**Operator**

Good day, everyone. And welcome to the Bank of America Earnings Announcement Conference Call. At this time, all participants are in a listen-only mode, but later you'll have the opportunity to ask questions during the question-and-answer session. (Operator Instructions) Please note this call is being recorded. It's now my pleasure to turn the conference over to Mr. Lee McEntire. Please go ahead.

**Lee McEntire**

Good morning, thanks to everybody on the phone, as well as the webcast for joining us this morning for the fourth quarter results. Hopefully you guys have had a chance to review the earnings release documents available on the Web site. Before I turn the call over to Brian and Bruce, let me just remind you, we may make forward-looking statements. For further information on those, please refer to either our earnings release documents, our Web site or our other SEC filings.

So with that, let me turn it over to Brian Moynihan, our CEO for some opening comments, before Bruce Thompson the CFO goes through the details. Thank you.

**Brian Moynihan**

Thank you, Lee and good morning and thank all of you for joining us to review our fourth quarter results for 2014. As we think about the year, we've accomplished a lot, including resolving many significant legacy issues that were overshadowing the underlying progress in our financials. Solving these issues obviously came at a cost and drove a decline in year-over-year net income. But importantly it settles through the uncertainty for all of us, for investors, regulators, rating agencies and others, allowed us to focus on the core business and operation of the company going forward.

As we move to Slide 2, you could see that we have a simplified and stronger company. Today we reported earnings of $3.1 billion after tax. The company is simpler and more straightforward with improved risk profile. Everything we do now is focused on driving the company forward and delivering for our customers and clients. On this slide you can see some of the important results, this year we completed probably the industry's largest ever cost savings program which achieved $8 billion of annualized savings.

Let's think about that, we started that program in 2011 when we had around 290,000 FTE and over the last three years since then driving it the right way we completed 2014 ending the year with around 220,000 FTEs. Non-interest expense excluding litigation declined 4.4 billion compared from 2013 to 2014 and is down more than $8 billion the last couple of years, and yet we have more work to do ahead of us. We further strengthened an already strong liquid balance sheet and increased our common stock dividend during 2014 for the first time since 2007. As you can see on this page, our credit costs are at a decade low level.

So, notwithstanding the headwinds our industry faces with rates on an ongoing global economic sluggishness, we've built a platform for growth, especially in the context of continuous improving of U.S. economy. We have built a company with leading market positions across every core customer base. And our task now is, continue to build on that foundation and the progress we've made. As you look at our results, you'd see that year-over-year earnings in our primary businesses with exceptions with the consumer real-estate business made progress that shows stability in a volatile rate geopolitical environment.

Importantly as you think about our company, we have been investing growth, while taking out expense. We reduced our overall headcount during 2014 by around 8% but at the same time we invested. We invested by reallocating resources to sales capacity from those savings, increasing in all our core businesses. We invested by reallocating expense reductions to product capabilities and both capabilities our cash management capabilities and other capabilities around the world. We've invested some of the savings in our technology, spending over $3 billion in 2014 to improve and protect our company.

Now you can see the results in the appendix pages and Bruce will touch on them in the line of business presentations. We expect to continue this effort going forward. We have teams working on it every day. They are working to be allocating non-productive expense to drive towards growth. The line management obtained a good expense management come to expect from our company. At the same time we are laser focused on money market sharing growth with our customers the economy continues to improve and we look forward to reporting that progress during the year ahead.

With that I'll turn it over to Bruce to take you through the quarter's numbers.

**Bruce Thompson**

Great. Thanks, Brian and good morning everyone. Let's start on Slide 3, and I am going to go through the details. During the fourth quarter, we recorded $3.1 billion of earnings or $0.25 per diluted share. Let me give you a few thoughts on revenues. There were two significant adjustments to revenue, as well as negative DVA charges that in the aggregate reduced reported revenues this quarter by $1.2 billion pretax or roughly $0.07 a share after tax. Of the components of the $1.2 billion impact, we recorded roughly $578 million negative market related adjustments which as you all know we refer to as FAS 91 and net interest income for the acceleration of bond premium amortization on our debt securities that was driven by lower long-term rates, otherwise our core net interest income which excludes this market related adjustment was pretty stable with the fourth quarter coming in a little bit better than we signaled to you all during our third quarter earnings call.

In addition, this quarter we adopted FVA which is for Funding Valuation Adjustment and incurred a $497 million charge against our sales and trading results as a result of that adoption. And as we normally provide to you a credit spreads tightened and this tightening caused the negative charge for DVA in the trading account of approximately $130 million during the quarter. Expenses during the quarter were well managed. Our total non-interest expense in the fourth quarter was $14.2 billion which included approximately $400 million in litigation expense during the quarter. This level of expense is the lowest level of expense that we've seen since the Merrill Lynch merger. And credit cost during the quarter improved as our provision for credit losses was $219 million and included 660 million in the release of reserves.

On Slide 4, reduced asset levels in our global markets business drove our balance sheet levels lower, coming down $19 billion from the third quarter of '14 and we finished at just over 2.1 trillion in assets. We continued our focus on balance sheet optimization for liquidity, as we continue to shift our discretionary portfolio into HQLA eligible securities from non-HQLA loans and also improved our deposit composition. As we have signaled to you in the third quarter earnings call, discretionary portfolio first lien loans declined from the third quarter of '14 levels, but we were very pleased with the loan growth we saw in our core businesses during the quarter.

If we look in those core businesses, global banking loans increased $4 billion during the quarter. Within wealth management loan balances grew $3 billion. And our U.S. consumer credit card receivables increased $2.9 billion during the quarter. We did have a $2.7 billion decline in our direct and indirect portfolio as we transferred a portfolio of student loans to held-for-sale. Our deposits grew from the end of the third quarter while short-term funding declined. We executed another successful issuance of 1.4 billion of preferred stock early in the third quarter and that benefited regulatory capital.

Shareholders' equity improved with both the earnings growth as well as the improvements in AOCI. As a result of that our tangible book value increased to $14.43 per share and our tangible common equity ratio improved to 7.47%.

We move to regulatory capital on Slide 5, under the transition rules, our CET1 ratio was 12.3%, we look at our Basel III regulatory capital metrics on a fully phased-in basis, CET1 capital improved $6.2 billion during the quarter that was driven by earnings, deferred tax utilization as well as the improvement in AOCI. Our operational risk weighted assets during the quarter increased again, they now represent 34% of total risk weighted assets but not withstanding that increase we were able to keep our Basel III advance ratio at level of consistence with what we saw at the end of third quarter. Under the standardized approach, our CET1 ratio improved from 9.5% in the third quarter of '14 to 10% at the end of the year.

We look at our supplementary leverage ratios. We've done a lot of work over the past year to improve those, obviously the fully phased-in kick-in in 2018. We look at where we ended the quarter, in our bank holding company our SLR ratio was a 5.9% and primary banking subsidiary BANA we were at approximately 7%.

We turn to Slide 6, funding and liquidity, long-term debt ended the quarter at 243 billion, down 7 billion from the third quarter of '14. We have done a lot of work over the past couple of years to smooth out our parent company maturity profile and as you can see we have $22 billion scheduled to mature in 2015 and comparable amounts over the next 4 to 5 years. Our global excess liquidity sources reached a record level during the quarter and closed at $439 billion and within those global excess liquidity sources our parent company liquidity improved 5 billion from the end of the third quarter to $98 billion at the end of the year.

