Operator

Good day, everyone, and welcome to today's Bank of America Earnings Announcement. 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. Please note this call maybe recorded. [Operator Instructions]

It is now my pleasure to turn today's conference over to Lee McEntire. Please go ahead.

Lee McEntire

Good morning. Thank you, Katherine. Thanks for joining the call to review our fourth quarter 2019 and our full-year results. By now, I hope everyone's had a chance to review the earnings release documents, which are available on the Investor Relations section of bankofamerica.com website.

Before I turn the call over to our CEO, Brian Moynihan, for a few remarks, let me remind you that we may make forward-looking statements during the call. For further information on those forward-looking comments, please refer to either our earnings release documents, our website or our SEC filings. After Brian's comments, our CFO, Paul Donofrio, will review more details on the 4Q results. We'll then open up for questions. Please try to limit your questions, so that we can get to all callers.

So let's get rolling. Brian?

Brian Moynihan

Thank you, Lee. Good morning, everyone, and thank you for joining us to review our results. I'm going to let Paul take you through the fourth quarter, which reflected a strong finish to close out 2019. Before that, I want to give you a high level view on our results.

Of course, our results continue to reflect the strength of the U.S. consumer in the biggest economy in the world. We continue to be well-positioned here in driving market share gains with great service and capabilities. This quarter is also one of transition from a period of rising rates in 2018 to one that is moving through the impact of the declining rates in the second half of 2019.

How do you run a company, a big bank, and deal with lower rates? Well, we drive what we can control with our sempiternal commitment to responsible growth. We drive more loans, more deposits, more assets under management, and driving growth for the right pricing and at the right risks.

We also have to manage our cost base carefully, while making the required investments, and we have to take advantage of a strong balance sheet to provide good capital return to our shareholders.

At Bank of America, we checked the box on all of these in the quarter. We grew average loans by 6% in our lines of businesses. We grew the deposits by 5% with very disciplined deposit pricing. Our expenses were relatively flat again while we increased investments across our whole company.

And in doing that, we earned $7 billion after tax this quarter with a return on tangible common equity of 15.4%. And due to our strong balance sheet, we returned $9.1 billion of capital to our common shareholders this quarter. At the same time, we deployed capital to support growth for our clients, committees and teammates.

Let's start on Slide 2. I am referring to the full-year results excluding our third quarter 2019 joint venture impairment charge. We generated $29 billion net income in 2019, a record for our company. That was 3% better than the prior year's results. We are also able to reduce shares by 9%, driving earnings per share up by 12% for 2019. These results were driven by execution on all the pillars of responsible growth.

We grew by serving our clients well and improved our market share across the board. We remain disciplined in our risk and our client selection framework. And by the way, our results are more sustainable, as our focus on operational excellence led to a 58% efficiency ratio in 2019, while making the investments we need to make.

Our return on equity was 11% for the year and our return on tangible common equity was 15.8% for the year. Record earnings allowed us to invest in our client capabilities, invest in our people and invest in our communities, all while holding the expenses in check.

Take a look at Slide 3, you can see the investments we made across all our constituencies. And at the same time, we delivered strong returns for our shareholders. To deliver for our clients, we continued our investment in talent. In 2019, we grew the company by 3,600 teammates. Overall, we hired 32,000 teammates in 2019, including 6,300 new employees from low and moderate-income neighborhoods, 4,000 college and MBA graduates, and we also completed our five-year goal to hire 10,000 military veterans into our company.

We completed more than $3 billion in new technology code initiatives last year, building on years of investments in award-winning digital and mobile capabilities to serve our clients better and help our teammates to be more efficient. Most importantly, these investments are bearing fruit as you can see in our customer usage numbers that Paul will talk about.

Just a simple example, we surpassed 10 million clients using Erica, our industry-leading consumer AI agent. We introduced Erica about 18 months ago, and now it's starting to reap the scale benefits. Erica is an example of billions of dollars of scaled innovation fueled by our work on operational excellence. These savings generated by operational excellence also enable us to make capital investments in our company of $1.7 billion during 2019 for newer modernized facilities and other related priorities. And in the past three years, we've built 207 new financial centers and modernized more than 1,300.

For our employees, we will start at $20 per hour minimum starting pay beginning in March. The cost of all these enhancements, importantly, are in our run rate of expenses, providing the capacity to keep investing in the future without increasing expenses.

Also for 2019, for the third consecutive year, we shared our financial success with our teammates with special compensation awards to approximately 95% of them, Three years of special compensation awards totaled over $1.6 billion in compensation addition to all other bonuses and merit and everything else, allowing our teammates to do more with their families.

Last year, we also delivered more than $5 billion of community development financing for affordable housing and other important local priorities. We made more than $250 million of philanthropic contribution to help drive economic mobility, including workforce training and development and many other local priorities, where we help to make a difference.

We also completed our 10-year $125 billion environmental business initiative goal in 2019. We made that commitment four years ago and it was a 10-year commitment, and we completed six years early. That's why this year we set a new goal of $300 billion environmental initiatives across the next decade.

It was a strong year for our company and our team capping our first decade. But here at Bank of America we have a saying, nice start. We know we can do so much more in the future.

So on Slide 4, I want to talk about the line of business results. The team's hard work has created a strong improvement in earnings across the board in our lines of business. Dean Athanasia and the consumer team generated impressive $13 billion in after tax earnings in our consumer and small business group by driving responsible growth.

They continue to provide real value for clients through innovative products and services, while driving improvements in upgraded facilities, entering new markets and driving innovation. Consumers record level efficiency and customer satisfaction scores reflect our hard work done the right way.

Andy Sieg and Katy Knox together run our Global Wealth and Investment Management businesses. They drove net new household growth in 2019 and more integration across those businesses with the rest of the franchise.

Merrill Lynch alone brought in more than 40,000 net new affluent households during 2019. Margins in that business remain near the record levels. We generated $1 billion plus in quarterly earnings in the quarters of 2019 and topped this quarter $3 trillion in client balances for the first time.

Tom Montag and his team across Global Banking and Global Markets franchises are running one of the biggest commercial lending business in the world, and we’re the top market making investment banking platforms. This powerful combination of Global Banking, Global Markets generated $11.6 billion in after tax net income this year. The team continues to get its fair share of the fee pools across the globe and became the more important partners for many of the world's largest clients.

With a renewed focus, our investment banking team regained some of the lost market share from a couple of years ago, and Paul will give you those numbers later. Matthew Koder and team have done a great job in doing this.

In addition, that team across the board continues to drive innovation, our global treasury services platform. Paul is going to show you some of those capabilities in the slides later. All these business accomplishments across all these businesses while driving relatively flat costs.

Let's move to trends on Slide 5. Our strong balance sheet and strong earnings have driven a corresponding strong increase in our return of capital. We have now dropped below 9 billion shares outstanding, 9.1 billion shares on a fully diluted basis as shown here on the left side of the page. In total, we reduced the share count by nearly 2.5 billion shares from its peak a few years ago.

