Bank of America (BAC) Q4 2023 Earnings Call Transcript

BAC earnings call for the period ending December 31, 2023.

Bank of America (BAC 0.77%)
Q4 2023 Earnings Call
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Prepared Remarks:

Operator

Good day, everyone, and welcome to Bank of America's earnings announcement. At this time, all participants are on a listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. [Operator instructions] Please note, this call may be recorded.

I'll be standing by if you should need any assistance. It is now my pleasure to turn the conference over to Lee McEntire.

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

Good morning. Welcome, and thank you for joining the call to review our fourth quarter and full year results. We know it's a busy day for all of you. As usual, our earnings release documents are available on the investor relations section of the bankofamerica.com website, and they include the earnings presentation that we will be referring to during this call.

I trust everybody's had a chance to review the documents. I'll first turn the call over to our CEO, Brian Moynihan, for some opening comments before Alastair Borthwick, our CFO, discusses the details of the quarter. Let me just remind you that we may make forward-looking statements and refer to non-GAAP financial measures during the call. Forward-Looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties.

Factors that may cause our 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 our non-GAAP financial measures, including reconciliations to U.S. GAAP, can also be found in our earnings materials and our website. So, with that, I'll turn the call over to you, Brian.

Thank you very much.

Brian Moynihan -- *Chief Executive Officer*

Thank you, and happy new year to everyone. Good morning. Thank you for joining us. I'm starting on Slide 2 of the earnings presentation.

Here, at Bank of America, our teammates finished 2023 with a solid fourth quarter. Reported EPS was $0.35, but that included two notable items that Alastair will describe in more detail. Adjusted for those two items, net income was $5.9 billion after tax, or $0.70 per share. Before Alastair covers Quarter 4 results, I want to take a moment and briefly review the 2023 full year results.

Our team at Bank of America delivered strong profits for shareholders across a challenging year, navigating a slowing economy, geopolitical tensions, bank failures, and the impact of a rate hike of historic speed. We began the year with a portentous aura as economists predicted a mild recession within the year. Instead, 2023 showcased economic resilience led by U.S. consumers despite higher interest rates.

We ended 2023, with economists projecting the Fed has successfully steered the U.S. economy to a soft landing. In regards to the economy, during 2023, we consistently made a few points regarding what we were seeing in our customer data here at Bank of America. First, the year-over-year growth rate in spending from the beginning of '23 started declining.

And it went from in the early part of '23 over the early part of '22, from a 9% to 10% growth rate to this quarter's 4% to 5% growth rate, and that's where it stands here early in 2024. You can see that on Slide 29 in the appendix. That growth rate 4% to 5% is more consistent with the 2% GDP environment in a lower inflation environment. Second point we've made is that our consumer deposit balances at Bank of America remain 30% higher than pre-pandemic.

We saw the deposit balance consumer accounts move lower this quarter but are now seeing more differentiation and behavior. In the lower average balance size accounts, the balances in there still remain at multiples of pre-pandemic levels, nearly three years past the last stimulus. They are modestly declining. The deposit outflows you've seen in consumer have largely been driven by the higher balance accounts, who move their excess balances into the markets to seek higher yields.

We capture those with our leading wealth platform. Third, the consumers of Bank of America have had access to credit and are borrowing responsibly. Their balance sheets are generally in good shape. And while impacted by higher rates, remember, many of them have fixed rate mortgages and remain employed.

So, they have shown great resilience. Let's move to discussion of full year 2023 earnings. We reported net income of $26.5 billion after tax, which includes $2.8 billion after tax for notable Quarter 4 items. Adjusted for those items, the adjusted net income was $29.3 billion after tax.

Earnings per share were $3.42, and that grew 7% over 2022. On net adjusted basis, we generated a 90 basis-point return on assets and a 15% return on tangible common equity. The year 2023 was characterized by a record organic customer activity, record digital customer engagement levels, and satisfaction scores; strong but slowing NII during the course of the year; strong sales and trading up 7% year over year; operating leverage reflected good expense discipline; solid asset quality; and a strong capital liquidity position. All of this was helped by the years of Bank of America's assiduous dedication to responsible growth.

This helped us bring our headcount and expense down every quarter during 2023, in line with what we told you to expect early this year -- early last year. Adjusted full year revenue grew 5% on a back of 9% NII improvement and strong asset management fees and sales and trading results. We achieved 170 basis points of operating leverage in 2023, as heightened quarterly expense levels were driven lower throughout the year, even as the investments in growth continued. Net charge-offs moved higher through the year off the historic lows, but they still compare very favorably against historic averages.

One last point worth noting is the level of deposits. If you think back, as we ended 2022 and entered 2023, the great debate was how much the pandemic surge in deposits would dissipate. But looking today, we ended 2023 with $1.924 trillion of deposits, only $7 billion less than we had at year-end '22 and 4% higher than the trough in May of this year. The total deposit -- the total average deposit in the fourth quarter remained 35% higher than they did in the Quarter 4 2019.

This has been tremendous works by our teams to drive our industry-leading market share, actually outperforming the industry across the four-year period and again this year. While the economy appears to continue to normalize and rates continue to have some volatility, one thing that remains important is driving that organic growth. This client activity sticks to the ribs is what we want to spend a moment as I wrap up. On Slide 3, we highlight some of the successes in organic activity in our results for the year.