Time to required funding increased to 39 months during the fourth quarter and during the quarter if we continued to increase our estimated liquidity coverage ratios at both the consolidated as well as at the bank levels. At the end of the year we're well ahead of the 100% fully phased-in 2017 requirements at the consolidated level and at more than 90% at the bank level, which is well ahead of the 80% phased-in 2015 requirement and are well positioned to achieve the 2017 requirement.

We turn to Slide 7 on net interest income, our net interest income on an FTE basis was $9.9 billion down from the third quarter of '14 as a result of the more negative market related adjustment I mentioned a moment ago, which also drove a reported net interest yield decline of 11 basis points. Lower long-term rates coupled with the flattened yield curves resulted in adjustments to our assumptions to our bond premium amortizations, which drove the $578 million of market related adjustments in the fourth quarter versus the negative $55 million we saw during the third quarter of '14. We adjust this market related adjustment NII was $10.4 billion and declined less than $100 million from the third quarter of '14 despite the challenging rate environment we saw during the fourth quarter. The adjusted NII decline was driven by the impacts of the lower discretionary loan balances within the consumer real estate portfolio.

If we look at net interest yield on an adjusted basis it was up a touch from the third quarter of 2014 to 2.3%. Given the movement lowering rates that we saw during the quarter, we did become more asset-sensitive touched at 100 basis point parallel increase in rates from what we saw at the end of the year we’d be expected to contribute roughly $3.7 billion in NII benefits over the course of the next 12 months. And given the boom in rates the sensitivity is now more evenly weighted to both long-term, as well as short-term rate moves. Before we leave this slide I do want to remind you that during the first quarter of '15 we have two fewer interest accrual days than the fourth quarter of '14 which will negatively impact NII by a couple of $100 million.

Non-interest expense and then moving to Slide 8 was 14.2 billion in the fourth quarter of '14 and included approximately $400 million in litigation expense. As I said earlier, this is the lowest quarterly expense amount that we have reported since the Merrill Lynch merger. We exclude litigation, total expenses were 13.8 billion which declined 300 million from the third quarter of '14 and was driven by our LAS initiative cost savings, as well as lower revenue related incentive costs within our global markets business. We compare these expenses to the fourth quarter of 2013, we were down $1.2 billion driven by LAS cost savings, new BAC benefits and to a lesser degree the lower revenue related incentives.

Legacy assets and servicing costs ex-litigation were 1.1 billion in the quarter, 200 million lower than the third quarter and 700 million lower than the fourth quarter of 2013. As we continue to work through these delinquent loans, we expect these quarterly costs will come down a few $100 million more by the end of 2015. Headcount was down 5,800 during the quarter and as we look at expense a reminder, that we will record our normal annual retirement eligible incentive cost in the first quarter of 2015 and we expect that number to be roughly $1 billion consistent with what we’ve seen in the past couple of years.

We turn to asset quality on Slide 9, that quality continue to improve during the quarter Q4 provision expense was $219 million and we relived the net 660 million of reserves given the continued pace of asset quality improvement particularly within our consumer real estate portfolio. Reported charge-offs were 879 million and declined from the third quarter of 2014. I would remind you both periods of net charge-offs included NPL sales and not their recoveries and the fourth quarter included approximately 150 million of cost related to actions that were taking in relation to our DOJ settlement which we're previously reserved for. If we exclude the recoveries in the DOJ component charge-offs in the fourth quarter were just over $1 billion versus a similarly adjusted net charge-off amount of 1.2 billion in the third quarter of '14. Loss rate on the same adjusted basis were 47 basis points in the fourth quarter of '14 versus 52 basis points that we saw in the third quarter of '14.

Let's now move to the business segment results which we start on Slide 10 with consumer and business banking. Our results within consumer and business banking shows solid bottom-line performance with earnings of $1.8 billion, those were down from the fourth quarter of '13 due largely to lower release of loan loss reserves and to a lesser degree higher tax rates. Business generated a solid 24% return on allocated capital during the quarter. Revenue was up slightly on a year-over-year basis despite net interest income being down as our non-interest income grew more than 5% with a strong improvement in card income.

We look at customer activity during the quarter, we had solid deposit growth and our rates paid is now at 5 basis points. Loans on a linked quarter basis increased seasonally, driven by U.S. consumer credit card, our card issuance remains very strong at 1.2 million new cards in the fourth quarter of '14 of which approximately 67% of those were issued to existing customers. We look at all of 2014, we issued 15% more cards in '14 than '13, and increased the percentage of the issuance to our existing customers which is consistent with the overall strategy. Credit quality improved again as our U.S. credit card loss rate fell to 2.7% and continues to have a very strong risk adjusted margin at just below 10%.

Our Merrill Edge brokerage assets grew $114 billion which is up 18% year-over-year on new accounts, strong accounts flows as well as higher market levels. Our mobile banking customers reached 16.5 million in the fourth quarter and now 12% of all customer deposit transactions are done through mobile devices. We adjust for portfolio divestitures combined debit and credit purchase volume was up 4% relative to the fourth quarter of '13 and if we back fuel up it was up 5%.

Move to consumer real estate services on the Slide 11, the improvement in the results compared to the third quarter of '14 was driven by the third quarter of '14 DOJ settlements which impacted expense, provision as well as income tax. Revenues did increase slightly over the third quarter of '14, while expense even after we exclude litigation declined from the third quarter as both the former cost on the production side and cost on the delinquent loan servicing side were down from the third quarter. Core production revenue and servicing fees were both stable compared to the third quarter of '14, while servicing income did benefit from better MSR hedging results. On the production front, first mortgage retail originations were stable with the third quarter of '14 at 11.6 billion and the pipeline was consistent with the third quarter of '14 as well, albeit up on a year-over-year basis.

On home equity, we're the number one lender in line originations during the quarter with 3.4 billion in line with the third quarter of '14 and up north of 70% on a year-over-year basis. The credit quality of those second-lien originations remains very strong with average cycle scores over 790 in combined loan-to-value ratios at less than 60%. Expenses in the segment did include 262 million if litigation cost in the fourth quarter versus 5.3 billion that we saw in the third quarter of '14. We continue to work through and resolve RMBS securities litigation matters including this quarter the FHLB of San Francisco matter. With the resolution of that we now estimate that we've resolved approximately 98% of the unpaid principal balance of all RMBS as to which RMBS securities litigation has been filed or threatened against all Bank of America related entities. LAS expense ex-litigation this quarter was just over 1.1 billion, as we achieved our first quarter of 2015 goal a quarter ahead of schedule. Importantly, the number of 60 plus days delinquent loans that we have dropped to 189,000 units which is down 32,000 or 14% from the third quarter of 2014.

We turn to Slide 12, global wealth and investment management delivered another strong quarter. Pre-tax was strong, net income was just over 700 million, but was down from the fourth quarter of '13 and solid fee-based growth was offset by lower net interest income and higher expense. Record asset management fees offsets the weakness we saw in transactional activity and still drove a 7% increase in non-interest revenue relative to the fourth quarter of '13. Our asset management fees now represents 45% of revenue within the segment up from 40% a year ago.