As we look into 2020, Paul will give you some specific guidance on the company's view of what we see at our outlook, but for more general guidance, our research team, our award winning research team sees more generally the U.S. GDP growth at just below 2%, and a global GDP growth just above 3%.

We at Bank of America have seen our consumer business a substantial amount of activity. In our consumer business, we see that our customers are coming off a strong finish in 2019 in their spending activity. In addition, there is good loan demand. This results from good employment levels and growing wages. At Bank of America spending by our consumers grew at 5.9% over $3 trillion in spending from 2019 over 2018.

We saw solid loan demand in our commercial client base throughout the year, but that moderated in the second half of the year as worries about global economic uncertainty and all the issues that are talked about every day dragged on. Today, we see some resolution to those issues and that combined with continued consumer strength, leads us to expect to see businesses continue their solid activity, and we're hearing more optimism. All this provides a great backdrop to drive responsible growth and continue to deliver for you.

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

Paul Donofrio

Thanks Brian. Good morning, everyone. You can see the summary of our Q4 results on Slide 6, and I'm going to begin on Slide 7.

In the fourth quarter, we reported $7 billion in net income and $0.74 in EPS. EPS increased 6% from Q4 2018 reflecting modestly lower earnings more than offset by a 9% reduction in average diluted shares. Returns remained strong in Q4, but the return on assets of 113 basis points and a return on tangible common equity of 15%, well above the company's cost of capital. Our results were driven by our team's focus and solid progress on managing what we can control and gaining market share in an economy that grew at a low single-digit pace.

In Q4, we again stayed focused on what we can control. Client activity remained solid, allowing the benefits of loan and deposit growth to aid in offsetting the negative impact of lower short-term rates over the past three quarters. We also continue to see healthy consumer trends in spending and asset quality. Lastly, we experienced a nice rebound in FICC trading from a more negative environment a year ago.

So having set the stage, let's turn to the detail starting with the balance sheet on Slide 8. Overall compared to the end of Q3, the balance sheet was relatively flat at $2.4 trillion as growth of both loans and securities was modestly offset by lower Global Market assets. Deposits grew $42 billion, and were first deployed to fund $11 billion of loan growth, with most of the excess funding the growth in debt securities. Liquidity improved, as the average Global Liquidity Sources benefited from deposit growth.

Shareholders' equity declined $4 billion, driven mostly by the return of excess capital. In Q4, we returned $9.1 billion in capital through net share repurchases and dividends, which exceeded the $7 billion earned. OCI declined by roughly $1 billion, notable book value per share of $27.32 has improved 9% from Q4 2018.

With respect to regulatory metrics, we remain comfortably above our minimum requirements, driven by the return of the excess capital I just reviewed, our CET1 standardized ratio decreased to 11.2%, but remained well above our 9.5% minimum requirement.

Our risk weighted assets increased modestly from consumer loan growth and increased Global Banking exposures. Lastly, our TLAC ratio also remained comfortably above our requirements.

Looking at how client activity impacted average balances, let's start with deposits on Slide 9. Average deposits grew $65 billion or 5% year-over-year. For 4.5 years now, we have grown deposits on a year-over-year basis every quarter by more than $40 billion.

Consumer Banking deposits grew $33 billion or 5%, as we believe customers value the convenience of our financial centers and ATM networks, leading online and mobile capabilities, and our unique preferred reward program. But much of this growth continues to be led by checking balances, which we consider to be the core operational deposits of these customers.

Wealth Management deposits grew $8 billion or 3% year-over-year. Global Banking deposits grew $19 billion or 5% year-over-year, and reflected both our strong GTS platform, and the additional bankers we have deployed over the past couple of years.

Looking at average loans on Slide 10. You see pretty consistent client activity. Overall average loans of $974 billion were up more than 4% year-over-year. More importantly average loans in our lines of business grew $54 billion or 6% year-over-year, as consumer loans grew 7% and commercial loans grew 6%.

As you can see in the bottom right hand chart, we continue to demonstrate a fairly consistent range of responsible growth. Commercial loan growth was broad-based. Loans to middle market clients grew 10%. But I would note, the more stable linked quarter balances here as revolver utilization moved a bit lower.

We also saw growth in lending to small businesses growing 7% and within consumer; we saw strong growth of residential mortgages. I would also note the stability of credit card balances, which reflects our decision last year to pull back on less profitable promotional balances, as we continue to prioritize sustainable long-term profitability.

Turning to Slide 11 and net interest income. On a GAAP non-FTE basis in Q4, NII was $12.1 billion, $12.3 billion on an FTE basis and was relatively flat compared to Q3 2019. The benefits of loan and deposit growth coupled with disciplined pricing mostly offset the impact across short-term rates of a linked quarter 47 basis point decline in the average Fed funds rate. And while long-term rates were up modestly on a spot basis, on average for the quarter, there was little change.

For the full-year of 2019, GAAP NII of $48.9 billion was up 1% despite lower short-term rates. This is consistent with the perspective we had conveyed to you since the middle of the year. We remained disciplined with respect to deposit pricing. In Q4, the rate paid on total interest-bearing deposits of 61 basis points declined 15 basis points.

In Consumer Banking, which accounts for more than half of our $1.4 trillion of deposits, customer pricing remained relatively unchanged. On the other hand, in Global Banking and Wealth Management, the decline from Q3 and the rate paid on interest-bearing deposits, was more in line with the 38 basis point drop in average one-month LIBOR.

Looking forward, as we move into 2020, let me start by saying, our expectations assume a stable economic and interest rate environment, i.e. flat rates relative to the end of the year.

Given those assumptions, we expect NII in Q1 to be lower than Q4, as the benefits of loan and deposit growth will be more than offset by three things. First, with respect to Q1, we will have one less day of interest. Second, we expect lower loan yields to be more fully reflected from the late October Fed rate cut. Third, reinvestment rates are expected to dilute securities yields, despite fractionally higher long-end rates.

Moving to Q2, we typically experience seasonally lower NII for two reasons; first, we typically see higher interest expense from funding, increased seasonal Global Markets client activity in equities. The benefit of this activity shows up in non-interest income, instead of interest income. Second, we also typically see lower average card balances, as clients pay down their holiday balances. Both of these seasonal patterns have historically led to lower NII in Q2 compared to Q1.

So we would expect NII in the first two quarters of 2020 to be a bit lower than Q4 2019. From there, we would expect NII to rise modestly in the second half of the year, driven by an additional day of interest and continued loan and deposit growth.

Turning to Slide 12 and quarterly expenses over the past two years; at $13.2 billion this quarter, expenses were 1% higher than Q4 2018, as increased investments throughout 2019 in people, real estate and technology initiatives were largely offset by savings from operational excellence and lower amortization of intangibles.

We have been operating in a tight range for more than two years now, with quarterly expense in the low $13 billion range, and all but one quarter, if you adjust for the 3Q 2019 impairment.

So annually, we've been able to maintain a $53 billion expense base, despite increased investments in tech, infrastructure, buildings, people, philanthropy and the other costs that Brian mentioned in the opening of the call.

With respect to headcount, year-over-year savings from improved processes and workflows allowed us to fund an increase in the number of sales professionals, as our LOBs added nearly 4,000 associates over the past 12 months.

