraint?

Bruce R. Thompson

It’s both, because you’re right, as it relates to a ratio pro forma for this, it is the lower number but keep in mind you have to keep the focus on standardized as well because at least based on last year’s CCAR, as well as guidance that’s out there, standardized is very important from a CCAR perspective.

Steven Chubak

I understood, okay, and actually it’s a great transition to my next question, on the topic of G-SIB surcharges, where I'm sure you’re aware there’s been some discussion around the possibility of incorporating the surcharges within CCAR and I was just hoping to get a better sense as to what contingency plans you might have in place if the surcharges were to be included and are there opportunities that you see to sufficiently mitigate the G-SIB indicators so that you could move into a lower bucket?

Bruce R. Thompson

A couple of things on that front, the first is as it relates to G-SIBs, their application, where they may or may not be used, at this point while we participate in industry forums, I think that the supervisory has been very transparent in sharing much of the same things that they share with us, you’re also aware of. So I think that the information is fairly disseminated amongst everyone.

As it relates to contingency planning it’s really an ongoing continuation of what we did from 2013 to 2014, which if you recall is it related to our qualitative CCAR results in a timeframe where we didn’t have significant levels of net income, that our CCAR cushion grew significantly and so what are we doing to focus on that, on the investment portfolio we’re mindful of managing OCI risk given that it flows through the overall CCAR process.

We continue to be very focused on moving out those loans and those assets that have higher loss content and at the same time making sure that the originations that we put on are of the highest quality. So we continue to focus on that. If you look at the overall risk that’s being taken within the market’s business, we’re managing that, so that there’s not a surprise as it relates to that. And clearly we continue to work hard to move out those exposures that have high loss content there.

So, yeah I think it's really much more but a continuation of the work that we've been at for several years now, and we're mindful of making sure that we continue to push that stuff out at the same time that we're originating those things that will perform well as part of that overall exercise.

Steven Chubak

All right, thanks Bruce that detail is extremely helpful. And then one more quick final one from me, I was hoping you can give us an update on where your T-LAC ratios sit today?

Bruce R. Thompson

Yeah, I think that the T-LAC ratio, as it relates to where we are, and this assumes that we exclude stuff that's less than a year; I think that the T-LAC ratio is roughly 21% at this point. We'll have to see the deducts that come in and out of that based on G-SIB and other things but I think we're just below 21% at the end of the quarter.

Steven Chubak

Okay, great. Thank you for taking my questions.

Bruce R. Thompson

Thank you.

Operator

Our next question is from Brennan Hawken from UBS. Your line is open.

Brennan Hawken

Good morning. Thanks for taking the question. Quick one on wealth management. Is it possible for you to quantify for us how much of your total wealth management client assets are in retirement accounts and of that what percentage are advisory?

Brian T. Moynihan

We'll get back, I don't have that up off the top of my head, in terms of -- I just don't have that off the top of my head.

Brennan Hawken

Okay, just the whole idea there is just trying to get at the DOL proposal and maybe what could be potential downside even based on how it all gets finalized understanding that it's preliminary at this point?

Brian T. Moynihan

Yeah, [indiscernible] tell you on that.

Brennan Hawken

Okay, and then looking at the branch declines that you guys referenced earlier, is the tweak on the sort of 5% year-over-year, as a reasonable decline rate sustainable from here given the trends that you're seeing in your mobile platform and could this potentially add additional GUs [ph] to your expense decline beyond the business as usual type pushing that you guys spent a lot of time talking about here in the call today.

Brian T. Moynihan

So let's step back and make sure that what we understand one thing. It's the idea is they were moving because the customers are moving and how they conduct business. So you've got to run your changes consistent with what they're doing. And that's a base line that you have to stick to. If you forget that you can overshoot or undershoot frankly. And so -- and so that being said, that's one point.

Second point is in the 6,100 branches that we had at the peak down to this level, there are multiple things we are doing, customer behavior changes, change in the configuration of the market we attack, et cetera. So there are lots of elements. So now you're more in a business as usual ongoing practice, which will really be driven more by the customer behavior as opposed to some view point we have about markets and arranging the franchise. So I'd expect that they will continue to work themselves down. I wouldn't predict a steady rate because to it's a very composite [ph] equation.