Non-interest expense did increase from the fourth quarter of '13 as a result of higher performance-based incentives, as well as increased support cost. We increased the number of financial advisors in year-to-date retention of our experienced financial advisors remains at record levels. Return on allocated capital was 23%. Client balances were nearly 2.5 trillion, up 36 billion from the third quarter of '14 and were driven by strong client balance inflows. Long-term AUM flows were $9 billion for the quarter and represented the 22nd consecutive quarter of positive flows. Our record loan flows during the quarter reflect 3 billion in growth over the third quarter of '14 in securities space as well as residential mortgage lending. And our period end deposits were up 7 billion or 3% from the third quarter of 2014.

If we turn to Slide 13, global banking earnings for the quarter were 1.4 billion, up from the fourth quarter of '13 on lower credit cost and to a lesser degree, reduced expenses. Results were partially -- the net income was partially offset during the quarter on a year-over-year basis by lower investment banking fees off of what was a record level in the fourth quarter of '13. Return on allocated capital was strong at 18%.

We look at the investment banking revenues of north of $1.5 billion, we feel very good about the results, they were up on a linked quarter basis, and our investment banking team executed very well in a tough distribution environment given the volatility of rates as well as energy prices. Provision was a slight benefit in the quarter and reflected continued low loss rates in a small reserve release compared to the year ago period which included a reserve addition of $434 million. If we look at the balance sheet would point to two average loans, were 271 billion up 3.7 billion from the third quarter of 2014 levels.

If we switch to global markets on Slide 14, the business reported a modest loss in the quarter but that did include a $497 million charge to implement FVA. For those unfamiliar with FVA, funding valuation adjustment is an adjustment to the fair value of uncollateralized derivative trades to account for the present value of funding cost. This is an accounting practice many of our peers have also adopted and as you all know this is a one-time transition cost for implementation. Separately net DVA for the quarter was a loss of 130 million versus a loss of 617 million during the fourth quarter of '13. Earnings are down from the fourth quarter of '13 as a result of a decline in sales and trading revenue that was mostly offset by decline in expense.

If you recall on our fourth quarter '13 call fixed sales and trading during that quarter included 220 million in recoveries on legacy positions in the fourth quarter of '13. Sales and trading adjusting for net DVA and FVA were $2.4 billion in the fourth quarter of '14 versus 2.8 billion in the fourth quarter of '13 after we adjust for the recoveries. On the same adjustment basis fixed sales and trading revenues of $1.5 billion compare to $1.9 billion in the year ago period.

December results were particularly challenging during the quarter with the toughest areas of performance being the credit sensitive businesses within FICC most notably mortgages and credit trading which are generally our largest trading revenue related businesses. On the positive side, we saw increases in both FX in rates revenues versus the prior year that were driven by increased volatility given global deflationary expectations leading to the U.S. dollar strengthening. Equity sales and trading was up modestly from the fourth quarter of '13 as increased volatility was a positive for secondary flows across both our cash and derivative trading businesses. On the expense front, the decline reflects litigation expense of 655 million in the fourth quarter of '13. If we take that litigation expense out, expenses still declined 5% from the fourth quarter of '13 as the incentives were reduced to align with the revenue performance that we saw.

On Slide 15, all other, the results in the fourth quarter of '13 reflect lower revenue from NII largely associated with the market related adjustments that we've discussed, as well as lower securities gained and equity investment income partially offset by gains on the sale of certain loans with long-term standby agreements that were converted to securities. Significant equity investment income is largely a thing of the past for us as we've reduced the size of the principle investing positions in the business, as well as strategic positions and should be modeled accordingly.

You'll also notice we took additional reserves to the payment protection insurance, but at a lower level than we saw during the third quarter of 2014. Our fourth quarter 2014 expense is down year-over-year on less non-mortgage litigation expense and lower infrastructure costs. Our effective tax rate for the quarter was 29% and I would expect the tax rate for the company in 2015 to be in the low 30s absent any unusual items. One other thing I want to mention before wrapping up is some movement in our business lines that you'll see as we report them to you in 2015. In the first quarter of '15 we expect to align business banking into our global banking business which takes this more commercial business out of our core consumer and business banking unit. In addition, we expect to move the home loans portion of our consumer real estate services business to consumer banking as this product remains integral to their relationships with us.

So, to conclude my comments as we look at both 2014 and the fourth quarter of '14, capital and liquidity reached record levels, which provides a solid base to support our businesses that hold leading or top-tier positions in the industry. We continue our focus on expense and operating leverage after reaching significant milestones this year on both new BAC, as well as LAS cost saving initiatives. We reported a quarter of much lower legacy assets and servicing, operating and litigation costs, which have been burdening our reported results. Asset quality continues its trend of improvement against the slowly improving U.S. macroeconomic backdrop and we continue to remain well positioned to benefit in an environment where rates starts to increase.

And with that we'll go ahead and open it up for questions.

**Question-and-Answer Session**

**Operator**

(Operator Instructions) We could take our first question from Betsy Graseck with Morgan Stanley. Please go ahead.

**Betsy Graseck**

I just want to talk a little bit about the asset sensitivity and how we should be thinking about that from here in particular as long end of the curve has come down since the end of this quarter, so just wanted to understand is that FAS 91 effect to the day given what the long end of the curve has done? And then maybe just to speak to what you're doing to trying to minimize any further pressure?

**Brian Moynihan**

A couple of things, so if you follow us Betsy we've historically have been saying that the 100 basis points is in the $3.1 billion to $3.2 billion range and think of the increase to 3.7 more or less just representing the recapturing of the FAS 91, that we saw this quarter and that's why we referenced that there has been more asset sensitivity on the long side, the short-end side really hasn't changed at all.

**Betsy Graseck**

Sure and then given the fact that the tenure is now yielding like 1.8 or so, should we assume like if we end the quarter in 1Q at 1.8 that the same type of 10 basis points down drives FAS 91 effect it's the same in the first quarter as it was in the fourth quarter or is it because you're more asset sensitive there is a little bit higher impact?

**Brian Moynihan**

That's a good question I think when we looked at this last night that the movement that we've seen in so far in the first quarter of '15 is almost identical to what we saw during the fourth quarter so if you were to snap it off of what we saw last night it would be a comparable type number realizing we stopped 2.5 months ago.

**Betsy Graseck**

Okay. And is there any give backs in refi activities that you're expecting?

**Brian Moynihan**

Yes, it says here if we look at, we referenced if refi activity increased as a percentage of overall mortgage production in the fourth quarter and as I have said in my prepared remarks if we look at the pipelines and compare the mortgage pipeline at year-end relative to the comparable period, it's up pretty significantly and we'll just have to see how that plays out realizing that the first quarter does tend to be a little bit seasonally slow.

**Bruce Thompson**

The other thing Betsy is that it has been in January if HSN starts moving and the amount of applications coming in have fairly started the upward move due to this last refi so, as those things close through we'd expect to see some pick up in production this quarter from the refi.

**Operator**

We'll take our next question from John McDonald with Sanford Bernstein. Go ahead please.