With respect to outlook, our expectations for expense in 2020 haven't really changed from where we provided it in 2016. Despite all the added costs of the higher investments and unknowns like Brexit and others since 2016.

We expect our full-year expense to be in the low $53 billion range this year and as long as client activity and the economic environment remains stable, our investment plans will likely remain unchanged.

Having said that, I want to provide you with a few reminders with respect to expenses. First, Q1 is expected to include about $400 million of seasonally elevated personnel costs related to payroll taxes, with the remaining quarters of 2020 expected to return to a low $13 billion range.

Also, beginning in Q3, the accounting for the BAMS JV is expected to change, following its dissolution. At that time, we will separately record revenue and expense from merchant servicing operations, rather than reflecting our share of the joint venture earnings, as a single amount in other income. This will gross up both expenses and revenue, with little bottom line impact and like we told you in Q3, it's not included in our forward guidance. We will update you, as we move closer to that timeframe.

All right; turning to asset quality on Slide 13. Our underwriting standards have been responsible and strong for years now and asset quality trends reflect this, even in this relatively benign credit environment. Total net charge-offs in Q4 were $959 million, compared to $811 million in Q3, when comparing to Q3, remember we sold some loans in Q3, that resulted in recoveries totaling $198 million that reduced net charge-offs.

Adjusting for those recoveries, net charge-offs declined $50 million and the net charge-off ratio declined 3 basis points to 39 basis points compared to Q4 2018, net charge-offs were modestly higher, driven primarily by seasoning of the card portfolio. Provision expense was $941 million and mostly mass net charge-offs, with only modest releases in both Q4 2019 and Q4 2018.

On Slide 14, we break out credit quality metrics for both our Consumer and Commercial portfolios. These metrics show you that asset quality remained strong in both categories.

Before turning to the Business segments, I will just provide a couple of perspectives on CECL. Our day one implementation resulted in a $3.3 billion increase in allowance. This is in line with the last update we gave you. All else equal, this would lower our CET1 ratio by roughly 20 basis points, but as you know, it is phased into regulatory capital evenly through 2023.

Turning to the Business segments and starting with Consumer Banking on Slide 15. Consumer Banking produced another solid quarter of revenue and earnings, but was heavily impacted by lower rates in the second half of 2019. Net income of $3.1 billion declined 10%, as revenue fell 4%.

As you know, we have been renovating and adding financial centers, adding sales professionals and advancing digital capabilities. Plus, we increased our minimum wage in 2019 and will again in Q1. Despite the cost of increased investments, we have been able to hold expenses relatively flat and our efficiency ratio was 47%. Away from the impact of rates, which we can't control, client momentum continued as we saw healthy spending, borrowing and savings by clients.

As a result year-over-year average deposits increased by $33 billion, up 5% to $720 billion, while maintaining strong pricing discipline. Client investments increased $54 billion, up 29% year-over-year to $240 billion driven primarily by the market, but we also saw $20 billion of client flows and our total net accounts grew 7%.

Loans were up a healthy 7%, driven by home loans, debit and credit spending by our customers was up 6% year-over-year, consistent with a record holiday season, and asset quality in this segment remained strong, with a net charge-off ratio of 118 basis points, down modestly from last year.

Turning to Slide 16. I will quickly note continued positive trends across deposits, loans and investments, all of which I touched upon earlier. This level of activity continues to drive the acknowledgments and rankings in the upper left. And this is a short list of the more than 60 industry awards, consumer and Digital Banking received in 2019.

Turning to Slide 17. Digital Banking continued to drive growth in client engagement as we continue to invest heavily in this channel, as a strong complement to our financial centers and ATM network. Together they allowed our customers to bank with us, anywhere, anytime and any way they want.

Over 56% of our clients are now digitally active and logged in 8.1 billion times this year, that's up 9% year-over-year. Digital channels generated 27% of overall sales, 34% of mortgages and 56% of client direct auto loans originated through our mobile app or online banking site.

The digital mortgage experience itself originated $11 billion in loans in 2019, as we continue to add capabilities, such as the ability to transfer HELOC balances on a mobile device. And with respect to mobile car shopping, we closed the year with the ability to provide clients' access to roughly 2 million cars from our participating dealer inventories.

Our market share with Zelle payments continued to increase this year as well. We now have 9.7 million Zelle users, and they sent and received 300 million transfers this year, totaling over $78 billion. Erica surpassed 10 million total users and completed nearly 100 million requests since its launch, with 38% penetration of active BAC mobile users.

27% of total deposits are now coming from mobile, and over 50% of our clients have gone completely paperless, enhancing our efficiency and their experience. And customers increased their use of our mobile banking app to make appointments with 2.3 million digital appointments scheduled in 2019, up 19% year-over-year. Our efforts to move customers past enrollment to engagement in digital capabilities are stronger than ever, and we believe industry-leading.

Turning to Global Wealth and Investment Management on Slide 18. Strong results were led by growth across AUM, loans and deposits, as well as good market conditions in the quarter, but also reflected the headwinds of lower interest rates.

Record level client balances topped $3 trillion, and our full-year pre-tax margin was 29%. With $256 billion in deposits, this segment would rank standalone as the seventh or eighth largest bank in the U.S. So when rates fall, GWIM feels it, but much of the impact of foreign rates was offset by advisory fees, generated from our industry-leading Wealth Management platform.

Net income was just over $1 billion, down 4% from Q4 2018, reflecting lower interest rates and the absence of a prior year gain from the sale of a non-core asset, which also impacted the revenue comparisons. Excluding the prior-year gain, revenue was flat and earnings grew 3%.

Asset Management fees grew 5% year-over-year due to higher market valuations, and the fees from AUM flows, which more than offset general pricing pressures and lower transactional revenue. Expenses decreased slightly, as investments in sales professionals technology and our brand were more than offset by lower intangible amortization and deposit insurance costs.

Digital engagement with affluent clients continue to increase in importance, as 64% of Merrill clients are actively using our mobile or online platform, and that statistic increased to more than 75% for the private – our private bank clients.

Moving to Slide 19. GWIM activity reflects the confidence clients place in Bank of America and its advisors at both Merrill and the private bank. As Brian mentioned, household growth has been strong, as Merrill added more than 40,000 net new households this year, and we added 60% more private bank relationships in 2019, than we did in 2018.

On the bottom right, note the $427 billion increase in client balances in Q4 2018, $383 billion of that increase reflected strong market conditions, increasing the value of assets, $44 billion of the increase is from client flows. AUM flows accounted for $25 billion, while brokerage flows contributed $6 billion.

Banking product flows were driven by loans of $12 billion, which doubled from 2018. And deposit flows were modestly negative, as clients shifted cash back into investments during the year, following the 4Q 2018 equity market declines. Average deposits rose 3%.

Turning to Global Banking on Slide 20. The business earned $2 billion and generated a 20% return on allocated capital in the quarter. An 8% decline in net income was driven by lower NII and higher investments costs, which outpaced the improvement from investment banking income and leasing related gains.

