

Bank of America (BAC) Q1 2023 Earnings Call Transcript

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April 18, 2023

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Prepared Remarks:

Bank of America Corporation beats earnings expectations. Reported EPS is \$0.94, expectations were \$0.82.

Operator

Good day, everyone, and welcome to the Bank of America Earnings Announcement. At this time, I'd like to turn the program over to Lee McEntire. Please go ahead, sir.

Lee McEntire -- Senior Vice President, Investor Relations

Thank you, Catherine. Good morning. Welcome. Thank you for joining the call to review our first quarter results. I trust everybody has had a chance to review our earnings release documents. They are available, including the earnings presentation that we'll be referring to during this call, on the Investor Relations section of the bankofamerica.com website. I'm going to turn the call over to CEO, Brian Moynihan; and Alastair Borthwick, our CFO, to discuss the

quarter. But before I do, let me just remind you that we may make forward-looking statements and refer to non-GAAP financial measures during this call.

Our forward-looking statements are based on management's current expectations and assumptions, and subject to risks and uncertainties. Factors that might cause those actual results to materially differ from those expectations are detailed in our earnings materials and the SEC filings that are available on our website. Information about the non-GAAP financial measures, including reconciliations to U.S. GAAP, can also be found in our earnings materials, and those are available on our website. So, with that, I will turn it over to Brian. Thank you.

Brian Moynihan – *Chief Executive Officer*

Good morning, and thank you all of you for joining us. I'm starting on Slide 2 of the materials. Your company produced one of its highest core EPS, earnings numbers in a challenged operating environment in the first quarter.

Simply put, we navigated that environment well. The preparedness and strength of Bank of America and the trust of our clients reflects a decade-long responsible growth model and relationship nature of our franchise. During quarter one, importantly, organic growth engine continued to perform. Let me first summarize some points, and I'll turn it over to Alastair to take you through the details of the quarter. If you go to Slide 2 of the materials, Bank of America delivered strong earnings, growing EPS 18% over first quarter '22. Every business segment performed well. We grew clients and accounts organically and at a strong pace. We delivered our seventh straight quarter of operating leverage, led by a 13% year-over-year revenue growth. We further strengthened our balance sheet, with our CET1 ratio increasing to 11.4%.

Regulatory capital ended at the highest nominal level in our history at \$184 billion. We maintained strong liquidity. We ended the quarter with more than

\$900 billion in Global Liquidity Sources. We are in good returns for you as our shareholders, with a return on tangible common equity of 17%, a 107 basis points return on average assets. Tangible book value per share grew 9% year-over-year. We did this as the economy slowed. And, remember, our research team continues to predict a shallow recession that will occur beginning in the quarter three of 2023. It's interesting, when we look at our consumer behavior, payments by consumer continued to drive the U.S. economy. We've seen debit and credit card spending at about 6% year-over-year growth pace, a little slower but still healthy.

But, remember, card spending represents less than a quarter of how consumers pay for things out of their accounts at Bank of America. Overall payments from our customers' accounts across all sources were up 9% year-over-year for March as a month. Year-to-date, they were up about 8% for the quarter. After slowing in the back half of 2022 a bit, we saw the payments -- pace of payments picked back up in quarter one, especially in the latter parts of the quarter. Consumers' financial positions remains generally healthy. They're employed with generally higher wages, continue to have strong account balances, and have good access to credit. As you think through all the tightening actions of the Fed, the flows to alternative yielding assets, investments and the disruption the past quarter, our deposits continued to perform well, ending the quarter at \$1.91 trillion.

If you think about it, that's about the same balance that we had in mid-October of 2022. So, we've seen these balances stabilize and remain 34% above they were in prior to the pandemic. The team has managed well during these periods by remaining focused on the things we can control to drive value through our franchise. I thank them for a very strong quarter, near-record earnings with strong returns. Let me turn the call over to Alastair to walk through the details of the quarter.

Alastair Borthwick -- *Chief Financial Officer*

Thank you, Brian. And I'll pick up on Slide 3, where we list some of the more detailed highlights of the quarter. And then, on Slide 4, we present the summary income statement. So, I'm going to refer to both of these together. As

Brian mentioned, for the quarter, we generated \$8.2 billion of net income, and that resulted in \$0.94 per diluted share.

Our revenue grew 13%, and that was led by a 25% improvement in net interest income, coupled with strong 9% growth in sales and trading results, excluding DVA. Our non-interest revenue was strong, despite three headwinds: First, we had lower service charges as commercial clients paid lower fees for treasury services, since they now receive higher earned rates on balances. And, obviously, that allows us to invest those funds to earn NII. On consumer, we had lower NSF insufficient funds and overdraft fees as a result of our policy changes announced in late 2021. Second, with lower asset management fees and that just reflects the lower equity market levels and fixed-income market levels. And, third, investment banking fees were lower, just reflecting the continuation of sluggish industry activity and reduced fee pools.

Now, all that said, despite these headwinds, each of the three categories saw modest improvement from the fourth quarter levels. Asset quality remained strong, and provision expense for the quarter was \$931 million. That consisted of \$807 million of net charge-offs and \$124 million of reserve build. And that reserve build compares to a reserve release in the first quarter 2022 of \$362 million. Our charge-off rate was 32 basis points and still well below the fourth quarter of '19 when our pre-pandemic rate was 39 basis points. And, remember, 2019 was a multi-decade low. So, credit, obviously, remains quite strong. I want to make one other point on Slide 4 and that is simply to note that pre-tax pre-provision income grew 27% year-over-year compared to reported net income growth of 15%. So, let's turn to the balance sheet that starts on Slide 5.

And you can see, during the quarter, our balance sheet increased \$144 billion to \$3.195 trillion. Brian noted our liquidity levels at the end of the period, those rose to more than \$900 billion from December 31. That's \$23 billion higher and it remains \$324 billion above our pre-pandemic level in the fourth quarter of '19. Shareholders' equity increased \$7 billion from the fourth quarter as earnings were only partially offset by capital distributed to shareholders, and we saw an improvement in AOCI of \$3 billion due to lower long-term interest

rates. The AOCI included more than \$0.5 billion increase from improved valuations of AFS debt securities and that flows through CET1. And the remaining \$2.5 billion due to changes in cash flow hedges doesn't impact regulatory capital. During the quarter, we paid \$1.8 billion in common dividends and we bought back \$2.2 billion in shares. Turning to regulatory capital, our CET1 level improved to \$184 billion since December 31 and our CET1 ratio improved 14 basis points to 11.4%, once again, adding to our buffer over our 10.4% current minimum requirement as well as the 10.9% minimum requirement that we'll see on January 1st of 2024.

That means, in the past 12 months, we've improved our CET1 ratio by 100 basis points, and we've supported our clients and we've returned \$12 billion in capital to shareholders. CET1 capital improved \$4 billion, and that reflects the benefit of earnings and the AOCI improvement, partially offset by the capital we've returned to shareholders. Our risk-weighted assets increased modestly and that partially offset the benefit to the CET1 ratio of the higher capital we generated. And then, our supplemental leverage ratio increased to 6%. That compares to a minimum requirement of 5% and leaves plenty of capacity for balance sheet growth, and our TLAC ratio remains comfortably above our requirements. So, let's spend a minute on loan growth, and we'll do that by turning to Slide 6, where you can see the average loans grew 7% year-over-year, driven by commercial loans and credit card growth.

The credit card growth reflects increased marketing, it reflects enhanced offers and higher levels of card account openings. The commercial growth across the past year reflects the diversity of commercial activity across global banking and global markets and, to some degree, global wealth. And on a more near-term linked-quarter basis, loans grew at a much slower pace, partly driven by seasonal credit card paydowns after the fourth quarter holiday spending, and then commercial demand slowed in Q1 and we saw some paydowns by our wealth management clients as they lowered leverage as rates rose. So, let's turn to deposits and there's obviously been a lot of additional focus this quarter, so I want to spend extra time here and I'm going to start with Slide 7 and talk about average deposits.