**John McDonald**

Hi Bruce, just wanted to follow-up on the NII, on the core side of NIIX ex the FAS 91 your core NII held up well despite what you had indicated in October about kind of being conservative with the buy ticket. I guess how does you kind of hold the core end on NII and how are you navigating that now and what feels like a even more difficult environment for kind of reinvesting cash flows today with the tenure where it is?

**Bruce Thompson**

Sure, that's a good question John, there are a couple of things, the first is if you look at the quarter I think we did a good job with respect to the overall debt footprint which was down $7 billion which helped us out a little bit. Secondly, if you look at we were able to get another basis point out on the deposit front and throughout the quarter we saw some loan growth that was a little bit better than what we would have seen when we spoke to you during the quarter. The other thing that we did see during the quarter is we were able to invest and get some of the investments in the portfolio and I believe it was a mid-November when rates did back up and as we go forward we do have liquidity to invest in the second and third months of the quarter and we'll be prudent with how we invest it relative to OCI risk. The other thing I would say just before we leave this John that I should have referenced with Betsy's point is that, it's easy to focus on the FAS 91 because we resetting the amortization of premium, and the other thing you need to realize is that we did see in the quarter is with the rate movement up while you do have a negative on FAS 91 you've got a significant positive from a capital perspective where OCI in the quarter from the rate movement was north of $3 billion.

**John McDonald**

So on the core piece Bruce, do you expect to be more challenging to kind of hold in to that 104 with the tenure where it is, does it make it more difficult and how should we think about the rest of the 104 if rates stay low?

**Bruce Thompson**

Well I think as I said in my comments the 104 you really need to start out at about 102 because you've got two less days during the quarter. And I'd say that there is a little bit of headwind to hold that on a core basis and we're obviously doing everything we can to keep it as close to 102 as we can, realizing that we're not going to take outsized OCI risk.

**John McDonald**

Okay. And then shipping gears on expenses you got the LAS target a quarter at a time, do you have a year-end target I think you said you expect to continue to reduce the LAS to 1.1, could you just clarify that?

**Bruce Thompson**

I think as we look out and we look at the plans and actions along with the progress that we've made on the 60 plus day delinquency I think broadly speaking as you know this number can bounce around a little bit but we'd look to have the LAS expenses down to the $800 million type area by the end of the year and we're obviously working through plans as we look out to 2016 to continue to drive that number south of 800 million as we go forward.

**John McDonald**

Okay. And how should we think about kind of core rest of Bank of America expenses where you came in nicely at the 127 for the fourth quarter obviously you mentioned the stock option expense stuff in the first quarter, but as we think about 2015 what are you hoping to do on the core expense space?

**Brian Moynihan**

John I think it probably is sort of about a broad level and Bruce can touch in, so if you think about in the fourth quarter a couple of things happened, one is, you have to remember margins for the investment was down so be careful not to forget as we see it coming back this quarter and expect it to rise as it just did in the first quarter that would be a increased expense which you should want obviously. And the rest of it is basically a continuous process of taking out expenses and bringing the bottom-line of reinvest growth so to give you a straightforward way in the fourth quarter the reduction headcount of approximately 5,000, and 1,100 or so was LAS and the rest was core activity we will just be growing down expense base at the same time we have added sales people during that quarter. So what we're trying to do is ideally we wouldn't expect it to fall dramatically, but I'd expect you guys to be able to see us continuing to make strong investments in sales capacity, technology, products while holding expenses relatively flat with a slight down or biased irrespective of you just got to be careful of the compensation related to revenue because we don't want that to be higher.

**Operator**

And our next question will come from Brennan Hawken with UBS. Please go ahead.

**Brennan Hawken**

So in FICC it seems a little bit below what certainly what I was looking for and I know you highlighted some of the difficult markets that you're large in, was there any specific positional pain given what we saw in some of the credit spreads and some of the movements there?

**Bruce Thompson**

No, not at all, just to go back to the core premise that we talk about which is that the banking and markets businesses are run as an integrated business and a lot of the activity that we see within the markets area is in market making and other things that are done off of the new issue platform from an underwriting perspective and I think what we saw during the quarter particularly in December was that there was a significant slowdown as we saw overall volatility in the markets from both a new issue, as well as a secondary market perspective that flow through but there were not any, if you look here there were no losses or particular pain points within the global markets piece of the equation during the quarter.

**Brennan Hawken**

And then can you guys add any comment to the press reports we have seen about you're rationalizing the PB business and cutting ties to 150(h)(1) class?

**Bruce Thompson**

Well, I think this is a customer profitability exercise. As we look at driving the franchise Tom and Syed Mateen have done a good job repositioning the equities business. We had the constrain of prime brokerage a bit due to size, because of the flow of balance sheet return as you'd be aware of, but importantly it's the customer profitability we are looking for customers who will use this with multiple products and services what is fixed income equities all that there is a fixed income and so as we take this cash resource which is the GAAP balance sheet and the RWA balance sheet and allocate it across customers we've got extra rate returns and this was the natural question.

**Brennan Hawken**

Should we expect to think about some revenue headwinds in your equities business as we model out 2015, as a result of some of those efforts?

**Bruce Thompson**

No it's all pretty much through it right now and as you look at the revenue sort of quarter-to-quarter run plus or minus $1 billion and Syed Mateen has done a good job of increasing the yields from the other clients at the same time. So that I would, absent market forces are just I wouldn't expect that much an effect.

**Brennan Hawken**

Then helpful to hear about the target of around $800 million for LAS by year-end and then driving it lower in 2016. Can you help us think about how you think about that number to zero? Because I mean, ultimately, that's -- given the title, the L in the LAS, right? That's got to go to zero eventually. How should we think about that?

**Bruce Thompson**

Well we have got several and in there and so there is all the servicing expense in the company is in that unit well good loans and bad loans, so it doesn't go to zero but it's got to get a lot better at this. If you start to move on to 4 million or so units we have in first mortgage servicing and think about the annualized cost we have got to get us down significantly may be servicing and mortgages make sense to us and so, but that's a project that we're working against doing it the right way for the customer, doing it the right way for the regulatory environment and the consent orders and all the things that have gone on as you are aware and so we just got to keep feeling out a way. So when we say 800 or so that is the next way station on our train right here, but it's got to go a lot further than that for the 3.5 million to 4 million the good units we have so to speak.

**Brennan Hawken**

Okay. So no indication about where that settling-out level might ultimately be even if not a win, but kind of what the number would be?

**Brian Moynihan**

Well, I think the Bruce talked about a half billion but I am not sure that's a great performance not overtime either. So just assume that there is nothing more interesting than driving that number down to a normalized servicing cost than this company.

**Brennan Hawken**

And then last one for me, you guys hit on in the wealth management business and the margin there support cost and revenue related comp, could you maybe quantify how much each of those factors impacted the margin change quarter-over-quarter?

**Bruce Thompson**

Yes I think if you look at the a couple of things, the first is that from a margin perspective you had a little bit of headwind with NII being lower than what it was, but I would -- as you look at the support cost during the quarter I would think about is being about 200 basis points on the margin during the quarter that we saw.

**Operator**

Our next question will come from Glenn Schorr with Evercore ISI. Please go ahead.

**Glenn Schorr**

I wonder if we could get your best comment that you can give us on energy-related exposures. In your Q you have a general comment on energy and $20 billion. But if you could break it down a little bit more, what's secured, what's not secured, what's investment grade, what's not, and just how overall you feel your position there -- it would be helpful?