Continued strong deposit and loan growth reflects the benefit of adding hundreds of bankers over the past few years, increasing our client coverage, as well as continued advancement in how we deliver our loan product and treasury services. These investments will continue to benefit the franchise for many years to come, as new bankers deepen existing relationships and add new ones.

Looking at trends on Slide 21 and comparing to Q4 last year. Throughout the year, we continue to add investment bankers both in the U.S. and internationally, with a focus on expanding our client coverage. This benefited NII fees, with Q4 fees of nearly $1.5 billion, up 9% year-over-year.

Despite – double-digit increases in both debt and equity underwriting fees, led the year-over-year improvement. Bank of America was involved in seven of the Top 10 debt deals, and six of the Top 10 equity deals in the quarter, based upon Dealogic data this performance drove a 50 basis point improvement in market share for the full-year.

Turning to Slide 22. One of the reasons for the growth in deposits and Global Banking has been our consistent investment over multiple years in digital capabilities and transaction services. Note the growth in mobile and digital usage at the top of the page, and our focus on solutions for clients on the bottom of the page.

Switching to Global Markets on Slide 23. As I usually do, I will talk about results excluding DVA. Global Markets produced $639 million of earnings, year-over-year revenue was up 10%, from both higher sales and trading results, and improved investment banking fees. Expenses were up a more modest 2% year-over-year, within revenue, sales and trading improved 13% year-over-year, driven by fixed income, currency and commodities, with a more risk on environment, when compared to Q4 last year.

FICC was up 25% from Q4 2014, while equities declined modestly. FICC revenue showed improved results across most products, but was particularly strong in mortgage products. The muted performance in equities was driven by lower client activities and derivatives, which was partially offset by our financing business, where we have focused some investments.

On Slide 24, you can see that our mix of sales and trading revenue remained weighted to domestic activity, where global fee pools are centered. Within FICC, revenue mix remained weighted towards credit products, and importantly, please note on the bottom left, at roughly $13 billion, the consistency of our sales and trading revenue over the past six years in the face of declining fee pools. It is particularly noteworthy, considering the risk reduction note at the bottom right. This goes against the perception, that these revenues are generally considered to be more variable.

Finally, turning to Slide 25. We show All Other, which reported a profit of $262 million, comparing against Q3 2019 is tough, because that period included the $2.1 billion pre-tax impairment charge on our Bank of America Merchant Services joint venture.

But there are two things worth noting as I close out. First, other income, at the total company level this quarter, included tax advantaged investment partnership losses that were about $200 million higher, when you compare to Q3. The benefits of this activity shows up in Global Banking – in our Global Banking business, and are produced by client activity, related to tax advantaged solar and wind investments.

These investments generate good returns. However, the partnership losses, which reduce non-interest income and the tax benefit in our tax line from these investments, are not always realized in the same quarter, depending upon the type of investment.

The second thing I want to mention is the effective tax rate in the quarter of approximately 14%. It included the impact of higher tax credits from the increased tax-advantaged investments, and it also included roughly $300 million in discrete benefits from the resolution of several tax matters. Absent the discrete benefits in the quarter, our Q4 2019 tax rate would have been roughly 18%, and absent any unusual items, this is roughly where we expect the ETR for full-year 2020 to be.

So thanks, and with that we will open it up to Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] We'll take our first question today from John McDonald with Autonomous Research. Please go ahead.

John McDonald

Hi, good morning. Paul, wanted to ask on the NII outlook. When you put together your commentary about the quarters, year-over-year, does that imply flat to down a little bit maybe on the NII in terms of your outlook against flat rates?

Paul Donofrio

Yes. Year-over-year modestly, I would say

John McDonald

Down modestly?

Paul Donofrio

Yes.

John McDonald

Okay. And then how are you feeling – I guess if we think about positive operating leverage for this year, you mentioned the stability in expenses while you continue to invest. How are you feeling on fee income growth and when you wrap it all together, the prospects for positive operating leverage into 2020?

Paul Donofrio

So obviously, we talked about in the prepared remarks the transition that we're going through in the rate environment. I would just remind everybody we had 18 consecutive quarters of positive operating leverage. And admittedly, it's a little bit more difficult to achieve operating leverage given the decline in interest rates last year, and the associated impact on NII.

As I said though, assuming a more stable rate environment, we would expect NII to return to growth in the second half of 2020 driven by loan and deposit growth. And remember NII is not directly linked to expenses the way other revenue is in, for example, investment banking, sales and trading, wealth management. We run and invest in the company for the long-term sustainability and for growth, and by the way these investments over many years lay the foundation for operating leverage.

So having said all that, we're not blind to changes in the operating environment, but we are also not managing rigidly to quarterly financial metrics. We are focused on the things that we can control like driving like client activity, deposits, loans, investments, and efficiency improvements through our focus on operational excellence. So if things change, we'll adjust, but currently we feel our client activity and market share gains continue to support our investment plans in the near term.

John McDonald

Okay. Fair enough. Thank you.

Operator

We'll take our next question from Glenn Schorr with Evercore. Please go ahead.

Glenn Schorr

Thank you. I have a follow-up question on your comments on the promo balances in cards and your pullback there. And I'm curious if that is a function of pricing getting tougher there, terms getting tougher there, or is that your just responsible thought process 11 years into a recovery?

Paul Donofrio

I think it's more a reflection of responsible growth, and how we run, how we're focused on the customer, and how we're focused on total revenue, and not necessarily NII or fees. When you look at card balances, they certainly reflect a couple of items that we talked about, and it certainly reflects our focus more on profitability. First, we've been reevaluating some relationship prospects who are just looking to gain rewards or take a short-term – take short-term advantage of promo balances. So clearly that's affected balances a little bit.

Also with less promo balances, the percentage of the portfolio paying off each month has risen a bit. I think what you see though, if you look at our risk-adjusted margin, that's up 25 basis points year-over-year to 8.7% if you adjust out the 4Q gains we had last year, and we continue to have more than million cards each month again with a focus on profitability of new accounts. So I think that line is going to start to grow from here.

Brian Moynihan

I think, Glenn, just to be – with Paul's lost point – production of new customers taking the card product from us and the usage continues to grow, so we had 1 million plus new cardholders. We still have a lot of room to go from a two-thirds type of penetration of customer base and then how many people use it as a primary card. So we really focus a lot on that, and while we're focused on that, generating new customers who are surfing is not exactly the strategy. So it's a mix of profitability, but also really sticking to that core holistic customer strategy.

Glenn Schorr

Appreciate that. Just one more maybe on GWIM. So market's up a lot and more people going fee-based offset lower rates, and you talked about that. So we've been hanging in this 28% to 30% range, which is great. But the question I have is can – as scale continues to build in all the investments that you've made there, can we see margins start to tick up a little bit above there? I know we are constrained by the payouts and things like that. Just curious, the bigger picture over the next couple of years.

Brian Moynihan

Yes. So think about it in two dimensions. One, inside the Wealth Management business, is a very large bank. So if rates stable here from here, then the loan-to-deposit growth, which have been strong will then pick up that, and that's very leveraged to the margin – contribute to the margin. That's one point. So you are going through the same twist in that business and with the 75 basis point drop in rates in this very late part of last few months of 2019. So that's no different than many other situations, so that will mitigate and go forward.