Just a few points we need to make before focusing on a more detailed discussion of the recent trends. Average total deposits for the first quarter were \$1.89 trillion, that is down 2% linked-quarter and down 7% year-over-year. Our deposits peaked in the fourth quarter of 2021. And even as the Fed has continued to withdraw money supply, our deposits have held around \$1.9 trillion, because there's a lot more industry deposits today in a much bigger economy today compared to pre-pandemic. Our average deposits were up 34% compared to our pre-pandemic Q4 '19 balance and the industry's deposits were up 31% to \$17.4 trillion. So, we've obviously fared a little bit better than the industry. We put our pre-pandemic deposits for each line of business on the slide, so you can compare our balances then and now. I want to highlight consumer checking balances, which remained 53% higher than pre-pandemic.

And as I think all of us would expect, GWIM combined client deposits are up a lesser 23%, as those are the clients that generally move their excess cash into other off-balance sheet products. And in global banking, you can see the rotation to interest-bearing across time as rates rose. So, let's get a little more granular and a little more near-term and we'll use Slide 8 for that, where you can see the breakout of deposit trends on a weekly ending basis across the last two quarters. You can also see that we plotted the timeline of Fed target and rate hikes on the top-left chart, just for comparison through time. In the upper left, you can see the trend of our total deposits. We ended Q1 '23 at \$1.91 trillion, that's down 1%. And, as Brian mentioned, over the course of the past six months, those balances have been relatively stable. In consumer, looking at the top-right chart, we show the difference here in the movement through the quarter between the balances of low to no interest checking accounts, and the higher-yielding non-checking accounts and, across the entire quarter, we saw a modest \$4 billion decline in total.

Checking balances, obviously, have some variability around pay days in particular, but note the relative stability of checking deposits, because these are the operational accounts with money and motion to pay the bills and everyday living costs for families. I'd also point out that our checking balances were modestly growing even ahead of March 9th upheaval and continue to move higher through the quarter on the back of disruption. Lower

non-checking balances mostly reflect money moved out of deposits and into brokerage accounts where we earn a small fee. Rate paid increased 6 basis points from the fourth quarter to 12 basis points on this [trillion dollars] (ph) of total consumer deposits and remains low, because of the 52% mix that is checking.

Lastly, I just note that the rate movements in this business are concentrated in the small CDs and consumer investment deposits, which together represent about 5% of the deposits. In wealth management, as you would expect, it shows the most relative decline, and you can see the continued trend of clients moving money from lower-yielding sweep accounts into higher-yielding preferred deposits and off-balance sheet to other investment alternatives. Now, if we went back further, you'd see that roughly \$90 billion has moved out of sweeps in the past year, which leaves \$80 billion in these accounts. So, you can see how with the pace and size of rate hikes slowing, we expect the declines in balances to lessen from here. At the bottom-right, note the global banking deposit movement, where we hold about \$500 billion in customer deposits.

These are generally operational deposits of our commercial customers and they use that to manage their cash flows through the course of the year. Those were down \$3 billion from the fourth quarter. And what's interesting to note is that, our total deposits in this segment have been stable at around \$500 billion for the past six months and this business just continues to see rotation into interest-bearing. The mix of interest-bearing deposits on an ending basis moved from 49% last quarter to 55% in Q1. And, obviously, we pay increased rates on those interest-bearing deposits. And it's this rotation in global banking that's driving the rotational shift of the total company, and it's pretty typical and to be expected in this environment. So, in summary, our deposits continued to behave as we would expect.

The cash transactional balances have shown some recent stabilization. And for investment cash, we've seen deposits moved to brokerage and other platforms for direct holdings of money market, mutual funds, treasuries, and we are capturing many of those flows as you see in our numbers, it's just we expect that to slow going forward. So, now that we've examined trends for the

different lines of business, I want to make some important points about the characteristics of our deposit franchise using Slide 9, and this will just help reinforce for shareholders who own Bank of America that they're investing in one of the world's great deposit franchises, all of it based off of relationships we have with our customers and the value they place on the award-winning capabilities and convenience they have access to. So, starting from the top, focus first on consumer.

You can see that more than 80% of deposits have been with us for more than five years, and more than two-thirds of our consumer deposits are balances with customers who have had relationships with the bank for more than 10 years. Also, more than three-quarters of these customers are very highly engaged in their activities with us. They are also, geographically, dispersed across the United States given our presence in 83 of the top 100 markets. Lastly, whether you look at consumers or small business, the value proposition is what's driving the same result. We've got long-tenured customers with deep relationships that are highly engaged. Turning to wealth management, you can see a similar story around long tenure and quite active relationships.

The average relationship of our GWIM clients is around 14 years. And, again, these clients are very geographically diverse, they're also very digitally engaged, and we continue to see deepening around banking solutions and products of all types. There's lots of options for these clients that extend from their operational checking accounts all the way up through preferred deposit options, and then we also benefit from having great alternatives for them within our investment platform. On global banking, note that 80% of our U.S. deposit balances are held by clients who have had an account with us for at least 10 years. Furthermore, as we measure the number of solutions that clients have with us, we know that 73% of balances are held by clients that have at least five products on us and, just like the other businesses, they are highly diversified by industry and geography.

So, those are some of the things that make our quality deposit base stable. So, now that we've walked through both loans and deposits, I want to transition a bit to make some points on balance sheet management and to focus on the

liquidity we enjoy by having a surplus of customer deposits that far exceeds the loan demand of our clients today and far exceeded the loan demand of our clients pre-pandemic. Having the deposits alone doesn't pay the expenses to support these great customer bases and it doesn't mean much to our shareholders, unless we put them to work to extract the value of those deposits. So, that's what we're trying to illustrate and we want to show you how we do them. You can see that on Slide 10, where you note we had significant excess deposits over loans pre-pandemic.

And during the pandemic, that increased -- that amount increased significantly. Before the pandemic, we had \$0.5 trillion more in deposits than loans and that peaked in late 2021 at more than \$1.1 trillion and it remains high at roughly \$900 billion still today. That's the context as we talk about how we manage excess cash. So, let's turn to Slide 11. And here we're going to focus on the banking book, because our global markets' balance sheet has remained largely market funded. And just follow the graph from left to right. At the top of the slide, you note trend of cash and cash equivalents and the two components of the debt securities balances: available-for-sale and held-to-maturity. And you can see the trend of the overall combined cash and securities balance movement and it closely mirrors the previous slide's excess deposit trends, as you would expect. In 2020, deposits grew, while loans declined and that was pandemic borrowing from our commercial clients stopping and then quickly paying it off.

Throughout 2020, as we put deposits to work, we took a number of actions to protect our capital and that included a buildup in hold-to-maturity, better aligning our capital treatment with our intent to hold those securities to maturity. We also hedged rate risk in the available-for-sale book using pay-fixed, receive-variable swaps. So, these securities acted like cash and they earned higher yields and guarded against capital volatility. As we entered the middle of 2021, it became more clearer that the stimulus payment would likely be the last one and, therefore, we believed deposits would be peaking. As a result, we stopped adding to our hold-to-maturity securities book. That book peaked in the third quarter of 2021 at \$683 billion, \$562 billion were mortgage backs, and the rest were treasuries.

And all that's happened is that notional balances have declined in each of the past six quarters, ending the quarter at \$625 billion. And within that, the mortgage-backed portfolio was down \$67 billion to \$495 billion. As rates began to rise quickly throughout 2022, the value of our deposits rose. And, at the same time, the disclosed market value of the hold-to-maturity securities has declined, resulting in a negative market valuation on those bonds. That negative market valuation peaked in the third quarter, came down in the fourth quarter, and it's come down another \$10 billion in the first quarter. In our 10-K disclosure, we included a chart which shows the maturity distribution of our securities portfolio. And, I'd remind you, this is based on the maturity dates of those originations, i.e., the date of the last contractual payment.

When we look at the actual cash flows of those bonds over time, it results in an average weighted life of the hold-to-maturity securities book of a little more than eight years. And as you can see, since the third quarter of 2021, we've continued to see increases in the overall yield on the balances due to both the maturity and reinvestment of lower-yielding securities as well as remix into higher-yielding cash. And, as you can see, with deposits paying 92 basis points, that compares to our blend of cash and government-guaranteed securities, which pays 290 basis points. So, we continue to benefit NII and yield. And, finally, one very important last point I want to make, which is on the improved NII of our banking book. Because, remember, we manage the entirety of our balance sheet.