**Bruce Thompson**

I think if we look at the amount of funded exposure across what we referred to as oil and gas, the amount of funded exposure which includes derivative exposure was roughly $23 billion at the end of the year. As you look at that 23 billion, I would think of it generally as 60% that's directly reflected or affected by the price of oil, there are a lot of those that have not so you have got roughly $22 billion, $23 billion funded 60% directly affected by oil well north of 80% of that are investment grade borrowers and for those noninvestment grade borrowers there are obviously secured facilities and in most cases have formulas upon which they can borrow based on the value of the assets that were secured by.

**Brian Moynihan**

I think if you think overall and one of the things that to give a perspective that we see is in the consumer spending in January on debit and credit cards basically, we've seen the spend go up by 3% and if you look at these fuel side of that it's about 5% of that total spending and it is down 28% year-over-year. So the people are getting a benefit that our consumer customers are getting benefit but the re-spending that benefit and overall thing those are growing through it. So, they are competing -- there is a technical risk for the oil producing companies that Bruce have talked you through, but the overall economy even the first week or so January we're seeing the benefit of the consumer very historically when the year-over-year compares.

**Glenn Schorr**

I definitely appreciate all that. You said that was the funded to oil and gas, is commitments a larger number, I think, than that? And do you have the ability to pull back on the commitments?

**Bruce Thompson**

Well I think on average the fundings are roughly 50% of what the commitments are, as it relates to the pulling back of commitments I think what I would point to and what our teams did a very good job with is we obviously have commitments in the originate to distribute piece which if we look at we ended the year I believe with two commitments of investment grade borrowers on an originate and distribute basis one of which has had a significant positive event from a financing perspective already this year, the others are single A credit that will get done in the second quarter and at outside of the investment grade originate to distribute. I think there was a couple 100 million dollars that still needed to get done. So you're not pulling commitments from borrowers but as it relates to commitments that needed to be distributed the teams have done a very good job.

**Glenn Schorr**

Okay. I don't want to put words in your mouth, but it sounds like you are semi-comfortable with the positioning. There will be some hits along the way, but this is not a major risk to the portfolio? Again, I don't want to put words in your mouth?

**Bruce Thompson**

We’re comfortable with the positions, you should assume as we’re making these commitments in environments where oil is higher, we’re continually running and stressing those portfolios to be comfortable with the commitments. And as Brian referenced to the extent that that were in a prolonged period, where these prices persist to the extent that there are cost that run through because of difficulties that a commercial or corporate borrower may have that as we look across the overall credit platform, you’d expect there to be offsets given what we’re seeing with consumers and other people that are benefiting from lower energy prices.

**Glenn Schorr**

Okay, that's helpful. Last one from me is I didn't hear anything on TLAC. If you could tell us where you think your ratio shook out, net of the conservation buffer and the SIFI buffer, that would be helpful?

**Bruce Thompson**

Yes I think if you look at where we are from a TLAC perspective we’re generally in the 21% type area and embedded in that 21% type area is the fact that that structured note we’ve assumed for that purpose that we would not benefit from structured note funding and if we refinance out those structured note to pick up another 1% to 2% based on the current size of that footprint.

**Glenn Schorr**

Okay. I just want to make sure: the 21% is net of the conservation buffer and your SIFI buffer, or gross of?

**Bruce Thompson**

No it’s gross up, that’s a gross up. So it’s a roughly 21 call it plus, another 1 to 2 for structured notes and then depending on the exact treatment of the buffers as we go through that number would be reduced by the buffers.

**Operator**

Our next question will come from Jim Mitchell with Buckingham Research.

**Jim Mitchell**

Just a quick question on the balance sheet and NII, I appreciate the efforts to keep NIM flat; but to really get NII growing, we've got to start to see, I guess, the balance sheet on a net basis grow. I think your balance sheet was down close to $25 billion this quarter. At what point do we start to see the net balance sheet -- the restructuring of the balance sheet start to give way to growth?

**Bruce Thompson**

I think what you didn't see there as we go forward is that we look out into our forecast and models, we would expect there to continue to be strong deposit growth throughout 2015 and as we referenced before obviously the goal with that deposit growth is very much a focus to grow loans within our core customer segments. And as I referenced we saw that within the global banking space this quarter, we saw it within wealth management, we're seeing pickups in overall mortgage activity. So I think you are likely to see the balance sheet creep up as deposits come in and as we look to grow loans, I just want to make sure though that we remind you that we will continue to see these discretionary portfolio that's got whole loans in it that in this rate environment they will continue to repay, so you judge how we do on loan growth you need to look at the core businesses. As I said we would expect to start to see the balance sheet move up and at the same time we're trying to get things that don't have a return and our quarter what we do off but to your point I think we're largely through that.

**Brian Moynihan**

And I think if you think about it say two years ago I think we sighted about 100 odd billion dollars of non-core loans that's done under 30, and a dominant part of that is still in the home equity area quite frankly. So in the card business and the business banking area where we had some stuff that's pronounced by the predecessor company that we're largely through all that and that's why you're seeing some growth there and then so the card you saw grow its seasonal that it grew and it's been stable for a number of quarters. The home equity side is growing quite strongly this stuff and home equity stuff high charge off contents to better decision economics of the company to run it. But the rest of the loan balance is we ought to see growth, with the exception of the sort of discretionary residential mortgage holdings which will continue to run down based on better view of what we want to do for management going forward.

**Jim Mitchell**

And I think to your point sort of the deleveraging around China improve the leverage ratio as the impact of that should be easing going forward?

**Brian Moynihan**

That's correct.

**Jim Mitchell**

Okay. And just one last, a follow-up on -- I don't know if you mentioned this: where you guys are in the NSFR?

**Brian Moynihan**

Yes we’ve done a lot of work, we’ve not put anything out public on that but as we’ve looked through it and sort of we do not see that being a constrain as we go forward.

**Operator**

And our next question will come from Matt O’Connor with Deutsche Bank. Please go ahead.

**Matt O’Connor**

The capital ratios grew more than expected. Obviously the decline in rates helped the positive earnings, and you mentioned the DTA consumption. As we think about 2015 and the drivers of capital, is it more of the same? Or is there, call it, optimization overall? Not just the loan runoff that you address, but as we think about -- you've had Final Rules for the last few months; there are still some adjustments to the business throughout. How should we think about the capital build? And if you have an estimate for 2015, that would be interesting as well?

**Bruce Thompson**

Sure, we’re not going to provide an estimate but what I’d say is that as you look at overall capital levels, if you start with the numerator, as we project out and look at the earnings stream, we think that at least through '15 and possibly into the first part of '16 that on average you can have some quarterly bounces around based on timing and payments but that generally we should accrete capital over the course of at least four and up to six quarters largely based on the pre-tax earnings for the company as oppose to the after-tax earnings and that’s what you saw during the fourth quarter. The other thing numerator as I referenced that, there is if we were to snap a quarter today there would be OCI benefit from the downward movement in rates, as it relates to what we’re seeing under risk weighted asset side, I’d say generally we continue to benefit although it declines a little bit each period. We continue to benefit from the run off of some of the global markets position that would have been put on in the 2005 to 2008 time frame that they tended to have tenures of seven to 10 years. In addition to that as we continue to have payoffs and as we continue to move out some of the comfort consumer real estate assets and put higher quality real estate assets on that are better credit borrowers while the asset levels may stay comparable, you do have an RWA pick up from that as well.