But then let's split what's really going on, as Bruce talked about earlier we have 17.6 million mobile users, we have 31 million bank -- computer banking users. That number is actually growing again, for a while was kind of flattish, is actually growing. So it's interesting that that's happening. 60% of our sales are all digital now, about 6% of the sale that are digital which is computers and mobile, or mobile and that's growing at 300%. So it's catching up. And then you get things that are interesting because it grows the efficiency of branch.

There are about 10,000 appointments scheduled in the mobile device a week at the branch, that allows us [ph] to have a more efficient branch structure, even though we may have less, we may have bigger branches because you have more sales going on in them. So think about that, that's up from 2,000 last year second quarter, 10,000 times a week now and growing at that rate implied there. People are scheduling appointments to come see us, which is a lot better experience for us and them to serve themselves, allows us to have our staffing levels down. Bruce referenced the check deposit are 13% of all checks. So the activity of all this is critical to that question.

So I won't give you a 5% reduction or 4% reduction, or any mathematical equation we have done. But I'll be careful about assuming it will be that ratable but it would be more based on behavior change. But the key is our customers scores have gone up overall and even in mobile channels we've gone up year-over-year a 1000 basis points on our mobile channel top of the box satisfaction. So it will be a complex thing.

It's an integrated pool of capabilities, phones, online ATA at branches. And you'd expect it to be pressured going down, but remember we were early into this and if you think about 1,400 branches, that's bigger than a lot of companies out there already have a system. So we've been at this for a long time and we will do it the right way because if you push too hard to you will hurt the clients.

Brennan Hawken

That's helpful, color, Brian, thanks. And then last one from me, you made reference earlier to a couple of points margin from the employee forgivable loan, amortization dropping off next year. Is that, is next year sort of a bump in the trend or is that indicative of potential further declines in forgivable loans as they continue to roll off. And does it assume some level of counter pressure offsetting pressure from continuing recruiting. And maybe a little update on the recruiting environment for us, guys will be helpful.

Brian T. Moynihan

Yeah, what I'm referencing is discrete away from the entire recruiting process. This is a setup at a time where that transaction for a group of people at that time. And it just came in over the years and it's not just the last year but it goes beyond [ph]. The forgivable loan factors and all the other stuff recruiting is a little different thing. But John Keith Banks and the team, they're successful recruiting on the experience level. The attrition for the top two quintile for financial advisors is at an all-time low. I think again it’s run about 2% [ph] or something like that. So we're retaining those and we are recruiting at the both, experienced level.

But importantly what is obvious to us is to drive the amount of client need here, to drive to get the client need which is huge and underserved in our beliefs. We had to create more advisors than there out there. And so we've really worked hard on the [indiscernible] and training program which is basically bring deeper business experience out there for us, to bring them into our firm and also other industries into our firm. And that is now, we think reaping benefits to us, we have been working on it two or three years, retool and drive it.

So you should expect our advisor counted to go up and our productivity may come down per advisor. But frankly there is a lot of business where, remember [indiscernible] per advisors is a million in spends. And so bringing it down a little bit to get a lot more growth and a lot more growth in advisors would not be -- would be a great trade for our company. So our recruiting is strong, we're net -- doing a decent job, sort of hire and you hear a lot about.

That is not a big part of the advisor count, several hundred a year, like probably 200 to 300 but with the drive of our advisor and capabilities of our client there’s a broader build out of the team switch the BFAs and T&Ds that work at the branches on cases and grow the people in there. That just were down to our benefit overtime, although it's had a little drag on profitability right now it's the best.

Brennan Hawken

Great, thanks for that.

Operator

Our next question is from Marty Mosby from Vining Sparks. Your line is open.

Marty Mosby

Thank you. I wanted to ask about the asset liability management. When you look at the market adjustments that you had at $669 million this quarter, as rates go up there is less and less impact from that. How much is remaining in the next 50 basis points in just the prepayment speed slowing down?