That includes our deposits and that's where you see the net interest income has improved significantly. NII, excluding global markets, which we disclose each quarter, troughed in the third quarter of 2020 at \$9.1 billion, and it's now \$5.4 billion higher on a quarterly basis at \$14.5 billion in the first quarter of '23, and that's the acid test of managing the entire balance sheet. So, let's turn now to Slide 12 and focus on net interest income. On a GAAP non-FTE basis, NII in the first quarter was \$14.4 billion and the FTE NII number was \$14.6 billion. Focusing on FTE, net interest income increased \$2.9 billion from the first quarter of 2022 or 25%, while our net interest yield improved 51 basis points to 2.2%. The improvement was driven by rates, and that includes reductions in securities premium amortization.

Average Fed fund rates are up 440 basis points year-over-year. Relative to that increase in Fed funds, which has benefited all of our variable rate assets, the rate paid on our total deposits rose 89 basis points and the rate paid today on interest-bearing deposits is up 133 basis points. Average loan growth of \$64 billion also aided the year-over-year NII improvement. Turning to a linked-quarter discussion, NII of \$14.6 billion is down \$222 million from Q4, and that's primarily driven by the continued impact of lower deposit balances and the mix shift into interest-bearing. It's also influenced by lower global markets NII, which, remember, still gets passed through to clients via higher non-interest income as part of the trading revenue. Excluding the \$262 million decline in global markets' NII, the banking book NII of \$14.5 billion, that was modestly higher as the benefit of increased short interest rates, some modest loan growth and some deposit favorability was offset by two less days of interest in the quarter. Turning to asset sensitivity on a forward basis, the plus 100 basis point parallel shift at March 31st stands at \$3.3 billion of expected NII over the next 12 months from our banking book.

96% of that sensitivity is driven by short rates. Summary, the first quarter NII was \$14.6 billion in this quarter on an FTE basis and that was a little better than our \$14.4 billion expectation as we began the quarter since deposits and rate pass-throughs were both modestly better. Looking forward, based on everything we know about interest rates and customer behavior, we expect second quarter NII on an FTE basis to be around 2% lower compared to Q1. So, think about that NII as about \$14.3 billion FTE, plus or minus, driven by expected deposit movements as well as lower global markets' NII, which again is offset in the trading revenue. So, let me remind you of some of the caveats when it comes to that NII guidance. First, importantly, it assumes that interest rates in the forward curve materialize and that includes one more hike and then a couple of cuts in 2023.

We also expect funding costs for global markets client activity to continue to increase based on those high rates. And, as noted, the impact of that is still offset in non-interest income, and that obviously assumes our current client positioning and the forward rate expectations. We continue to expect modest loan growth. So, that's in our NII expectation as well, and it's driven by credit card and, to a lesser degree, commercial. And then, finally, we just expect

lower deposits and rotational shifts towards interest-bearing, really for three reasons. First, we expect further Fed balance sheet reductions to continue to reduce deposits for the industry. Second, we anticipate lower wealth management deposits in the second quarter. That's pretty typical due to the seasonal impact of clients paying income taxes and, to a lesser degree now, a continuation of balance movement seeking better yields off-balance sheet.

And, third, we just continue to expect some of the rotation of commercial deposits towards interest-bearing. Okay. Let's go to Slide 13, we'll talk about expense. And here what you can see is, in the first quarter, our expenses were \$16.2 billion, that's up \$700 million from the fourth quarter and it's driven by seasonal elevation from payroll taxes, mostly at \$450 million, a little bit from higher FDIC insurance expense, that was another \$100 million this quarter, and the cost of adding people, call that another \$100 million. We ended the first quarter with a little more than 217,000 people at the company, that was 260 people more than year-end. During the quarter, we welcomed 3,000 additional people into the company in January, that's due to outstanding offers that we extended in the fourth quarter.

That meant that our headcount peaked in January. That's a little more than 218,000. And, at the end of last week, we were down to 216,000. We continue to expect that to move lower over time and we expect, by the end of the second quarter, our full-time equivalent headcount will be roughly 213,000, excluding our summer interns. As we look forward to the next quarter then, we would expect Q2 expense to benefit from the reduction of the seasonal elevation of payroll tax in Q1, and we would also expect to see expense reductions coming from headcount reductions through attrition over time and our operational excellence work. So, we expect expense in Q2 to be around \$400 million or \$500 million lower than Q1, so think of that as around \$15.8 billion, plus or minus, in Q2.

And then further, we just expect continued sequential expense declines in the third quarter and then again in the fourth quarter as we benefit from continued headcount discipline and attrition through time. Now turn to asset quality on Slide 14, and I want to start the credit discussion by saying, once again, asset quality of our customers remains healthy and net charge-offs continue to rise

from their near historic lows. Net charge-offs of \$807 million increased \$118 million from the fourth quarter. That increase was driven by credit card losses as higher late-stage delinquencies flowed through to charge-offs. For context, the credit card net charge-off rate was 2.21% in this first quarter and that compares to 3.03% in the fourth quarter of '19 pre-pandemic. Provision expense was \$931 million in Q1, and that included a \$124 million reserve build.

That's obviously less than the \$403 million build we took in the fourth quarter, and it reflects modest loan growth and an ever so slightly improved macroeconomic outlook that, on a weighted basis, continues to include an unemployment rate still north of 5% as we end 2023. We included a slide in the appendix this quarter that highlights the mix and credit metrics of our commercial real estate exposure. And I just wanted to remind everyone here, we've been very intentional around our client selection, very intentional around portfolio concentration, and deal structure over many years and, as a result, we've seen NPLs and realized losses that remain quite low for this portfolio. We had a total of \$66 million of commercial real estate losses in 2022.

70% of that was in office loans and that resulted in an annualized loss rate of 26 basis points. In the first quarter, to give some perspective, our office loan losses were \$15 million. We have roughly \$73 billion in commercial real estate loans outstanding, that's less than 7% of our loan book. It's highly diversified by geography, and no part of the country represents more than 22% of the book. It's also very diversified across property type. Within property type, our office portfolio was \$19 billion, it's about 2% of our total loans. The portfolio is roughly 75% Class A properties. And when we originate, they are typically around 55% loan-to-value. Even though we've seen some property value declines, this exposure still remain well secured.

\$3.6 billion is classified as reservable criticized. And even on the most recent refreshes on our toughest loans, we still have 75% LTVs. In our office book, \$4 billion is scheduled to mature this year, another \$6 billion in 2024, with the remainder spread over the following years. So, we continue to feel that the portfolio is well-positioned and adequately reserved given the current conditions. On Slide 15, for completeness, we highlight the credit quality

metrics for both our consumer and commercial portfolios. And, with that, I'm going to turn it back to Brian to talk about the lines of business. Brian Moynihan Thank you, Alastair. And we're going to begin on Slide 16. So, I want to bring us back to the things that drive the long-term value of this franchise and the value for you, our shareholders.

Every business segment grew customers and accounts organically in the quarter and use digital tools and capabilities to drive engagement even deeper and also to drive customer satisfaction to industry-leading levels. On Slide 16, we've highlighted some of the important elements of organic growth. I won't go through all the line items here, but, in consumer, we saw -- we opened 130,000 net new checking accounts, 1.3 million credit card accounts, and 9% more investment accounts, that aided to record quarter one consumer investment flows. Consumer also has now -- have -- has had 17 quarters of positive net new checking accounts. In global wealth, we had a record quarter, adding 14,500 net new wealth relationships. In global banking, we had our clients increase the number of products per relationship.

In global markets, as we said earlier, Jim DeMare and team had one of the highest quarters of sales and trading. The other elements of earnings the management team remains focused on throughout this inflationary environment is our expense management efforts and -- but, even given those, we continue to make investments in the future. We continue to streak up operating leverage in our account and you can see that on Slide 17 -- in our company and you can see that on Slide 17. We now had seven quarters of operating leverage. The efficiency ratio went to 62%, and the nominal dollars of expenses we have today are similar to what we had 10 -- eight, nine, 10 years ago. As we go to Slide 18, let's talk about individual businesses, and consumer banking first.