**Matt O'Connor**

On RWA, any numbers you can provide in terms of how much benefit you get from them, I guess just priced on the credit correlation book and some of those contracts and the real estate running off, just those two pieces?

**Bruce Thompson**

No I mean I think as you look forward I mean these tend to be I think outside of op-risk this quarter, we had roughly $30 billion of risk weighted asset benefit under the advanced approach roughly half of that was in the consumer book, half of that was in the wholesale books. I think you will continue to see benefits but I don't think you'll see the quarterly benefit of that magnitude on a go forward basis.

**Matt O'Connor**

Okay. Then just separately, the home equity charge-offs increased a fair amount versus 3Q. Obviously, 3Q is a very low level. But remind me what's going on there. I think there was an accounting or methodology change a year ago. Has that fully worked through or is there seasonality or -- what's going on?

**Bruce Thompson**

Yes, the biggest thing you have in home equity this quarter is that I believe it was roughly $150 million that went through charge off that was related to the DOJ settlement so realize we have of 150 charge off, 150 of reserve so from a net P&L perspective it was a push but you did have that during the quarter and it's the reason that we wanted to give you the core charge off number Q3 to Q4 because as we implement the DOJ settlement, you will see both charge off and reserve release come out in each of probably the first and second quarter then we should be largely through that.

**Operator**

And we will take our next question from Steven Chubak with Nomura. Please go ahead.

**Steven Chubak**

Bruce, I was hoping you could maybe help explain what prompted the increase in operational risk RWA? The 34% I guess makes you an outlier relative to some of your peers, whereas previously you were more in line. I know the process typically is you submit the models to the regulators and/or the Fed and then they give you feedback. I wanted to know: was the increase prompted by the feedback from the regulators themselves as part of the annual review? Or was it what you determined based on your own internal models?

**Bruce Thompson**

Answer the question slightly differently which is that, as we work through an interim process with our regulatory supervisors, we do believe at this point that from an op-risk perspective that we’re adjusted and the amount of op-risk RWA that we have now is consistent with what you would need to exit parallel run.

**Steven Chubak**

Okay, understood. So we shouldn't expect any further increases as a percentage of RWA going forward; or is it simply too early to make that determination?

**Bruce Thompson**

We think with respect to op-risk RWA that we’re there we obviously need to get through those elements that are rest of parallel run but from an perspective we feel like we’re there.

**Steven Chubak**

Okay. That's really great. Then just one more quick one for me. I didn't hear in the prepared remarks any color on the investment banking backlog and didn't know if you can give us an update there as well?

**Bruce Thompson**

Yes, it’s interesting and we’ve to be a little bit careful I’d say as we looked at the backlog and the pipeline particularly from an M&A perspective that we feel very good about where the pipeline was at year-end, the part of the stronger year-end pipeline that we have the only tone of caution I would say is that we’ve obviously seen a little bit more volatility in both the fixed income and equity of new issue markets but it relate to the amount of business that we’re winning it’s getting queued up in the pipeline we feel very good about that it was a good backlog at year-end.

**Operator**

We’ll take our next question from Eric Wasserstrom with Guggenheim. Please go ahead.

**Eric Wasserstrom**

I just wanted to follow-up on a couple of topics that have been touched on already. Maybe just starting with the risk-weighted asset discussion once more, I just want to make sure I understand all the puts and takes of what's going into the risk-weighted asset calc. It sounds like on the positive side, obviously, there is the benefit of a GAAP balance sheet reduction as well as the trade-off between lower-quality and higher-quality assets. And it sounds like the operating-risk component is now fully baked in. But are there any other components that could drive that up in a way that's different from what's going on, on the GAAP balance sheet?

**Bruce Thompson**

I think the only thing that's out there is that is as part of exiting parallel run we're working through with our supervisors that the different wholesale and other credit models that you need to exit parallel run so we're working through that but I think absent that you're largely at the point of looking at and you'd expect that the RWA is going to largely follow the GAAP balance sheet. The one thing I think you all know this but where you could possible diverge from that is that there is pro cyclicality to the extent that you have volatility in the markets businesses as it relates to the stress bar calculations that go into the risk weighted asset but outside of that you'd directionally expect it to follow the GAAP balance sheet.

**Eric Wasserstrom**

Okay. And with respect to the GAAP balance sheet, what is your overall expectation about the net growth over '15?

**Bruce Thompson**

I think you are probably going to largely see it in the zip code and probably be most correlated to the overall deposit balances and if you look at the range that we've been running at over the last 12 months it's been in the 2.1 to 2.15, 2.175 type area and I'd expect that area or that range to hold for 2015.

**Eric Wasserstrom**

Great. Then just to talk about the asset quality for a moment, obviously it was the lowest provision that we've seen from you in some time; and many of your peers are inflecting from the point of asset quality improvements to some modest now deterioration and the rebuilding of reserves. I just want to get a sense from you about where you think you are in that spectrum?

**Bruce Thompson**

Sure, I think if we go back and let's start with the fact that we saw during the quarter that if we back out any impact of loan sales as well as the DOJ settlement charge-offs in the fourth quarter came down from $1.2 billion to just over $1 million I think as you look at charge-offs when you're virtually zero from a commercial perspective it's hard to see getting much better than that. I do think where we're probably a little bit different is that as we continue to work through and we had another solid improvement of a $2 billion from an NPL perspective within the consumer real estate space that we continue to work through and reduce those tougher consumer real estate credits, but I think that if you look at this $1 billion charge-off type level that we've seen you're probably -- probably areas where you're going to see that flatten out and I think as we look forward there maybe a little bit reserve release on the first half of the year and you probably expect that to flatten out and go away as we get through 2015.

**Eric Wasserstrom**

Great. Then just finally on the LAS expense, which I know you've touched on several times, but I'm just wondering if the pace of that improvement changes at all as you are getting into the later stages of the delinquency and foreclosure inventory improvement?

**Bruce Thompson**

Yes, it does that and the plus side is that you would have ability to push the numbers down faster the economy continues to improve and the market continues to improve and the opportunities for borrowers and time passes, frankly. The flip side of that though, is in the states that -- in the areas where the process is slow sort of boiling the beaker and what is left is in the really slow areas and so we've sort of caught up in the states where our progress goes through a reasonable fashion and we're still have the laggards in places that the process is traditionally oriented. So I think you're absolutely right. There is a buyer that get better at it and get lower as it starts improving but against that you get to the some of the rocks they are hard to move because the process is so slow. Secondly if you remember we had, we took up on 58,000 employees in that business and there is a lag to getting the real estate cost out and letting of buildings and all the stuff we had that is still until we got to be little careful getting ahead ourselves I think will come down first facility then come out second and so we are working hard on that so you're right that once see the improve the phase-in improvement continues almost normally or even normally better than past, but there is something that where we get there in terms of that is much harder and then secondly there is like for the hard cost over and above people cost.

**Operator**

We can take our next question from Guy Moszkowski with Autonomous Research. Please go ahead.