If you think about the other side of the question, which is sort of, can you get it higher, you've got the basic thing, the way that the compensation system runs from a way of presentation is you've got 50% of revenue. Round numbers goes into the compensation. So you're basically making $0.30 on the other $0.50 in profit margin, which is a pretty strong margin. So it has all the opportunities along the dimensions, which is a [indiscernible] set of things that we've got to go after, which is – if you think about the Merrill Edge assets growing in the MEGI portfolio, which is over $4 billion and growing 30%, 50% a year type of things.

As they grow, and the products are available to Andy's to whole team of FAs, that provides additional efficiency. And then you think about the digitization of that customer base in both private bank and wealth in Merrill Lynch, which is the least penetrated of all the customer base in terms of digital statements and things like that, we can drive the margins that way. Then the physical plant, we continue to increase the density of the physical plant with other physical plant in various cities and towns, consolidating offices and getting people in a common space that saves money.

So there is a lot of way we can work on digitization, physical plant efficiency, adding more financial advisors to have more scale in contributing the overhead which then generates more margin. So you're working – it's pretty good to make $0.60 – 60% of your margin after comp, and we're not changing the comp system, but there's a lot of things forward, and I think we can continue to improve them.

It would appear to be easier or if, in fact, rates stay stable and drive loan growth, which is what our projection is, and if rates start rising again, we will look like heroes in terms of margin, but we've been able to sustain it even in a falling rate environment.

Glenn Schorr

Thank you.

Operator

Our next question comes from Steven Chubak with Wolfe Research. Please go ahead.

Steven Chubak

Hey, good morning. So I wanted to ask a follow-up on fee income. So the NII resiliency has been quite impressive. Loan deposit account growth, as you noted, Paul and Brian, continues to track very well. The core fee growth was a bit softer this past year, declined modestly despite some of the strong market tailwinds. I know, Brian in the past you haven't given explicit guidance on core fee growth expectations, but you did note that it should traject in line with GDP. And just given some of the moderating U.S. and global GDP growth expectations you cited earlier, just trying to think about how we should be modeling or forecasting fee income expectations in the coming years?

Brian Moynihan

I think each category – if you think about the broad categories where most of them come through, the strategy in the consumer business has been to reduce reliance over the last decade plus on penalty fees and things like that, we kind of hit status quo on that. In other words, we brought it down significantly from Reg E and all that stuff is kind of done, the interchange in the consumer fee areas, the card income stuff that's through the system at this point. The rewards impact that, but you get the benefit back in a preferred rewards system through the ability to have that stable margin.

So I think we should see those fees, which have gotten to a point where they ought to grow marginally. But remember, that part of the strategy is to invest in our client base, loyalty to our company and our products. And so they'll be modest because of the NII growth. Think about 8% growth in checking balances year-over-year in consumer. That is helped driven by people consolidating a relationship with you, which you pay back to the reward system through the card usage. So it's always going to be that.

When you go to wealth management, you tell me what the market is going to do and you'll see that it will be heavily influenced there that should grow faster. As you know, trading as Paul said, isn't as volatile as people want it to – discuss it, but on the other hand, there's compression on the fee side. So each line items has a different element. Treasury services revenue is up, I think, at the high-single digits. But the fee line piece of it's flattish, that's because people are paying us through balances.

So I think that Steven, a guy like me who has been around banks for a long time, the differentiation between types of revenue fee versus spread is becoming harder as the business models have morphed them together in just terms of total revenue. So we ought to go revenue slightly faster than the economy and have the expenses grow below that by couple hundred basis points, and we've been able to do that, and as this twist in rates ends this quarter, you'll see us get back on track, as we move through 2020.

Steven Chubak

Thanks for that color, Brian. And maybe just a follow-up for you Paul. You've been retaining a substantial percentage of mortgage loans on balance sheet in lieu of selling those loans, you're deploying that excess liquidity into MBS. And I'm just wondering, as we prepare for CECL, does that inform your appetite or your willingness to continue down the same path, and just separately, just given the strength of your credit position and a relatively clean balance sheet, was sort of hoping you guys could be CECL pioneers, and maybe the first bank to provide some more concrete guidance, in terms of day two provision impacts or expectations?

Paul Donofrio

Well in your first point we are originating mortgages and putting 94% of them, I think this quarter on the balance sheet. That will continue to trend that we've been doing for many quarters now. We'll see how that develops over the long-term. But for now, that's our plan.

Clearly, we consider the effect on liquidity, we consider the effect on capital balancing, returning capital with growing the balance sheet. Those loans don't really have a high amount of CECL impact. So but I'm not saying we're going to never change what we're doing there. In terms of CECL, I think we've given you the guidance that we're comfortable with.

We would expect provision to be a little higher than net charge-offs in 2020, and due to CECL, we've been running – when you back everything out, we've been running net charge-offs at approximately $1 billion a quarter. We don't see that changing much in the future, and when you just factor CECL into that, it means that our provision's going to have to be a little bit higher than net charge-offs.

Brian Moynihan

You always have to remember that the – not on the last part, but on the first part. At the end of day, the reason why we have securities and mortgage-backed securities and treasuries is simple. When you're doing $60 billion in deposit growth and your loan balances grew by $10 billion or $20 billion, the other half has to go to be invested somewhere and you're raising this money in all-in costs in the 40 basis points of deposit pricing across the whole board, and a lot of it's coming in non-interest.

You're not going to turn down that good customer activity and we don't take credit risk in that part of the portfolio, because we take enough credit risk around the rest of the company. And so the strategy on the investment side, mortgage backs had put with treasuries and think that as just excess liquidity on mortgages.

Paul told you that, we've been putting on the balance sheet, because they're better yielding than mortgage-backed securities and frankly, our credit risk is better than the mortgage-backed securities' availability. So why would we pay for somebody else for taking that risk.

Steven Chubak

Fair enough. And I appreciate you guys taking the day two plunge as well.

Operator

We'll take our next question from Betsy Graseck with Morgan Stanley. Please go ahead.

Betsy Graseck

Hi, good morning.

Brian Moynihan

Good morning, Betsy.

Betsy Graseck

Brian, 10 years of excellent management here driving the bus on improving operating leverage, especially over the past three, four years? Can you give us a sense, as to how you see the rate of change go from here, because we've had obviously significant improvement in the consumer side, and the question I get from people is, is it over and by the way, how do you generate positive operating leverage in global banks and global markets, given the SKU to producers, and is there that much opportunity in the back office side? So maybe if you could hit on those that would be helpful. Thanks.

Brian Moynihan

So let me paraphrase a little bit. But it's a delectation to be able to run this company with all the power and have the honor doing it for decades. So we just passed a decade with the team, and they've done a great job. But what you point out, as they've done a great job of putting the position.

So if you look at the operating efficiency of the Consumer business or the Wealth Management business or the Banking business, which we show separately from the markets business, so you can see, these are 38%, 40% efficiency ratios here, 45% here. It's how can you improve.