For the quarter, consumer banking earned 31 -- \$3.1 billion on good organic revenue growth and delivered its eighth consecutive quarter of strong operating leverage, while we continue to invest in future. Top-line revenue grew 21%. Expenses rose 11%. These results demonstrate the true value of the \$1 trillion deposit franchise and the deep relationship we have with the clients in that business. The business continues to have \$700 billion in excess

deposits over its loan balances. And, as we said earlier, we grew checking accounts \$2.5 million -- 2.5 million new checking accounts, since the pandemic started. Solid earnings growth of 4% understates the success of this business as prior year included reserve releases, while we built reserves this quarter. On a pre-tax pre-provision basis PPNR grew 34% year-over-year.

I'll also note that the revenue growth overcame a decline in service charges as a result of us lowering our NSFOD charges for customers several quarters ago. The expense in the consumers reflect the continued business investments for growth, including adding relationship associates, further develop increases in the cost of technology and implementation of new tools. As you think about this business, remember, much of the company's minimum wage hikes during 2022, the ones we made mid-year in addition to our March of \$25 an hour, impact this business more than any other business. However, it has helped drive the attrition in this business in half compared to last year this quarter. On Slide 19, you can see some of the digital statistics around consumer.

We believe that those digital tools, our customers have access to it, are the key to growing and retaining customer relationships. These tools also help us deliver more efficiently. We now have 45 million users actively engaged with our digital properties. They login 1 billion times a month. Erica, our artificial intelligence-driven personal assistant, saw usage rise 35% just in the past year. The number of our customers using Zelle grew 21% in the past year. Remember, these aren't new functionalities just being put in place, these are growing off a high scale and showed the Bank of America impact on these products. On Zelle, remember, back in mid-2021, Zelle transactions crossed the number of checks written for our clients. Now, at 60% higher, less than two years later.

And you can see the growth in digital sales that continues. We remained focused on growing the customer base and delivering the best-in-class tools and service that make us more efficient and more important to our clients in the consumer business, and Dean Athanasia and team continue to do a good job with respect to those goals. On Slide 20, we move to wealth management. We had good results, earning about a little over \$900 million after tax for the

quarter. These results were down from last year, as Alastair said, as asset management fees fell with the negative market levels in equity and fixed income. Those fees were mitigated by the beneficial impact of revenue from the sizable banking business within this line of business for us. As I noted a moment ago, both Merrill and the Private Bank saw organic revenue growth and provided solid client flows at \$25 billion in the quarter.

Our assets under management flows of \$15 billion reflects some of the movement in deposits noted earlier, but we also saw a \$33 billion of brokerage flows. Expenses reflects lower revenue related incentives, but also reflects continued investments in the business as we continue to add financial advisors. We've added more than 650 wealth advisors in the past year alone. As we move forward, we are excited to have Eric Schimpf and Lindsay Hans lead this business. They work closely with Katy Knox to drive our global wealth and investment management business across the company. As we go to global wealth and investment management digital on Slide 21, you can see the statistics here. Just as with the consumer business, these clients become more and more digital engaged across time.

Our advisors have led the way in driving a personal-driven advice model, supplemented by our digital tools. On Slide 21, you can see the client digital adoption rate of 84% with Merrill and the Private Bank is over 90%. More than 75% embrace digital delivery of their statements, which, as a key tool of their service, providing more convenience for them and our advisor. Erica and Zelle interactions continue to grow here also, even among these wealthy clients. On Slide 22, you see the global banking results. This business produced very strong results, growing revenue 19% year-to-year to \$6.2 billion. The business earned \$2.6 billion after tax. While investment banking remained sluggish, our global treasury services business has been robust, leading to strong revenue performance.

Loan activity has been good across this business also. As noted earlier, the deposit flows appear to have stabilized in March and we benefitted from some customer flows during the flight to safety during the quarter. The company's overall investment banking fees were \$1.2 billion in quarter one. And while down from quarter one '22, we saw a modest improvement from quarter four

of '22. Provision expense declined year-over-year as prior year's reserve builds compared to release in the current period. Credit quality of this business, again, remains very strong. Expense increased 10% year-over-year, driven by strategic investments in the business, including relationship manager hiring and technology costs. Digital engagement, as shown on Slide 23, with our global banking customers.

These commercial customers continue to grow in importance as treasuries and others appreciate the ease of doing business with us through these tools. While the volume of transactions in sheer numbers [aren't] (ph) the same as consumer, the volume of money moved is tremendous. Next business, we'll go towards our global markets business on Slide 24. Jim DeMare and the team had another strong quarter of results, growing year-over-year earnings to nearly \$1.7 billion after tax. The continued themes of inflation due to political tensions and central banks changing monetary policies around the globe drove volatility in the bond and equity markets, which his team did a good job of managing. As a result, this quarter, we saw a strong performance in our credit trading business, particularly in mortgages and muni trading and macro trading again fared well buoyed by strong client activity and secured financing. Investments made in this business over the last few years continued to produce favorable results.

Just to focus on the sales and trading numbers alone, ex-DVA, revenue improved 9% year-over-year to \$5.1 billion. FICC improved 29%, while equities were down 19% compared to quarter one of 2022. Year-over-year expense increased 8%, primarily driven by continued investments as stated in this business. Finally, on [Slide 5] (ph), you can see the all other shows a modest loss, which includes the \$220 million losses in securities sold, as Alastair mentioned earlier. And last, I would note our 10% effective tax rate this quarter continues to benefit us from a strong business with clients, supporting environmental investments, in-housing investments to produce tax benefits. Excluding those and the other discrete tax benefits, our tax rate would have been 26%. So, in summary, a strong quarter by our team delivered for you, our shareholders, operating leverage, organic growth, strong credit, capital return, and strong ROTCE. With that, let's jump to Q&A.

Questions & Answers:

Operator

We'll take our first question from Jim Mitchell with Seaport Global. Your line is open.

Jim Mitchell -- *Seaport Global Securities -- Analyst*

Hey, good morning, guys. Maybe just one question on the NII trajectory. You guys remain asset-sensitive in the banking book, but the forward curve is -- I think you pointed out currently expect three rate cuts by the end of the year. If that plays out, how do you think about that impact on NII in the back half of the year? What are the puts and takes as we think about NII beyond 2Q?

Alastair Borthwick -- *Chief Financial Officer*

So, Jim, I think, right now, the expectations for the market in terms of whether or not there'll be another hike in May, that's bouncing around pretty good. Similarly, you've got a question of whether or not there's two cuts at the back half or three. So, we're operating with the same information you are. We're looking at the forward curve day-to-day thinking that through.

At the same time, we're looking at our deposit balances. They're performing kind of the way we would think and we're competing for rate paid. So, I'd say, generally speaking, at this point, we feel pretty good about NII. It's obviously going to be up this year pretty significantly. And, look, we don't provide guidance for the full year for a very simple reason, it just comes down to -- it's very difficult to predict what the Fed is going to do six months and nine months out. But let me put it this way, we can see where our consensus is. Consensus is right around \$57 billion, plus or minus. That's sort of the number that would imply us up for the year, 7% to 8%. I mean, I think, we're pretty comfortable there, but it's just so many moving parts, that's why we don't provide the guidance.

Jim Mitchell -- *Seaport Global Securities -- Analyst*

No, that's all fair. And maybe just pivoting to the trading business, you had another strong quarter and outperformed peers in the fixed income business. Is there anything unusually strong there? Or do you believe you guys have made some sustainable market share gains in that business given your recent investments?

Alastair Borthwick -- *Chief Financial Officer*

Well, I think, the team has done a really good job. Brian talked about that. A couple of years ago, we made a decision as a team that it was important for us to invest more in that business and we did that. And we've made pretty significant investments in equities and in fixed income. And we felt like, in particular, we could continue to grow our macro businesses, which we've done, and that's what has done a really good job until this quarter. This quarter, we just happen to fire on more cylinders, particularly in FICC, because this quarter we had a great quarter for our micro products and you kind of expect that, because it was a better quarter for them.

We've had positive returns there. So, mortgages, credit, munis, financing, futures, FX, all of them had a pretty good quarter and, I think, Jim and the team are just executing at a really high level. So, they just got to keep at it.

Jim Mitchell -- *Seaport Global Securities -- Analyst*

Fair enough. Thanks for taking my questions.

Operator

We'll take our next question from Erika Najarian with UBS. Your line is open.

Erika Najarian -- *UBS -- Analyst*

Hi, good morning. Alastair, just a clarification. You gave us the quarterly expected trajectory for expenses. Do you still expect to hit \$62.5 billion or so of full year expenses in '23?