Bruce R. Thompson

Yeah, I don't have 50 basis points Marty, but the number we quoted was on a 100 basis point move the FAS 91 benefit would be $775 million.

Marty Mosby

Okay, perfect. And then when you're talking about the -- being able to see the margin go up in the back half of the year, because of the current steepness of the yield curve, does that include some utilization in the sense of increasing your securities portfolio while you invest some of the liquid assets that you have on the balance sheet?

Bruce R. Thompson

There is clearly some of that, because we would expect as we go forward with the comp position of the balance sheet that there will be incremental cash to, that's generated. Obviously some of that goes into loan growth and some of it goes into the investment portfolio. So they're embedded in that. Those comments is an assumption that there will be a little bit more to be invested.

Marty Mosby

And you mean it will range $10 million, $20 million, $30 million, what's the -- any kind of rule of thumb there?

Bruce R. Thompson

I would think of it as on the low end of that, during the third quarter and a comparable amount in the fourth. And there is one other thing that I did want to correct, that I said earlier that if you look at the securities balances yields, the stability that we saw once you adjust for FAS 91 was Q1 to Q2.

Marty Mosby

Got you. And lastly, this is a new launch. But when you look at the trading activity, typically in the past when I had a trading activity in the bank that I was managing, when you have a steepening of the yield curve, you get some pickup as you get in the current long term yield funded by short term rates. The rate on the trading activity account did not go up this quarter but averaging into the next quarter would you expect some benefit there?

Bruce R. Thompson

I think if you look at -- I think the important thing is that there is -- so that rate tends to manifest itself in the market based NII. There are lot of things that drive that, when rates move around as much as they have. But I don't think there is any question that overtime as you're in an increasing rate environment that there is a part of the yield component that flows through NII that you would expect to get a little bit better.

Marty Mosby

I’m just more focused on the steepness versus the flattening of the yield curve. A steeper yield curve typically brings little better spread of the trading account.

Bruce R. Thompson

It would, but the question is it will -- yeah it works this way true but it is -- if you look across long periods of time it's relatively constant.

Marty Mosby

Okay, thanks.

Operator

Our next question is from Nancy Bush from NAB Research. Your line is open.

Nancy Bush

Hi, good morning. Guys just another liquidity issue. Could you just tell us what's on deposit, what excess deposit you've got with the Fed now and what are your plans are for those going forward?

Bruce R. Thompson

Okay, at any one point in time it can move around, but you should assume it’s comfortably about a$100 billion excuse me, that's on the Fed in any one night during the quarter. And I think that when you look at where we are with LCR, where we are, both the parent as well as the bank, and I think in $484 billion of overall liquidity, which is a record that we feel were in a reasonable place. And I don't see significant changes going forward Nancy.

Nancy Bush

Okay, you mean an overall liquidity or liquidity on deposit with Fed?

Bruce R. Thompson

Probably both.

Nancy Bush

Okay. That’s a lot of liquidity? My second question Brian is for you. I mean you've gone through a lot of change over the past few years and this transition of mobile et cetera, et cetera but one of the things I still get from talking to people are persistent gripes about service quality, particularly in the mortgage company. Can you just tell us what your internal polling or whatever shows in terms of improvements in credit quality and how do you feel about that entire subject?

Brian T. Moynihan

I think in the mortgage business that for example the funds, the bank originators we're number one in J. D. Power survey and I think we are number two or three overall mortgage company. So I think in terms of originating mortgage [indiscernible] getting steeper, Ron Sturzenegger [ph] has gotten that platform settled in and you will get momentary spikes where refi’s bump up and things slowdown. From a getting it all done, from a keeping our credit quality, where we want it, that ends up with us having some noise around people we don't get mortgages. So we get the 15 [ph] that we did this quarter, 30% of its low moderate incomes so we are still serving that segment. But again we are not pushing for better terms in mortgage and I think you’d understand Nancy.

Nancy Bush

Yeah. But how about just more the issue of service quality at the branches et cetera?