And Betsey what I'd say is, we just don't know how far this digitization of the actual processes and work goes in the company, and we just keep coming up. We had 6,000 simplified improved ideas over the last few years we've implemented. They continue to produce great savings. And so, we just don't see an end of that. And so leave aside that the economy is growing at a sub-2% level predicted at 20%, we decided that the rate environment is low, we've been able to push forward the activities that can produce more efficiency, and we think that there is a lot ahead of us.

And so we'd say nice start to our team, saying thanks for all the hard work you've done. But also, we're only getting started here, and if you start thinking about – we just passed, the number of checking accounts that we had in 2007 in this company this quarter.

And so, we ran off all the non-primary accounts, but on our primary accounts, the average balance of $7,000. If you think about the cost of deposits and consumer, I think it went down by 4 basis points year-over-year something like that. So it's a grind, and it's a lot of hard work, but the incremental efficiency that we can get at this scale, by these investments and by the digitization and the further taking out of activity which costs more.

Another example is checks written, since Zelle became really pushed out there about two years ago, has started dropping 10% per year. So five years ago, we had almost $1 billion checks written by consumers, and now we're down to $600 million. Each one of those checks is a piece of paper that requires processing time, and you're seeing that drop by 10% a year.

Is that going to change overnight, where they're gone? Absolutely not. But on the other hand, it's constant positive operating pressure benefit for us. So look for us to improve it across the board, your colleague earlier asked about the Wealth Management business, we think we have upside there. Andy and Katy and the teams are working on it. There is lot of process simplification that we've worked on hard, but there's a lot ahead of us.

And then you get the markets business, the electronification effect will make it more and more efficient over time, like we've seen in equities. As you know though, that's a market price business, so that you always fighting the revenue changes at the same time and in fact, if you look at most of this from four, five years ago, we actually had the same amount of trading profits we had then.

We just turned it into this quarter, $600 million of profit, generally $1 billion of profit, when it's getting a little bit better in the earlier quarters and the activity is higher. That's a good business. It's just you're fighting both sides of equation. So look for us to improve everything. There is room to improve, tremendous scale advantages. The new markets opening up provide extra lift and it's our job to do it and the team is excited too.

Betsy Graseck

Okay. Good forward look there, Paul, on the longer-term. Paul, maybe I could just be a little bit nearer term with a question for you. I think you mentioned a couple of times that NII expectation for 2020 being down modestly from 2019 for your full-year. But then you talked a little bit about a better second half than first half, and maybe you could give us a little bit more detail on the granularity, why you expect that to be the case? I assume it's with the forward curve and flattish rates. But I know, you some color earlier on, but maybe give a little sense more of, like what's behind that conviction level that year-on-year you get some improvement in the back half?

Paul Donofrio

I think it's about loan and deposit growth and its about deposit pricing discipline. On deposit pricing, we planned some modest reductions in deposit pricing, assuming no further cuts, as we continue to bring deposit pricing to an appropriate level, given the three cuts that we've experienced.

If the forward curve materializes and we get another short end cut, we expect deposit rate paid for the industry, and for us to decline even further, as higher pass-through products in Wealth Management Global Banking react relatively quickly to any rate cut. So it's about the confidence we have and how we price our products, and the confidence we have in growing deposits and growing loans.

The guidance is more about – we have an one less day in Q1 we've got to deal with. We have the second quarter. Normal activity that we see in equities, which again, that's a plus, that just shows up in non-interest income instead of interest income. And by the time you get to the third quarter, we would expect, assuming the current sort of economic environment, we would expect our loan and deposit growth, the lack of that seasonality, the deposit pricing to have an effect and we'll start growing again.

Brian Moynihan

I'd just add to that, your question and John's question go the same direction, which is – you've got this quarter and the first couple of quarters because of the dynamics, Paul just described that. You have to push through, but what we see is getting back on, as we move into the middle of 2020. We're back on that basic operating leverage through NII stability to growth and expense flatness. So but it just takes a lot to get underneath 75 basis point rate cut in four months.

Betsy Graseck

Okay, that's helpful. Thank you.

Operator

Our next question comes from Jim Mitchell with Buckingham Research. Please go ahead.

James Mitchell

Hey, good morning guys. Maybe I could just follow-up on that last question in a different way. Is your expectation that the net interest margin should start to stabilize in the back half of the year? Is that what gives you the confidence in the NII growth, or is it really – do we still should expect maybe a grind down of NIMs, but the balance sheet growth starts to takeover?

How do we think about when, in the current rate environment, the sort of net interest margin, assuming mix is unchanged, obviously it's a big assumption, but do we assume that NIM starts to stabilize in the second half of this year?

Paul Donofrio

I think that's what – you've correctly summarized succinctly what we said.

James Mitchell

Okay. So maybe I get another question. So just on the deposit growth...

Brian Moynihan

We will award you a bonus question for that one.

James Mitchell

Just on the deposit growth, the industry, we've seen some acceleration in 4Q. We have lower short-term rates. We have the Fed balance sheet expansion, there tends to be some seasonality in 4Q. How do we – do you think this acceleration can continue into the – at least the first half of this year? I guess how do you think about the deposit growth, and if there – if we could see continued sort of above mid single-digit growth?

Paul Donofrio

I think if you look at Page 9, when you have rate movement due to the types of things that are – reestablish the reserve levels by the Federal Reserve, et cetera, et cetera that's going to affect the lower – our markets business in the lower right hand, and banking, stuff like that.

But it really doesn't have that much of an impact in the Wealth Management and the Consumer Banking area, and that's really what drives the value. So for the $700 billion odd dollars in the consumer business, which grew checking at 8% year-over-year, and that's fairly consistent with what they've been doing.

Remember, that its 11 basis point all-in, including the interest bearing part of, which also grew year-over-year. So that $700 million a year in total interest expense for $700 million of deposits. That's what drives the economics, and then Wealth Management Global Banking, also but – and so that isn't really affected by all the sort of broad macroeconomic variables.

That's just us doing a great job with consumers. The great customer satisfaction, great product capabilities, high touch, high tech and then generating more and more checking accounts, where the average balance per checking account is $7,000 plus and growing, and that's what's going to drive it.

So I'd say you're absolutely right. There can be momentary things that would enhance deposit growth in some of the pure institutional businesses. But it doesn't make much difference to the general U.S. consumer.

James Mitchell

Okay. That's helpful. Thanks.

Operator

Our next question comes from Mike Mayo with Wells Fargo. Please go ahead.

Michael Mayo

Hi.

Brian Moynihan

Hi Mike.

Michael Mayo

The simple question is what is the dollar amount of tech spending and investment spending in 2019? And how does that compare to last year, and this coming one. And the backdrop to that question is, the efficient – you've gotten a lot of questions on efficiency on this call, and it was worse in the fourth quarter, and your 58% efficiency for the year is not where some other banks are targeting, like 55%.

Now, we know that you're spending a lot of money. We can see Slide 3. You've pointed out that the spending is paying off. So if you could just put a wrapper around the spending and put a number to it, then we, as analysts can figure out, okay, a more core efficiency level, if you would.