Alastair Borthwick -- *Chief Executive Officer*

Right now, that's our expectation. I mean, we're 90 days into the quarter -- I'd say into the year rather. Obviously, as we're looking forward, we see -- we know the headcount is coming down, so that's going to be a tailwind all the way through the course of the year.

So, we don't have any change in our expectations right now. We're going to see how the year develops. We still got a little bit of a headwind in terms of something like our sales and trading business having a very good revenue year, and we're still investing in the business. So, it'll be a dog fight, particularly as we get into the back half of the year, but we still feel good about where we are with respect to the expense.

Erika Najarian -- *UBS -- Analyst*

Got it. And my second question is for Brian. Brian, you've produced a significant amount of revenue this quarter and grew your CET1. At the same time, I think that a lot of investors are looking down the path of significant macro uncertainty. As we take that into account, how should we think about the buyback activity going forward, especially ahead of the stress test results in June?

Brian Moynihan -- *Chief Executive Officer*

I think, you saw this quarter, we continue to adopt our basic, or apply our basic principles, which is we support the growth in our customer base, we pay the dividends that are -- what we think is the rational rate, and then we use the rest to basically return to use for the share buybacks.

Yeah, we're in the middle of stress test as you just mentioned. We'll have to see the results of that. We also -- but the good news is, we crossed 11.40% this quarter, which basically is an excess -- has a cushion on top of what we need for the first quarter of next year. And so, we'll continue to follow our basic principles. So, we're -- we feel good -- very good about our capital and you should expect us to continue to follow the idea to pay the dividend or grow organic -- support the organic growth, pay the dividend and buyback shares, but we've got to get through the near-term sort of what goes on in our business every year at this time.

Erika Najarian -- *UBS -- Analyst*

Got it. Thank you.

Operator

We'll go next to Ken Usdin with Jefferies. Your line is open.

Ken Usdin -- *Jefferies -- Analyst*

Good morning. Hey, I just wondering on the deposit side, if you can help us understand, there is obviously the ongoing mix shift, which you referred to and gave us a lot of great detail on it. I'm just wondering, as you think forward, how much more mix shift are you expecting in terms of DVAs as a percentage of total deposits? And how do you expect that to also look as you think across the businesses with regards to just where customers are moving funds incrementally? Thank you.

Brian Moynihan -- *Chief Executive Officer*

Yeah. I think, Ken, we think this -- everybody thinks this as a big bulk thing, Bank of America, but it's really -- and then looks at broad categories of interest-bearing and non-interest bearing accounts and treasury. You have to really think about customer bases and what they do with their money.

And so, there is transactional cash, whether that's for consumer running their household day-to-day or a wealthy consumer running their household day-to-day, which may have different level of expenses. And then, the commercial customers, who run their business day-to-day and then have excess cash from that if they are successful, and then how they all play that through. So I think -- we think, transactional cash and investment cash. You've seen a lot of investment cash as -- so to speak. As Alastair mentioned earlier, we price competitively for that, that moves around. But the good news is, we have a massive investment platform where we put that money to work for our customers if they don't need to manage their day-to-day household. So, in our NII estimates, our view of what happens in the future, I think, the key for the consumer business is to remember that, they've got \$700 billion of excess deposits over its loans.

It's generating a lot of excess deposits that grew \$300-odd billion from pre-pandemic, it has been stable. The checking balances, if you look at those charts we gave you, they show you the near-term movement are stable. That generates at a total all-in cost of 10 basis points to 15 basis points, a lot of the value in our franchise, and meaning -- including interest-bearing part of that franchise when you think about deposits across time and in like businesses. So, you'd expect some of those trends to continue in terms of customers have excess cash, putting it to work differently. Here, we expect the deposit rates to move to continue to match the market. But the broad value of this deposit franchises driven by the money people leave us, because it's transactional cash, which is a motion, and we don't pay interest on, and that is both the consumers, wealthy customers and businesses. So, it's hard. It's a very detailed question of which we spent a lot of time looking at or the team does, as you might imagine.

Ken Usdin -- *Jefferies -- Analyst*

Okay. And the other question is just then, Alastair you walked through how you've been changing the composition of the securities portfolio and still benefiting from those variable rate swaps. I'm just wondering if you can help us understand what happens from here in terms of -- or should you continue to get benefits from those variable rate swaps? And then, also just -- do you --

have you done any positioning -- repositioning underneath the surface? It looks like there were some securities losses. So, how much room do you have to continue to kind of rework the portfolio and grind more income out of the book even as you shrink it?

Alastair Borthwick -- *Chief Financial Officer*

Yeah. So, Ken, think about -- I mean, the easiest way to think about those treasuries, they're swapped to floating, so they're essentially cash. And, actually, this quarter, we ended up converting some of them into cash, just because it's simpler, it's simpler for everyone to understand, and this is, obviously, a pretty good bid for treasuries this quarter. So, we just converted them into cash. That's what accounted for some of the securities loss there, it was a couple hundred million. But I think the way to think about it is, as the overall securities portfolio -- remember, we've got cash, we've got available-for-sale, you can always think about that as enhanced cash, and we've got hold-to-maturity, as that continues to pay down, we're just sweeping it right now into cash.

That's something I've talked about in the last couple of quarters. And we're putting in cash, because: number one, it's a really high-yielding asset; number two, it gives us a lot of options during a period of volatility. So, pretty straightforward at this point.

Ken Usdin -- *Jefferies -- Analyst*

Okay. Got it. Thank you.

Operator

Our next question comes from Mike Mayo with Wells Fargo. Your line is open.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

Hi. Well, I guess, the topic of the day, week and the month is, to what degree are your assets matched with your liabilities? And I'm staring at Slide 11, and

you've seen the front page of many papers, highlighting your unrealized securities losses. You highlight the yield on your securities at 2.6%. You highlighted your held-to-maturity portfolio at eight years, that would all suggest to some that you're not so well matched.

On the other hand, what you don't provide or at least I didn't see it, the change in the value of your deposits or even the duration of your deposit. So, the basic question is, can you describe to what degree your assets are matched with your liabilities? And where you think you may have been off or on the mark?

Alastair Borthwick -- *Chief Financial Officer*

Yeah. So, Mike, I'll start. Brian can add anything he chooses to. But one of the reasons that we spend as much time laying out the deposit franchise is because in a rising rate environment, you'd expect obviously that bond markets are going to turn negative. And, at the same time, you and we have been expecting, as rates go up, the NII would rise, because the deposits are so much more valuable in that environment. What we laid out for you and for everyone to see is just how broad and stable and diversified is this deposit base.

We think it's very long-tenured. That's why we're laying out some of these things around just how long the relationships are in consumer and in wealth and in global banking, and it's one of the reasons why...

Mike Mayo -- *Wells Fargo Securities -- Analyst*

Alastair -- hey, Alastair, if I can just interrupt, just when you say long-tenured, can you put any numbers around that range? Because I think that's the one biggest most important number. If you could just -- some kind of frame that a little bit?

Alastair Borthwick -- *Chief Financial Officer*

Yeah. If you took a look at Slide number 9, we've tried to lay that out for you. So, you take a look at -- in consumer, for example, you're talking about 67% of the clients have been with us for more than 10 years. That's pretty long-tenured. I know from my time in the commercial bank, our clients on average were 17 years with us.

You have long operational deposits in all of these businesses. So, that's what we're trying to lay out in front of everyone, so you can see that.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

Okay. I'm sorry, I interrupted, but go ahead.

Alastair Borthwick -- *Chief Financial Officer*

Now, I can't remember where it was.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

You were talking about the unrealized securities loss, the NII went higher, that's part of the benefits of having...

Alastair Borthwick -- *Chief Financial Officer*

No. I think, look, what I'm trying to convey to you too, Mike, and you know how this works, we've got to balance all of this, because we have to think about the entire balance sheet. And there's a lot going on with the entire balance sheet. And so, what we're trying to do is invest that excess, which has existed now in hundreds of billions for many, many years.