Brian T. Moynihan

Well if you look our customer scores continue to rise and -- almost on monthly basis in the broadest context of brand and part of that’s due to what happens at the branch, part of it’s also due to this stuff going on around the company and that's gone from the low point in fourth quarter 2009 it rose fairly steadily, so it’s been back to within 95% of where it was at its highest point in 2005 and '06. So that we are satisfied. If you actually go to the customer who actually get served, when you measure all the channels, which we measure with tens of thousands of customers a week, and the month you find that those scores continue to go up and the top two box score, I think were in the 70s to 80s at the various channels and including mortgage.

So I think because we just have a lot of customers you will find out once in a while we will bump [ph] up in our jobs. But if you think about, we've added mortgage production, check-in accounts, net new, the credit cards and that’s -- the ramification that we give service and driving it the team has continued to work at it. We're not perfect and while we will get better, but I think if you look at it last three or four years it’s continued to get better.

Nancy Bush

All right, thank you.

Brian T. Moynihan

And by the way if you look at our deposit growth it continues to accelerate and over the top of CDs continued to run of year-over-year to $10 billion. So we are up $31 billion in deposits in consumer year-over-year. I think it is in CDs are probably down another $10 billion or so. So think about that, if people didn't like us a lot they wouldn't be giving us their core check-in accounts and that is happening more and more every quarter and that we will service well as rates change because we are a hugely primary focused check-in account company in the broad mass part of the business, which is different than the past.

Nancy Bush

All right. Good to hear. Thank you.

Operator

Your next question is from Mike Mayo from CLSA. Your line is open.

Michael L. Mayo

Hi, I just wanted a follow up on Betsy’s question, at the start talking about expenses being at a run rate or maybe going lower. The expenses are down $400 million year-over-year. But if you look at your four business lines, the revenues were down twice that, implying a lot of the rest is coming through the other lines. I guess I'm just wondering how much more there is to cut, or should cut if the expenses are down again a quarter of million. But the revenues in the core business lines down $800 million. How do you balance that trade off?

Bruce R. Thompson

I think the first thing that you have to keep in mind, Mike when you quote the numbers within the business is on a year-over-year basis you have two significant things happening. You've had FAS 91 and the significant movement in rate as it relates to push out of those charges as well as, as we push the LCR out to the businesses that from a reported segment perspective that has a significant impact. And so I think as we've gone through the presentation that the numbers that I would focus on are very much what's going on within the segments, looking at the fee income lines because there is activity from a net interest income perspective of greater activity within the businesses.

So I'd be a little bit careful with that characterization and I think in that context I go back to Brian's initial comments which we continue to push hard, we're adding client facing personnel across the company at the same time we are reducing aggregate headcount and that's leading to declines in the expense numbers, and we're very, very focused on continuing to keep that balance as we go forward.

Michael L. Mayo

Okay. Just to understand because I am looking at your slides, slide 17 and the other slides in your presentation deck, looked at the four slides, related to GWIM, Global Banking, Global Markets, Consumer Banking, I took second quarter of 2015 versus second quarter of 2014 and looked at the delta in revenues and that's how I got the $800 million decline, so you would say which adjustment should we make from that?

Brian T. Moynihan

Let's just take -- we will take GWIM because I have got that number on the top of my head, Mike. I think year-over-year the difference in GWIM NII allocation through this sort of [indiscernible] and those things is, Bruce how much…?

Bruce R. Thompson

Yes, let's just go through relative to the second quarter of '14 you have got consumer from an overall NII impact was more than $200 million, GWIM was as Brian said roughly $130 million, overall investment bank, our global banking was a couple of hundred million and then you have the minimus amounts within markets in LAS.

Brian T. Moynihan

So that is nothing more than us changing the allocation method. It's because of LTR things becoming important, so we push down the business to get the behavior of the businesses aligned with the parent. So this is why you have to be a little careful about micro assessing these movements because things change and the methodology year-over-year and we don't go back and restate this, we didn't do it last year.

Michael L. Mayo

Okay. I will follow up on that. So just are you comfortable, are you satisfied with the revenue progression that you have had, no matter how you take a look at it?