**Guy Moszkowski**

I just want to go back to the net interest margin discussion a little bit. I thought that I heard you say in the prepared comments that there had been a shift in the balance of the asset sensitivity to more of a balance between long-term versus short-term rates. I was wondering if that is strictly a function of the FAS 91 issue in a falling long-rate environment. Or is there something more structural that you've been doing with the portfolio that has caused that to happen?

**Bruce Thompson**

It's the FAS 91, Guy you are absolutely correct.

**Guy Moszkowski**

Okay. Then if we can just take a look at that one historically for a second, obviously over time that has caused quite a lot more volatility in your NIMs than it has for a lot of the peer group. I seem to remember that for regional banks, say, that have often had the same issue, there is a difference, I guess, in the way they accrue versus doing the constant resets that you do. And I was wondering why you do it in the way that you do, which seems to create more volatility.

**Bruce Thompson**

We probably wondered the same thing this quarter. All we can say, if you go back, you are right there are two ways that you can do this that the first is the way that we do it which is you have the premium, you look at the average life of the premium in each quarter you reset it and basically retroactively make that adjustment from when it started and that was determination that we have made a number of years ago. But you're right, the other way that has allowed and provided for under GAAP is that you just basically adjust as you grow and take it through the P&L as you go and you can do it either of two ways and we obviously do it the way that we do.

**Guy Moszkowski**

Would you ever consider changing that? And if you were to do so, would there be a significant one-time charge that would be associated with that?

**Bruce Thompson**

No, I think it goes the other way the reality is that we run through the P&L that amortization to catch up in effective way ended up being lower than when the premium was set on. So, I think the way that we do it is absolutely appropriate and keep in mind, the other thing and I reference in my earlier comment is that, as you do this from a balance sheet perspective you're always adjusting the valuation of your AFS securities to be the fair market value at the time that you publish your financials and obviously that flows through our CI.

**Guy Moszkowski**

Yes, fair enough. You also talked about changing line items or lines of business, where certain things are booked, as we move into 2015. That was fairly clear, except I was wondering: will this also entail moving the very large investment portfolio of your mortgages from all other into the Consumer category?

**Bruce Thompson**

It will not result in a large portion of mortgages being moved. There may be a smaller amount or a percentage of it that we continue to evaluate because the one thing that we want to make sure that we do is to have the geography of the financial statements motivate the behavior of the people that serve the client base that they do. So there maybe possibly a relatively small amount of home equity loans that could travel into the consumer business, but it's not going to be anything that the storage things in many meaningful way.

**Guy Moszkowski**

Then final one for me, you talked a little bit about the Investment Banking backlog at the turn of the year. But more broadly for Global Markets and Global Banking taken together, can you give us a sense -- now that we're a couple weeks into the year -- how the, in particular say, trading activity has started off? And given some of the increase in volatility, especially with big moves like what happened with the Swiss franc today, are you instructing the Global Markets business to pull back on risk? Or generally are you seeing that some of those volatility levels are in some way beneficial?

**Bruce Thompson**

I think there is a couple of part to that. The first is I think if you look at overall risk levels that we ran within the global markets business and if you look at our information that we put out at year-end that even with the little bit of the pickup in volatility at year-end borrows it low levels and overall balance sheet levels where at low levels as we exited the year and I think with nine trading days into the quarter. So, I think it's a little bit early to forecast what you'd expect for the quarter for the overall sales and trading businesses. The only thing I would say is that clearly the activity levels that we've seen -- that have spend more way return to normal than what we experience in the month of December. But I wouldn't want anyone to draw any conclusions -- nine days, through 62 trading days in a quarter.

**Operator**

And we can go next to Paul Miller with FBR. Please go ahead.

**Paul Miller**

Thank you very much, and most of the questions has been answered. But on your legacy assets -- and you talked about this a little bit, where your default numbers have dropped roughly to 189,000 from roughly I think 220,000. Did you sell anything? Or is that all improvement in just credit in the quarter? In other words, did you move the houses out, or did you also sell?

**Bruce Thompson**

My recollection is there was roughly a third of that came from the sales of both servicing as well as the underlying loans themselves. And then in addition to that we saw continued improvement in net new 60 pluses and then we obviously worked others through the normal foreclosure process as well as for those borrowers that cared.

**Paul Miller**

One of the things that -- because I -- on your -- you made a comment about that the lower oil prices has improved some of the consumer credit, consumer spending, and all that. Are you seeing any improvement in working through those 60-day defaults from that? Or those loans are just so old relatively speaking in the default bucket that the lower oil prices really doesn't help out?

**Bruce Thompson**

It's much too early to figure out what the lower price impact would have on mortgage, you're actually seeing consumer spend the money they're getting and you’re seeing the consumer credit quality stay strong that you project out a period of low prices. You would see a benefit on consumer side offset by the commercial side. So I am not sure Paul in the context 60 days bucket to impact old days. But because people that are going to [indiscernible] first mortgage portfolio they keep coming down and that’s the problem of long-term reduction.

**Paul Miller**

Brian, I missed -- I was writing it down as fast as I could, but you talked about how that you are seeing consumer balances increase over the last couple months, I guess, or last month. Can you go over those numbers again?

**Brian Moynihan**

Consumer spending increased that is that what you are referring to Paul. So far January of 2013 versus January of 2014, spending on credit debit cards of about 3% year-over-year and that’s overcoming a drag effect of about percentage and a half from lower fuel prices.

**Operator**

And we can take our next question from Marty Mosby with Vining Sparks. Please go ahead.

**Marty Mosby**

I wanted to drill into the Markets business a little bit. In the sense that we've seen pressure on fixed income the last two quarters, is there anything in the drivers of that weakness that would jeopardize the seasonal uptick that we usually see in the first quarter?

**Brian Moynihan**

I think if I understand your question, I think that the answer to that is no, if you go back and look at -- with the exception of last year the fourth quarter does tend to be the weakest quarter of the year seasonally. It was obviously a little bit more so this quarter but structurally there is nothing that would lead you to that, obviously it’s a market that adds inflows but no there is not anything structural that would lead you to believe that that should be different.

**Marty Mosby**

Then there is a lot of noise in the Markets business, and I tried to take out as much as I could. What I'm trying to look at is expense elasticity relative to the revenues. From third quarter to fourth quarter it looked very effective, was about 80% in relation to expenses to revenue reduction. But over the last year, when you take out the litigation expense, looks like operating expenses only declined about 20% of what revenues declined. So I was just curious what you thought maybe the right elasticity number would be there?

**Brian Moynihan**

I think largely we saw in the fourth quarter was collection of the change in incentives levels due to more revenue and you'd expect that to happen. But let me bring that a little higher to more broader point, which is about two years or three years ago Tom Montag and his team made a fundamental restructuring of that business to drop its expense phase to where as long as we get $2.5 billion more revenues, more or less we start making some money and if you adjust the FVA charge which is the one-time charge they made somewhere around $300 million this quarter to give you a sense. So it's the worst quarter $300 million and best quarter runs over 1 billion and that largely is really marginally profitable where you see the revenues go from the high 2 billion to the 3 billion level to the 4 billion, most of that comes through with the compensation of 19% 20% or something like that. So there is elasticity base, you get the lower level start to hit the floor on the fixed cost structure.