We've got to invest it the best way we can. And the way we do that, we talk about balancing it, it's we're -- number one, trying to make sure we grow capital. We've done that. We're up 100 basis points there in the last year. Number two, we're trying to grow liquidity. We added \$23 billion in this past quarter. Number three, we're trying to grow earnings. We're at \$8.2 billion, it's one of our best earnings quarters ever. So, look, we can always be better. You

know that we're taking the portfolio and we're just making it smaller, it's run off now six quarters in a row. We're taking all of that and flowing it into cash and loans. That's what we've been doing. We'll just continue doing that, and the portfolio is going to get smaller and shorter overtime.

And when you look at the asset sensitivity now, relative to rates going up 100 or rates going down 100, we're pretty balanced there too. We're sort of up \$3.3 billion if rates go up 100. We're down \$3.6 billion, if rates go down 100, so we feel like we're in a pretty balanced place and lot of flexibility at this point.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

And then just a follow-up. I guess, some will take your greatest strength as a weakness, that is you don't pay as much on deposits as others. I estimate that you have the lowest cycle-to-date deposit beta. And so, what is it that keeps your customers around if you're not going to pay them as much?

Alastair Borthwick -- *Chief Financial Officer*

Well, I think, if you look at the value proposition that we're talking about, if you go to the consumer business, for example, we've invested so much in client experience, whether it's the financial centers, renovation, whether it's the new -- the people that we've added in that business over a long period of time, whether it's the digital, the mobile, preferred rewards, ours is a relationship model and it has been.

And if you look then -- like, just think about this quarter, look at the organic growth in consumer again, that's a 130,000 net new checking, 17 quarters in a row. Based on that relationship value proposition, that's what we're attracting. If you go to the wealth management business, this was a record quarter for net new households for Merrill Lynch and a record for the Private Bank, this quarter. That tells you we're offering people something that's valuable. And then, we added 35,000 new bank accounts for people in our

wealth management franchise. So, that again is a significant indicator that what we're offering as value to people. And if I were to go back to my old business in business banking and commercial banking, they're adding new logos and new clients over time in a way that we're really happy with right now.

So, I think, the ultimate answer is, we are a purpose-driven company who put our clients' interests first. That is helping make their financial lives better. And in this period of time, people want stability and that's what we offer.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

All right. Thank you.

Operator

We'll go next to Glenn Schorr with Evercore. Your line is open.

Glenn Schorr -- *Evercore ISI -- Analyst*

Hi, thanks. Maybe an easy one up first. It wasn't noticeable, but do you feel like there was a flight-to-quality benefit during the March Madness? I would have thought that people would have flocked to the safety of BofA during times like that, but you didn't comment specifically on that. So, thanks.

Alastair Borthwick -- *Chief Financial Officer*

So, we're going to decline, Glenn, to give a specific number. We're pretty confident we saw noticeable flight to safety.

And it comes in two parts. Part one is, during a period like March 10th and in around that week or two. And then just the second part that comes with onboarding clients over a period of time, who are trying to move operational accounts here and that takes a while, that has a lag. So, you can think about, we get some of the deposits quite quickly, but relationships take longer time to build and onboard. So, you can see from our numbers, it was improving before the disruption. We've chosen not to put an exact number on it, because there

are typical ebbs and flows in any given quarter, leading up especially to a payroll end of quarter. But, generally speaking, I'd say, we were improving anyway. A lot of that is just organic growth, but we obviously benefited.

Glenn Schorr -- *Evercore ISI -- Analyst*

Okay. You noted though one more hike and then cuts through the back half of the year, that's the forward curve. What's interesting is the Fed doesn't have the same forward curve as the market has. So, I'm curious if you could talk to the sensitivity of what if there are no cuts, how much of that helps your forward NII thought process?

Alastair Borthwick -- *Chief Financial Officer*

Well, we do use the forward curve, because we feel like it's the most kind of dispassionate assessment with the most information out there in the market from the broader set of people and, importantly, it's not just us making it up. So, we use the forward curve. And I even mentioned during my remarks, things are bouncing around, is it one hike? Is it zero? Is it two cuts? But the sensitivity that we provide around up 100 or down 100 is probably the best we can offer at this stage. And then, depending on how things develop, and they are developing quickly, it will allow you to adjust the model accordingly.

Glenn Schorr -- *Evercore ISI -- Analyst*

The last simple one is, held-to-maturity, you talked a lot about, I think the answer is, I know it, but I'll ask it bluntly anyway. So, you don't feel like you have to do anything material with your unrealized loss [indiscernible]. I get it, it's in treasuries, it's swaps, it's agency mortgages, you don't have a credit issue. But at this point, given the stability, your deposit base, loan growth, capital growth, do you feel like you can just kind of ride it out and grind it down?

Alastair Borthwick -- *Chief Financial Officer*

Correct. Right now, that's exactly what we've been doing. We've communicated that pretty clearly and that's what we're continuing to do. It just keeps getting smaller and shorter.

Glenn Schorr -- *Evercore ISI -- Analyst*

Thank you. Appreciate it.

Operator

We'll go next to Steven Chubak with Wolfe Research. Your line is open.

Steven Chubak -- *Wolfe Research -- Analyst*

Hey. Good morning.

Brian Moynihan -- *Chief Executive Officer*

Good morning, Steven.

Steven Chubak -- *Wolfe Research -- Analyst*

So, Alastair, you had mentioned some of the strong KPIs that you're seeing within GWIM, at the same time the business did see a pretty material decline in pre-tax margins, both sequentially and year-on-year. I wanted to better understand how the business might evolve under some of the new leadership? And how we should just be thinking about the margin trajectory? I wanted to better understand how you're balancing investment needs with goal of delivering continued profitability?

Brian Moynihan -- *Chief Executive Officer*

The margin came down largely because you had to sort of incremental hit to the investment side revenue as the markets fell year-over-year, but we'd expect that margin to move back up to its more traditional 20%, 25% to 30%.

But you also have to remember, they are a big beneficiary or hit of the elevated payroll taxes and other things in the first quarter, because as a percentage of our compensation in the company, they're not a small amount. So -- but we expect that to move back in the high-20%s. But we have been working on this business to continue to improve the digitization of the services side of it. So, basically, if you think about it, you get [a dollar's worth] (ph) of the revenue and you take about half past the compensation in the financial advisory grids and the other payouts, and then we take the rest of it and convert it to about a 30% deposit, the other half and convert about 30 percentage points or 60% at the profit pre-tax this quarter, down a little bit, because of the payroll. So, we feel very good about where we stand on a relative basis, but one of the things the team continues to work on across Eric and Lindsay and Katy is to drive operational excellence to new level in that business, because we believe that there is still a lot of costs that can come out around the simplicity -- more simple, straightforward products, the delivery of those products, the paper-based usage and things like that. And then, also, remember, we are making investments in advisors.

We have 4,000 plus trainees in the businesses across the company, and we believe it the best advisors one is growing at our -- with our own company, and we continue to do that and that's a drag on the P&L that we're willing to take to make sure we have the advisor growth in the future.

Steven Chubak -- *Wolfe Research -- Analyst*

Helpful color, Brian. And just for my follow-up, I was hoping, either you or Alastair could provide just an update on expectations around upcoming regulatory developments, specifically higher scenario planning for Basel IV, any expectations around the FDIC special assessment? There are a lot of items that have been floated just given recent events and the SBV fallout. I was hoping to get some perspective just in terms of regulatory mark-to-market.

Brian Moynihan -- *Chief Executive Officer*

I mean, I think we don't have anything more than you do in a broad sense, but I think, at the end of day, I think this industry has extremely strong capital liquidity and capabilities.

We just demonstrated through the pandemic and then through the aftermath of the pandemic and then through inflation and then through a tightening cycle, that hasn't happened before. So, we feel good about where the industry stands, and I think people have to step back and think about it overall. And then, frankly, this industry in the United States is so much stronger than Europe. It has so much capital per square inch, so to speak, than Europe does to get to ratios, which on numbers are lower, but the amount of capital to get there is pretty unbelievable. So, we have twice the capitals of European counterparts of similar size and our ratios are considered to be lower. So, obviously, let's say, pull this together, they got to make sure they aren't counting the beans in different ways or the gold plating and other things in the United States.

So, hopefully, people will start to see the wisdom and making sure they are careful here and we'll see that play out, but we don't have any special understanding.

Steven Chubak -- *Wolfe Research -- Analyst*

All right. Thanks for taking my questions.