Brian Moynihan

So one of the things that just in our efficiency ratio compared to other people or 58% for the year, but remember that we have a lot more wealth management at 30% – or 28%, 29% profit, pre-tax margin i.e. 71% efficiency ratio than anybody else does. That changes that answer relative to some of our core banking peers.

It's just a bigger, bigger number, because we have the biggest business for $3 trillion in assets, making $1 billion a quarter after tax at the best margins, but it's just the sheer math. So when you look at it by business unit by business unit, our efficiency is the tops in the class, just our mix is different. So I'll let you figure that out, Mike.

But back to your tech spend, we spent $3.2 billion or $3 billion in 2018, the same in 2019, we have it scheduled to be the same this year. It's just – this constant level of spending. Now its different products obviously every year, that's pure technology initiatives. You put that on top of the backbone and everything, and the number of people could talk about be higher.

But that is just to drive new products and capabilities and through the system, and we aren't changing that, because that's what's driving that ability to keep expenses flat. If you look across the chart, Paul showed you when you see 2017, 2018 and 2019 in the expenses per quarter running $13.1 billion, $13.3 billion et cetera, think about how much we've done in there, in terms of hundreds of new branches. 1,300 or so, complete redos, new buildings for our teammates in Wealth Management, et cetera, et cetera. And so that – those are tremendous investment levels that are all in the run rate, while we're chopping away, and that's coming from the operational excellence.

So we're spending that much on technology, but the question isn't spend, Mike, it's are you getting the usage out of it, and that's where you got to look at things like the usage of Zelle, which we're going to 80%, 90% a year, the use of the cash per mobile which grew over 100% a year that usage what I talked about in checks written coming down.

Even I talked about, that we have 4,300 branches, but in there, we've actually opened up to new markets over the last couple of years. 15 branches to 20 branches et cetera and continue to do that. So the efficiency, in the rest of markets funds that, even though your numbers of branches are relatively flattish. So we're coming down slightly. So it's a complex set of things, but hopefully that gives you some color.

Michael Mayo

Yes. I guess I'll try one more time, since it's not in your tech number, like you are expanding to new markets, you are opening new branches, you are hiring new associates, how much does this investing increase the growth rate of expenses?

Brian Moynihan

It's $3.3 billion. So it's in the run rate. And last year – and it will be the like amount this year. So could you take half of that out? You could, it'd just be not the right thing to do for the Company, but it's paid for by the other – the cost takeout that supports or the mix in how the customer uses, which provides efficiencies, so more than 50% of our auto loans are originated digitally today.

I think we did something like $4 billion or $5 billion of mortgage originations. So its – we're reaping the benefits of it, Mike, three years hence, is the investments we made in 2017, as you go into 2020 are produced – for example digital auto did not exist, and now you are getting 58%. Just think how much more efficient that processes is. Digital Mortgage...

Michael Mayo

Let me just try one more. And then one more time – like this tax spend to run the bank, change the bank, I assume you're spending more to change the bank today versus three or four years ago, and you – that mix goes more toward change the bank. What are the figures and where do you think they are headed?

Brian Moynihan

Yes. The $3 billion plus, obviously with Brexit behind us with – by the regulatory environment rules behind us in terms of implementing the CCAR and the capital rules and then lot of modeling, and you're still spending money improving that data to make those models work. That's gone.

The only thing that works against that is – so yes, if you thought about how much is going to sort of new business initiatives, the mobile banking, feature functionality, it's higher in 2020 than it was in 2019 than it was in 2018, largely around this issue that you are running off some of these long-term projects, which is good.

Michael Mayo

All right, thank you.

Operator

Our next question comes from Gerard Cassidy with RBC. Your line is open.

Brian Moynihan

Good morning, Gerard.

Gerard Cassidy

Good morning, Brian. How are you? Brian, can you remind us, you touched on – in some of your comments already about the number of checks that were processed five years ago versus today. When you move it from the paper to the digital, can you share – remind us what the cost savings are when you do that, per unit?

Brian Moynihan

So that was kind of checks written by our customers, which is this good point, because that stops the thing before it starts. But it basically, if you look at deposit, which I think is what you're referring to, Gerard, we are now more mobile than we are at the branches and have been for about five quarters, and then the ATMs are still half, the mobile is a little over like 27% or something like that, and branches are the rest. So if you think about that, that is $5 in physical movement, $0.50 and $0.05. $0.50 at the ATM and $0.05 round numbers.

Gerard Cassidy

Great. And then moving on with credit, can you guys give us any color – I mean, credit is strong across the board for almost all the banks, and are you guys keeping an eye on any particular sectors within your portfolio? And then as part of that question, we sensed from some of your peers that have reported that the corporates or commercial customers seem to be maybe a little more optimistic in the fourth quarter because of some of these trade issues. If you could comment on that, if you're seeing that in your customer base as well?

Brian Moynihan

I'll take the second half and I'll let Paul. Yes, you are seeing with the – leave aside what happens day-to-day, but generally companies are seeing the resolutions emerge for some of these issues. That makes – a little bit more confidence in terms of our activities, we'll hopefully see that in the first half of this year, if nothing goes backwards. The market being up, obviously gives people a good feeling. But one of the thing you have to think about is, in the first part of 2019, Gerard, you had your inventory decline recession, as people would call it. That went through the system. So you've entered a new place, right.

So you come down, you hit a bottom, and then you start to grow out from there. We're kind of in that transition phase. So I think the combination of the external environment getting the deal today with China, obviously, is a resolution of one of the issues that was over people's minds. There are other USMCA. Everybody says it's going to be passed. I think that capacity would be very helpful to people. The fact that people have done what they needed to do, it was during the year 2019 to change supply chains and think about it.

That's disruptive without endpoint value to the customer, so to speak, and it's like us with Brexit, we spent $400 million plus money. The customers didn't get better services out of it. We just had to create more entities and get them up and running. Those things are sort of through the system. So I think that what you're feeling is a little bit of a relief on the other side of that work, which was being done, and worry, which is being done without a lot of activity. And so even capital expenditures, which grew at a much slower rate off the high in 2018, you're starting – our experts say will stabilize and kind of come out from there.

And on credit, Paul?

Paul Donofrio

Sure. So on credit, I'd start by saying that we are always running through the portfolio, routinely analyzing various sectors, bringing it to senior management, discussing it. So we've got a real great process for always looking for some risks that are on the horizon. As you know, we've been running the company with strong underwriting standards for years now. You see that in our CCAR results. So I mean, I hesitate to sort of pick one sector or another because we noticed stuff out in the marketplace, but it may not affect us directly given how we've run the company for years now.

But if you're looking for some sectors that we're paying attention to, not that we think we're overly concerned about them given how we've managed the company. But we're certainly paying attention to leverage loan market, leverage lending. We're certainly paying attention to energy with respect to natural gas prices. We are certainly looking at retail with respect to enclosed malls. We've got our eye on – always have our eye on spots around the world that maybe experiencing a little disruption. So that's how I'd answer that question.

Gerard Cassidy

Very good. Thank you.