**Marty Mosby**

Then Brian, lastly, you've talked several times about the core expenses and the investments you're making. A lot of the core businesses, really all except Banking, showed declines in net income sequentially and year-over-year. Do you feel like you're investing to try to reignite some of that growth going forward?

**Brian Moynihan**

Now one of the things you got to be careful, they reflect this all these charge that we talk about and pushed out all the businesses, so there is some elements that really aren't the businesses control for a lack of a better term. And then secondly you're still seeing as we move from a period where reserve releases were going along the business level you're seeing provision changes across the board to have it. But by enlarge if you look at the fees and address expenses which is two things they control the most you see a pretty good relationship going on and pretty good stability and I'd say if you look across the businesses, the consumer bank continues to make good progress on sales capabilities and if actual sales look at some of the later pages you can see it, I said wealth management, we got to make sure the expenses in the revenues stay on line there we talked about that last quarter and John Thiel and team specially at Merrill Lynch are doing good job getting after that and innovating I think you've seen a pretty good relationship if you back out sort of the fundamental impacts of FAS 91 and the provision things like that which says those adjustments we make at the top of the house and push through.

**Operator**

We will take our next question from Mike Mayo with CLSA, please go ahead.

**Mike Mayo**

You highlighted that the expenses are at the lowest levels since the Merrill merger, and we estimate that they are down almost one-fourth over five years so that's certainly good. But we also note that revenues are down quite a bit over that time frame too. So how do you evaluate the trade-off between more aggressive restructuring and investing in the franchise? And specifically, you're pretty much done, I think, with New BAC. Would you have a program -- maybe Even Newer BAC, or a new restructuring plan?

**Brian Moynihan**

Mike we've piece of that obviously credit cost you got to think about in terms of if you look back look at the higher revenue levels at the time, the charge off run rate was $2 billion to $3 billion a quarter and one quarter was 10 billion approximately for cards especially so be careful about that but I'd say your point really is what you do from now forward and we see that's we talked about in core expense space we decide the LAS litigation all that stuff it is just the core expense space basically what we continue to do is to take out non-productive expenses and the best part of that back in the franchise and bringing part of that to the ability to that core line continue to move that and that's down. Remember that when we're doing this we're absorbing housing cost increases, wage and salary increases, incentive comp increases so we're heavily focused on maintaining a rational balance between the core revenue and the core expense dynamic going forward and so you should expect to assume that to the continuous program looking at this, this is continued simplifier company could being take out divestures of the cost of the crises and as we have downsized the company takeout the overhead that was hard to shakeout as you're all aware so we're laser focused on so I think on the other hand we continue to investment sales capacity and you see that reflecting thing like card sales and home equity sales and auto loan sales, direct auto loans sales are increased.

**Mike Mayo**

So, don't expect another new program with the expense targets is more of a day-to-day perspective now?

**Brian Moynihan**

No, remember we absorb if you think 50% of our cost being people cost and you think of inflationary level of cost increase of the 3% on this. Basically a key cost down and flattish, you got to work your tail off and whether and that's a sort of process going forward we've to drop a cost down again to the reasonable level, we'll continue to make improvement relative to revenues and the rules get different we'll then have to revisit it but right now in this revenue environment, the slow growth environment we can keep the cost while as revenue start to rise.

**Mike Mayo**

Then a separate question: what are your key financial targets for 2015? I know you've expressed some of your targets, assuming interest rates increase. But if interest rates don't increase, what should investors evaluate you on at the end of 2015? All I had to go on without the higher interest rates is page 42 of the proxy that talks about the PRSUs. It says as long as you get over a 50 basis point ROA you go in the money on the PRSUs. So I'm not sure if I should be looking at the 50 basis point number, or its 80 basis points, 100% in the money, or the 1% number that you've talked about before. But again, assuming rates don't go up, what's your ROA and ROE target for 2015?

**Brian Moynihan**

Mike, you don't get specific projections but our goal is to continue to take [indiscernible] level this quarter and driving forward and our view is that based on everything we see as we see the impact of all the work we're doing plus the rollover to cost base, the reduction of LAS cost, the litigation falling back to kinds of level you saw this quarter you do see this move towards that those long term goals of 1% ROA and 12% return of ample common equity.

**Mike Mayo**

One last try, that 1% and 12%, that assumes higher interest rates. If your forecasts do not expect higher interest rates as soon as they do right now, at what point would you take additional action with expenses? And how do you think about that?

**Brian Moynihan**

We take additional action expenses every afternoon. In other words we had 4,000 reductions FVA in the fourth quarter of 2014 Mike that was a core franchise to keep getting efficient. So, we work on expenses every day, and we’ve teams of people working to do all things that you expect us to do.

**Operator**

And we can take our last question from Nancy Bush with NAB Research, please go ahead.

**Nancy Bush**

Two questions, Brian, I'm a little bit confused about the card growth. I think you said you got 1.2 million new cards out in the fourth quarter. Is that -- and didn't you mention something about it being seasonal? You've got lots of ground that you can gain in that business and I just want to clarify whether this is something extraordinary going on here and what your projections are for the future for growth there?

**Brian Moynihan**

Yes, Nancy, sorry if we confused you let’s talk about the production of new cards unit, that’s the one 1.84 million to look at Page 19 you can see it building from the fourth quarter '12 830 million, 830,000 so the first is production of units and the second was balances, balances in card disrupt in the fourth quarter almost $3 billion net to $3 billion that we got to careful because Christmas people even spend on borrowing and it pay down. So the point there is that will seasonal how to -- but if you look back in prior quarters we’ve seen a stability in our card balances which is continues on more units the people continue to use the card we don’t expect the positive growth there. But its units 1.2 million balance is good 2.5 billion to 3 billion and the balance is [indiscernible] seasonality unit then above 1 million new production units each quarter of the last several quarters.

**Nancy Bush**

Is there one particular card that's proving to be very popular? I see your ads for the cash-back cards, etc. Is that the card of choice at this point?

**Brian Moynihan**

Yes, in fact that is our core card offering. We’ve simplified our offering to three or four core products and that’s the biggest one and it’s contributing to sort of card income being up year-over-year by about 7% and so it’s card selling well and the good news is we see is 67% came through basically our web online sales process and our branch sales process in the core customer so we continue to drive that.

**Nancy Bush**

Okay. Secondly, the 25% margin in Wealth Management, I think back to the old days when you had much fatter margins in that business. What do you see as a normalized margin in Wealth Management? Number two, to what impact is the Wealth Management margin being maybe impacted by high liquidity levels that customers are maintaining? And do you see that changing?

**Bruce Thompson**

I'd say a couple of things and I think the first is that we've said that over the course of the couple of years that we need that wealth management margin to get to 30% I think you've got a couple of things going on right now, in the low rate environment that business has an artificial drag because as you know you don't tend to payout compensation which is a significant portion of the expense to those things that are net interest income related. So we would expect we also have in 2016 some deferred comp and other programs running off. So as we go through over the course of the next couple of years between the business growing normalization of rate environment and some other things that should be a 30% type pre-tax margin business.

**Brian Moynihan**

I think we're through all the questions. So thank you very much for joining us and we'll look forward to speak in next quarter.