Operator

We'll take our next question from Matt O'Connor with Deutsche Bank. Your line is open.

Matt O'Connor -- *Deutsche Bank -- Analyst*

Good morning. Just a quick clarification on the balance sheet and a several questions. The cash obviously went up a lot and you did allude to that moving some of those securities to cash, but the short-term borrowings was also up a lot. And I didn't know if that just to kind of hold more liquidity in the current

environment and we should assume that continues, which I think weighs on NIM, but not the [NII] (ph) dollars, or was that just temporary in 1Q and we shouldn't pay too much attention to the period-end trends there?

Alastair Borthwick -- *Chief Financial Officer*

It's a little bit of both, Matt. You've got -- first quarter is just normally a seasonal build for us, so that happens, and a little bit of borrow. And you're right, it doesn't impact NIM, because you can invest it in cash three-way and there's no drag there, but it may hurt NOI slightly at the margin by a little bit.

Matt O'Connor -- *Deutsche Bank -- Analyst*

Okay. All right. So, I think, you meant to say, it doesn't hurt the NII dollars that much, but it hurts the NIM percent, right?

Alastair Borthwick -- *Chief Financial Officer*

Correct.

Matt O'Connor -- *Deutsche Bank -- Analyst*

Yeah. Okay. And then, separately, any kind of trend to call out in spending in March? Some of your peers talked about a slowdown in March, and you highlighted kind of for the full quarter, debit and credit card was up 6% year-over-year and total payments up 9%. Any kind of intra-quarter trends that you want to point to?

Brian Moynihan -- *Chief Executive Officer*

I think, we saw in the first part of the quarter -- first quarter, being a little bit -- a little bit softer and then we saw it kick back up in March.

So far in April, it's still early. It's probably a little lower than it was for the month of March, but it's a couple of weeks since. So, we got to be a little careful about that just due to the different ways vacations fall and things like that. So -- but it's -- over the course of last year, the total spending year-over-year increases have slowed down and I think that means that's a precursor to the economy being a little bit slower and that we're seeing and then frankly consumers being more careful in the use of the cash, because the cash in their accounts -- in our accounts, especially for the lower income cohorts continues to build honestly. From peak last April, it fell down a little bit all the course of the year, and it's built back up in the first part of this year. So, we'll see that play out.

There's been a delay in some of the tax returns as you know this year that pushes them from quarter-to-quarter, but stay tuned. I think, it's a little early to call, but it is a little softer in the first part of the April here.

Matt O'Connor -- *Deutsche Bank -- Analyst*

Okay. Thank you very much.

Operator

We'll go next to Vivek Juneja with J.P. Morgan. Your line is open.

Vivek Juneja -- *J.P. Morgan -- Analyst*

Hi. Thanks. Just a couple of questions. I wanted to just clarify the shift to interest-bearing from non-interest bearing. I know you said you expect that to continue. Do you expect the pace of that to slow, or is it still -- it's still running very high or even to accelerate? Any color on that?

Alastair Borthwick -- *Chief Financial Officer*

Yeah. I'd expect it to slow over time, Vivek, because we're getting pretty close now to Q4 '19 levels anyway, which was the last peak.

And, also, if you think about the big driver, it tends to be global banking. And as rates are rising, clients are doing their rotation, but we're getting towards the end of the hikes now, we would think. So, you'd anticipate there'll be a little bit of a lag there. But, generally speaking, I'd expect it to slow at some point and I think we're probably getting close now.

Vivek Juneja -- *J.P. Morgan -- Analyst*

One more, Alastair. Office CRE, you gave the geographical mix in your slides for the total CRE portfolio. Can you give us some similar thing for the office CRE portfolio?

Alastair Borthwick -- *Chief Financial Officer*

I can do, but I'm going to need to follow-up with you afterwards, because I don't have it in hand.

Vivek Juneja -- *J.P. Morgan -- Analyst*

Okay. Thank you.

Alastair Borthwick -- *Chief Financial Officer*

But I don't think you're going to find anything there other than sort of typical geographic distribution similar to the way we serve our customers around the United States.

Vivek Juneja -- *J.P. Morgan -- Analyst*

Yeah. All right. Thanks.

Operator

We'll go next to Gerard Cassidy with RBC. Your line is open.

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Good morning, Brian. Good morning, Alastair.

Brian Moynihan -- *Chief Executive Officer*

Good morning. How are you doing?

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Alastair, can you elaborate a little further, you talked about, I think in Slide 12, you showed us 100 basis point parallel shift impacts, net interest income by a positive \$3.3 billion over the following 12 months. If the rate environment does shift and, maybe, we do start to see lower rates by the end of the year, how quickly can you guys move this from being asset sensitive to neutral or a liability sensitive on the balance sheet?

Alastair Borthwick -- *Chief Financial Officer*

Well, I think, if you were to take that same metric on the downside, it would be -- probably, be down \$3.6 billion for down 100, just to give some idea. And what's happening now is, obviously, as the interest-bearing piece just continues to rise across the company, we've got a hedge now as rates, if and when they start to go back down, it won't be a complete hedge, but it'll be a little bit of a hedge there. And then, you also get something back in terms of global markets NII, that will start leading back positively. So, there's some puts and some takes, but we'll see how that develops over the course of the year.

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Very good. And then as a follow-up question, in the global banking slide, you guys gave us -- Slide 22, you had a negative provision in this quarter and you referenced that it's an improved macroeconomic outlook. Can you give us some color, what you're seeing there to give you confidence to have a negative provision?

And the second, does this also include the recent Shared National Credit exam results in this line item as well?

Brian Moynihan -- *Chief Executive Officer*

It would always include those results. Those come through continuously. It's -- there's not -- Gerard, there's a change over time, that's a continuous set of things they look at and we always do well on that. And when we say macroenvironment, remember, this business set is credit across the world. So, there's places that we finished up on cleaning up. That allowed us to lease some reserves on one side and then we got to other places that we would have put up reserves, but at the end of the day the overall credit quality here is very strong and very stable.

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Very good. Appreciate it.

Alastair Borthwick -- *Chief Financial Officer*

And you asked the question in commercial, correct?

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Yes.

Alastair Borthwick -- *Chief Financial Officer*

Yeah, okay. So, I mean, I think, just a couple of things going on. Number one, we didn't have any real loan growth. Number two, the asset quality remains terrific. Number three, the macro environment when you look at the blue-chip consensus was ever so slightly better. So, we felt like we were pretty well provided for already. And then, on the commercial side, we had a little bit of exposure run-off in one or two places where we may have been reserved quite conservatively. So, it was all those things added together.

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Okay. Actually, Brian and Alastair, you guys obviously have been through a few cycles. Why is commercial so strong? As you and your peers all have really good commercial credit quality, any suggestions on what you're seeing that makes this so good?

Alastair Borthwick -- *Chief Financial Officer*

Well, their profitability remains in a good place. Cash flows remain in a good place. I think, corporate America learn something from 2009 and 2008. And so, leverage is in a good place. You add all that up, you got a decent environment overall for the economy and that's where we are with respect to credit quality. So, we'll have to watch that over time. But as of right now, it's in terrific shape.

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Great. Thank you very much.

Operator

Our next question comes from Betsy Graseck with Morgan Stanley. Your line is open.

Betsy Graseck -- *Morgan Stanley -- Analyst*

Hi. Good morning.

Alastair Borthwick -- *Chief Financial Officer*

Good morning, Betsy.

Betsy Graseck -- *Morgan Stanley -- Analyst*

Two questions. One, just keying off the loan discussion just now, could you give us a sense as to how you're thinking about lending standards and any changes in a post [SIVB] (ph) environment?

Alastair Borthwick -- *Chief Financial Officer*

Well, look, we don't really have a significant change to our risk appetite. We haven't changed our client selection. Those are largely speaking design to be through the cycle. We will obviously adjust on specific concerns about asset quality performance in the sector or outlook. But, I'd say, with respect to our loan growth, it -- what we're seeing at more is, as the Fed raises rates, those rates are changing our customer demand. So, we just don't see as much demand right now for securities-based lending or mortgage, but it's less about credit tightening or standards, it's more about just Fed doing and having the effect that you would expect.