Operator

We'll now go to Ken Usdin with Jefferies. Please go ahead.

Kenneth Usdin

Hey, thanks. Good morning. Just a question on the balance sheet and capital. So you're at 11.2% CET1, your stated target has been around 10%. We're still waiting for the SCB finalization. Two questions, so one, any anticipated changes to where you think your capital goal might be, depending on what we get? And then secondly, have you gotten a point where you would might rethink the mix between your dividend payout, which is lower than peers and the buyback in terms of the mix? Thanks.

Paul Donofrio

I mean I'll start on I guess buffers and you can – Brian, you might want to pick up on the dividends or buybacks. But look today, as you point out, we have a meaningful cushion. So it's really not an issue for us right now. In terms of what our ultimate buffer is going to be, when we don't have as much of a cushion, we haven't really talked about that publicly, because we don't think it makes sense today to prejudge what a buffer needs to be, given the size of the current question and given – as you mentioned, regulations, SCB other things are still changing, and lots of things can affect that buffer, when we get there. But I would just emphasize, we have a sizable buffer right now.

Brian Moynihan

In terms of dividend versus buyback. Yes, we will keep increasing the dividend as we move up to sort of the 30% level and earnings payout, we've been clear about that. And then the rest will go into reducing the share count. And if you look at the page we showed you earlier, part of the issue was – the share count was a lot higher than people expected sort of in the 2009 timeframe, after the Merrill transaction.

So we're pushing that back down, and we think that's a good use of our capital. We don't need the capital to fund the loan growth and deposit growth, you're seeing us able to do that through continuing to fine-tune the balance sheet. And so expect us to move the dividend up, consistent with what we've done before, assuming CCAR approval and all that good stuff.

But the idea is we will keep it at a level that allows us to use the share buyback, to help drive the EPS growth, and you saw the benefits of that year-over-year, in an environment where, the rate movements made earnings flatten in the second half of the year. What you saw was, EPS year-over-year was up double-digits, because we can retire the shares. And so we think that's the best thing to do for the shareholders.

Kenneth Usdin

Understood. Thank you, guys.

Operator

We'll take our next question from Matt O'Connor with Deutsche Bank. Please go ahead.

Matthew O'Connor

Hi guys. I was just wondering if you could talk about the pace of loan growth that you're expecting for 2020. Maybe both kind of within the business lines, and then net from the drive for run-off? And then maybe the drivers of growth and if that's changing at all, versus what it has been the last, kind of 6 months to 12 months, obviously commercial for the industry has slowed. Maybe that's temporary. So just talk about the pace and the drivers of loan growth this year? Thanks.

Brian Moynihan

Sure. So look, growth in our Business segments should continue to be kind of mid-single-digits. As you know, we grew 6% this quarter. Both consumer and GWIM grew at 7%, driven by increased residential mortgage activity, Global Banking grew 6% year-over-year and that was driven by large corporates, middle market companies, leasing activity and solid growth in international regions. So pretty broad-based.

We anticipate solid growth in consumer loans, assuming the current economic environment, as well as the sort of pull-through of applications through – mortgage application through the pipeline. With respect to card, we've already talked a little bit about that. We expect that we can start growing card over time here. With respect to residential mortgages, originations were strong this quarter. They were up significantly.

So that's going to translate to solid Q1 growth. However, you have to remember that that's going be partially offset by continued run-off of the non-core portfolio. We expect our growth to be up modestly year-over-year. We expect solid growth in small business, and remember, in all these categories that I'm talking about, we remain focused on prime and super-prime and on commercial loans, our outlook remains favorable, again growth year-over-year should be in sort of mid single-digits. So that's how I'd run through it.

Matthew O'Connor

Okay. And then netting out the kind of mid single-digit growth in the Business segments with the run-off, do you think you kind of stay in the space of 4% growth that you saw this quarter, as some of the macro holes?

Brian Moynihan

Yes.

Paul Donofrio

Yes. If you look at the run-off chart on the loan page there, in the upper right hand corner, you see that – we basically have gotten really to the point where that's now natural run off, will – there won't be any sales of major impacts for purposes that we were doing before to – we continue to move loans, on which we weren't getting any income on, because of their status in terms of restructuring and things like that out and cleaning the portfolio up. So that's just smaller, so I think that helps the overall nominal growth for the company.

Brian Moynihan

It's going to be $1.5 billion, $2 billion a quarter.

Matthew O'Connor

Okay. So it might be $1.5 billion or $2 billion of loan sales, but nothing major that's what you are saying?

Brian Moynihan

No, no, not loan sales.

Paul Donofrio

That run-off…

Brian Moynihan

The run-off is running at about $1.5 billion, $2 billion per quarter.

Paul Donofrio

Of just natural paydowns in those mortgages and home equities.

Matthew O'Connor

Got it. Okay, that's helpful. Thank you.

Operator

We'll take our last question today from Saul Martinez with UBS. Please go ahead. Your line is open.

Saul Martinez

Hey, good morning guys. So forgive me for beating a dead horse on the efficiency ratio question, but I guess I'll ask it in a slightly different way. I mean, you guys are out about 57%, 58% even with GWIM being a big part of the overall mix, revenue mix. But if we assume that revenue growth gets back to say, GDP growth over time.

Is there any reason why you couldn't reduce your efficiency ratio below, say the mid 50s percent range into the low 50s, given some of the opportunities you talked about Brian, and just secular trends towards digitization, electronification of payments, which obviously reduce to this unit costs pretty materially. It doesn't seem like there is an obvious reason why you couldn't continue to drive that down pretty materially even from here.

Brian Moynihan

That's what we're doing. If we keep expenses flat and the basis of the premise was if the revenue grows, PDP plus, that's 200 basis points of operating leverage and that will keep producing the efficiency ratio by definition. So you're stating what our job is, and we've been able to do it and we'll continue to.

Saul Martinez

Okay. So there is no obvious – is there any point at which, or any obvious point at which it becomes just much more difficult or is there is – the glide path from here is just, it seems like there is nothing really to prevent you from doing that for a while?

Brian Moynihan

We'll let you know when we think we can't do it anymore. But we don't see it.

Saul Martinez

Okay, got it. All right, thanks a lot.

Operator

We have no further questions at this time. It is now my pleasure to turn the call back to Brian Moynihan for any closing remarks.

Brian Moynihan

Well thank you all of you for your attention on the call. We finished another strong year in 2019 for the team, and they did a great job growing the earnings, doing it the right way, making the investments across the franchise.

As we say, it's a nice start. We'll continue to focus on responsible growth. We've got a lot of room to run in this company. Every business had good client activity. The loan, deposit, underlying customer growth at the size and scale this institution, tremendous work by our teammates, and all that helped us provide stable performance, with a rate cut that came through relatively late in the year. So we feel good about that, and we feel good about working through the other side of it, as Paul described earlier.

We are focused on the costs, as many of you asked about. But we're focused on continuing to develop and implement products and services, which meet the markets' needs and continue to help us grow our market share across every business at the rate we're doing it, which we think is an opportunity, which is ours to continue to take. Thank you.