Brian T. Moynihan

We are satisfied that we are starting to see the hard work of all our teammates come through but we are not satisfied in the sense that we expect better performance on both the revenue expense line in the future. We said that we'll keep working at it, but if you look at it over the last several quarters we'll see the stability in revenues but continued work on expenses both in the dollars but also the headcount, you have '15 straight quarters, 3,000 or more personnel reductions per quarter is a pretty strong record that shows that we are disciplined [in cutting costs].

Michael L. Mayo

And then a separate question, I think it's first time you have listed ROA and ROE on the first page of your press release and should we read anything into that, that you are more focused on achieving these targets with a specific time frame or kind of what changed?

Brian T. Moynihan

It maybe the pagination. It's been listed, in our documents consistently Mike so... We are all focused on those goals and we've told you that last time you asked the question.

Michael L. Mayo

And then lastly, just I know I have asked this question before, is there a specific timeframe that you commit to, to achieve your ROA and ROE goals?

Brian T. Moynihan

Mike as I told you, Dan and me [ph] will be there with a few other people, and asked me questions on this question, we have the building blocks in place to get us to where we are and we consider building blocks are in a place to get us to our goals and there are external factors with the rate increase and stuff that are -- you see the market curve that's changed just in the last 15 days this quarter and has moved around dramatically. So we are going ahead with our control elements we continue to drive and see the progression towards next several quarters as we told you.

Bruce R. Thompson

And I think if I could -- just to be clear, we talked about a 100 basis points and 12% to 14% return on tangible common equity, obviously at 99 basis points we are bumping right up against that. And I think what's important is as you look to the past, to what we have talked we are basically there in the second quarter you can say you have the $700 million in FAS 91 the 400 of loan sale gains and a couple of hundred million from rep and warrant provision but what I think is interesting and as you look at the past Eric, if you look at and assume the 100 basis point parallel shift in the yield curve what that would mean in the quarter as well as if we ultimately get to where our LAS expense goals are you basically back to all other things being equal where we were this quarter.

So what was articulated is something where you couldn't see a path or a way to get there. I think it was a step forward this quarter as far as seeing how we can get there.

Michael L. Mayo

All right thank you.

Operator

And we will take our final question from Christopher Wheeler from Atlantic Equities. Your line is open.

Christopher Wheeler

Yes, good morning gentlemen and I am sorry to raise the subject of cost again. But I just want to square away what you said I think to Betsy's question at the very beginning. So what you said at the conference back in May when you actually said that if the trading revenues didn't pick up you would have to adjust costs further. I just wondered where you were on that, because obviously trading revenues were down about 2% year-on-year, I think in the quarter and I am having to assume that the start of the quarter has been pretty bumpy with Greece and China.

So could you just talk a little bit about how you see that, perhaps also talk a little bit about how you might address that situation in global markets and global banking in respect of the U.S. business and the international businesses because it is very clear that the U.S. business seems to be offering more opportunities not just because they are more buoyant but also because you're seeing European bank play a lesser role than obviously seeing three of the big banks getting new CEOs in the last few weeks. I hardly imagine they are going to be allocating more capital to investment banking? Thank you.

Bruce R. Thompson

Let me take a stab at a couple of parts of that question. The first is and I think you referenced that what would you do if global market expenses were lower at a go-forward basis. I think this quarter was reflective of the way you'd expect us to manage it which is the pure sales and trading number was down 2% and total expenses within the segment were down 5%. So I think some of what Brian communicated in May you saw evidence of that happening during the quarter.

The second thing that I would say is that it's obviously early in the quarter but I wouldn't draw any conclusions as to overall performance based on the volatility that we've seen during the first couple of weeks to the negative. And then third, I think your question was and is just that with what's going on within some of the European banks as well as changes in management and questions around capital, how does that translate and what are you seeing in the U.S. business. I think I'd say is that we obviously have significant share in the U.S. business. We're looking to do a better job of that and I think that as you look at some of the loan growth that we've seen that it's reflective of the fact that we're deepening in the U.S. but just as importantly that loan growth is not only in the U.S. its' throughout Europe. There's been a little bit in Latin America and there's been growth in Asia Pac.

So we are looking to use some of these market opportunities as a basis to deepen and look to grow the overall global banking segment.

Christopher Wheeler

Thanks very much, thank you.