Betsy Graseck -- *Morgan Stanley -- Analyst*

Okay. And then two other quickies. One, on the consumer checking account balances in March, was that uptick in part a function of seasonality and end of period, end of pay cycle type of behavior, or is there something more going on there?

Brian Moynihan -- *Chief Executive Officer*

Well, I think, as always, that's the cohort of pre-pandemic compared to where they were then and now. And they had been sort of bounce around and it leveled for the last six months and they moved up a little bit. This is the time they do move up, because of the tax returns and other things and year-end payments and stuff. But they clearly are going -- they basically are stable from November, December, January. They started increasing in February and then they bounced up a little bit. So, we'll see where it ends up. The clear message is, despite people having said these consumers are spending down their money, it would be out of these balances in mid-2022 or the third quarter, they

clearly are still sitting with a fair amount of money in account relative to pre-pandemic times.

Betsy Graseck -- *Morgan Stanley -- Analyst*

Okay. And then just lastly, AI, it's been a big topic recently as I'm sure you know. You've got Erica. Just wondering about plans to leverage AI, maybe you are going to be leveraging Erica on that, maybe it's a different credit strategy, but thoughts there would be helpful. Thank you.

Brian Moynihan -- *Chief Executive Officer*

Yeah. So, Erica, obviously, the basic concept was built for us a number of years -- four or five, six, seven years ago starting and came out -- came into the business. It is a predictive language type of program, where you put in question and then it answers it, but we had to do a special language to make sure it would work with our business, it wasn't a general. So, we did that. Then put us in a condition to start to deploy to our customers, because it's captive to our data, where it's just looking our systems, finding information and giving to clients is really a service capability. And what we've seen is that increase is a clear indicator of how valuable these types of artificial intelligence, natural language processing, predictive technologies can be for customer service and things like that.

We've also taken Erica internally and applied it to help us do work and we've seen it have those benefits. Ultimately, we think this has extreme benefits for our company. We think it has a lot -- and you've seen this written about in the computer coding areas. In other words, it could speed up the process of what they used to be called object programming. That goes on. We think it has a lot to do in terms of allowing teammates to work much more quickly and efficiently with our systems and get information out and can make, even someone like me, the ability to do analytics, that I could -- I'd have to send to somebody and have them put, key it in the systems. So there's a lot of value to this. The key question will be, when can you use it without the fear of -- with the -- the reason why a lot of it stopped in our industry and other industries was, it wasn't clear how it worked.

It was your data and the outside world's data and how it would interact and pull stuff out and we have to be careful with that. And then, secondly, we have to understand how the decisions are made, being able to stand up to the -- to our customers' demand for us to be fair and, frankly, follow the laws and rules and regulations on lending. So, I think, all that is good, strong -- it's really important thing. So, we're not a neophyte in this sense, actually operating out there, we understand the value of it, but we will carefully apply it and we see a great value. I don't think it's a great value in the next month, but in the overall sense, it will help us continue to manage the headcount down, which we've been doing this quarter. And, remember, we started this company -- management team started with this company in 2010 with 285,000 and 300,000 people working here and we're running the same size company with 216,000 people or bigger company doing more stuff and so all that's been aided by digitization of which is a potential step function change.

Betsy Graseck -- *Morgan Stanley -- Analyst*

Thanks so much. Appreciate it.

Operator

We'll take our final question at this time. This is a follow-up from Mike Mayo with Wells Fargo. Please go ahead. Your line is open.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

Hi. In terms of your guidance for lower expenses in the second quarter, then the third quarter, then the fourth quarter, how much of that is expectations for slower business activity and how much of that is due to expected scale benefits from technology? And I guess the bigger question too is, are you seeing evidence of a banking crisis? Are you seeing evidence of banking recession? And is that part of the reason for the expense guide?

Brian Moynihan -- *Chief Executive Officer*

No, it not -- Mike, I would say, there could be -- the activity in the first quarter was actually higher in some ways, because of the volatility in the trading side and things like that.

So, we aren't expecting -- we're expecting to get scale and operating leverage across activity taking less dollars to do it in the OpEx and the work we do. We had built-up more people, largely because the fear of last year of the turnover rate that is now gone in half in a year, requires us to be hiring a lot to stay ahead of it and then when it slowed down, we built-up people and we're bringing that back down in line. But there is no -- the expenses frankly are just managing the headcount carefully, because that's two-thirds of the expense base and getting more leverage out of the activities. But there's no -- yeah, we'll have more checking accounts, we will have more credit card accounts, we'll do more wires on a given day, we'll do more trades on a given day, and that can ebb and flow, but, overall, we're expecting activity continue to rise.

Now, well, loan demand, i.e., people want to borrow another \$10 versus the \$10 ahead, that's what we say slows down. So that doesn't -- yeah, that's -- but that's not -- that they don't have a loan is that they borrow different amounts of money.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

All right. So, this is really just managing the business, not your reduced investment spends, or anything like that?

Brian Moynihan -- *Chief Executive Officer*

No, in the investment spend, we're spending, we increase this year versus last year \$300 million to \$400 million in pure initiative spending and that's going through the run rate as we speak, and we aren't -- we wouldn't cut that, because we think to the point of Betsy's comment, it gives us a chance to continue to leverage the franchise and nowhere is that more evidenced in our consumer business, where the numbers of branches year-over-year are down a few 100 again.

Customers are bigger, more stuff's going through, customer delights were an all-time high, attrition is an all-time low, and that's what makes that franchise valuable as you well know and that's by continuing to invest in new capabilities at all-time.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

And last thing, big picture for you, Brian, just the evidence that a recession is coming and the impact on you guys, where are you right now? Is it red? Is it flashing yellow? Or is it green? How has it moved? Just what's your -- what's the temperature?

Brian Moynihan -- *Chief Executive Officer*

[Candace] (ph) and research teams have been consistent to see after the Fed raises rates this amounts, there would be a, recession they have a mild recession and at that day predicted basically say 0.5% to 1% negative -- annualized negative GDP growth in Q3 and Q4 and Q1 and then back to positive.

So I think, in the end of the day, we don't see activity on the consumer side slowing at a pace that would indicate that, but we see, commercial customers are being more careful and things like that. But everything points to relatively mild recession, given the amount of stimulus that was put -- that was paid the people and the money they have leftover, the fact that unemployment is still at 3.5% -- full employment plus. And then the wage growth is slowing in tipping over, so the size of inflation are tipping down but, they're still there, but that translates into good -- relatively good activity. So we see it as a slight recession and we'll see what happens, but we built this company across the last decade even in a stress scenario is that you'll see somewhere in the slides last quarter we didn't reduce because they're the same answer, our stress scenarios are always less than anybody else, because how we built the

company through the go through recessions, without a problem, including the pandemic.

Mike Mayo -- *Wells Fargo Securities -- Analyst*

Got it. All right, thank you.

Operator

And at this time, I'd like to turn the program back over to Brian Moynihan for any additional or closing remarks.

Brian Moynihan -- *Chief Executive Officer*

Thank you for your time, and I want to thank my teammates for a great our performance again this first quarter of 2023, a strong quarter of 18% year-over-year EPS growth. The strength and stability and being there for our customers continue to show through -- including strong capital at 11.4%, liquidity at \$900 million in GLS. But the most important thing and we just touched on, it was really two things: continued organic growth in our franchise and operating leverage by growing revenue faster in expenses. So, we feel-good about that and look-forward to talking next quarter.

Operator

This does conclude today's program. Thank you for your participation. You may disconnect at any time, and have a wonderful day.

Call participants:

Lee McEntire -- *Senior Vice President, Investor Relations*

Brian Moynihan -- *Chief Executive Officer*

Alastair Borthwick -- *Chief Financial Officer*

Jim Mitchell -- *Seaport Global Securities -- Analyst*

Erika Najarian -- *UBS -- Analyst*

Ken Usdin -- *Jefferies -- Analyst*

Mike Mayo -- *Wells Fargo Securities -- Analyst*

Glenn Schorr -- *Evercore ISI -- Analyst*

Steven Chubak -- *Wolfe Research -- Analyst*

Matt O'Connor -- *Deutsche Bank -- Analyst*

Vivek Juneja -- *J.P. Morgan -- Analyst*

Gerard Cassidy -- *RBC Capital Markets -- Analyst*

Betsy Graseck -- *Morgan Stanley -- Analyst*