Bank of America team is a powerful engine that is fueling results across all our businesses. I want to note a couple of examples to try and connect the importance to our financials. It's easy to use the consumer business as example because, remember, we added 600,000 net new checking accounts during the year 2023. The fourth quarter of 2023 represents the 20th straight quarter of net additions of head -- of checking accounts.

The quality is what drives the checking account balances. On average, 67% of the deposit balances have been with us for customers have been with us for more than 10 years. Ninety-two percent of the consumer checking accounts are primary, meaning they're the core client household account. Sixty percent of our checking accounts use our debit card.

They average 400 transactions per account each year, showing how engaged they are. They have traditionally opened savings accounts 20% to 25% of the time within a few months of opening their checking accounts. Thinking about those new accounts, at opening, those new checking accounts opened last year bring in about $4,000 of balances. Then they deepen over the next subsequent months to two times that amount.

New savings accounts come with those accounts, starting with about 8,000 and doubling over time. From the total of new checking accounts we opened just in 2023, those customers have opened nearly half a million credit card accounts with us so far in 2023. Historically, we've seen, on average, these customers more than double those card balances within a year. Those card accounts on average spend about 7,000 per year, of which a portion will carry a balance.

Now, there's always additional opportunity to further serve our clients and to continue to meet them where they are. In addition to the industry-leading digital platforms that we have, we have opened 52 financial centers in 2023. More than half of those were in our expansion markets. We've expanded our presence during 2023 to 10 markets, including our latest opening in Omaha.

In our global wealth management team, we added more than 40,000 net new relationships across Merrill and the private bank. Our advisors opened 150,000 new banking accounts for wealth management clients, showing the completeness of the relationship approach. The average Merrill count is over $1 million at opening. The average private bank account is multiples of that.

As you can see on the slide, we now manage $5.4 trillion of client balances across loans, deposits, investments of our consumer clients, both consumer and GWIM. We saw $84 billion of flows into those accounts last year. As we switch to global banking on a lower left-hand side of the slide, we added clients to increase the number of products per relationship. Just like in consumer, we have seen good growth in customers seeking the benefits of our physical and digital capabilities, but, most importantly, our talent relationship managers who provide financing solutions, treasury services, and strategic advice for clients with local and global needs.

We added roughly 2,500 new commercial and business banking clients this year. That is more than twice what we added in 2022. We look forward to continue to drive growth with those clients in '24 and add even more. This capitalizes on a multiyear build of our relationship management team in the global banking businesses, especially in product expansion also, especially in the global transaction services area and midmarket investment banking.

As we think about global markets, we continue to see strong performance from our team with 7% year-over-year revenue growth, the strongest we've had in many years. We see digital tools our customers have access to across the board, helping us enable this activity at lower cost. Our normal digital banking slides are once again included for your reference on Pages 21, 24, and 26. In summary, this was a good quarter.

We delivered our third quarter of expense declines. We saw NII outperform what we expected when we talked to you on the last earnings call. We continue to manage well through the transition in the rate structure. We saw deposits grow this quarter, and we look forward with a strong capital base, strong liquidity, and growing loans and deposits to a great 2024.

I want to thank my teammates for what they did for us in 2023, and we all know we're off to a nice start for '24. With that, I'll turn it over to Alastair.

Alastair Borthwick -- *Chief Financial Officer*

Thank you, Brian, and I'm going to start on Slide 4 of the earnings presentation to provide just a little more context on the summary income statement and the highlights. For the fourth quarter, as Brian noted, we reported $3.1 billion in net income or $0.35 per diluted share. That GAAP net income number included two notable items. First, we recorded $2.1 billion of pre-tax expense.

That's $0.20 after tax earnings per share for the special assessment by the FDIC to recover losses from the failures of Silicon Valley and Signature Bank. Second, on November 15th, 2023, Bloomberg announced that they would discontinue publishing the Bloomberg short-term bank yield index rate after November 15th, 2024, and many commercial loans in the industry had BSBY as a reference rate prior to SOFR becoming the industry standard. As noted in an 8-K we filed earlier this week, we came to a conclusion in early January that BSBY cessation would not get the same accounting treatment allowed under LIBOR cessation. And, therefore, cash flow hedges of BSBY indexed products related to BSBY's cash flows forecast to occur after November 15th, 2024, would need to be moved out of OCI and into earnings in the fourth quarter '23 financials.

So, as a result of the accounting interpretation, we recorded a negative pre-tax impact to our market-making revenue of approximately 1.6 billion. I just want to reinforce that's an accounting impact. It's not an economic change to the contracts. And we'll see an offset to this over time through higher NII, mostly occurring in 2025 and 2026, after BSBY ceases in November of 2024.

The accounting lowered CET1 by 8 basis points during the quarter, and we will recapture that in the next two or three years. Adjusted for the FDIC assessment and the BSBY cessation-related impact, Q4 net income was $5.9 billion or $0.70 per share. On Slide 5, we show the highlights of the quarter, and we reported revenue of 22.1 billion on an FTE basis. And excluding the

BSBY cessation impact, adjusted revenue was 23.7 billion and declined 4%, driven by net interest income.

Fourth quarter revenue is a tough year-over-year comparison as NII peaked in the fourth quarter of '22 at 14.8 billion before slowly moving lower over 2023. Outside of NII, we saw good growth in treasury service fees and wealth management fees. And those were offset by higher tax-advantaged investment deal activity, creating higher operating losses and the more tax credits associated with them and recognized across periods. Expense for the quarter of 17.7 billion included the 2.1 billion FDIC charge.

So, excluding that charge, adjusted expense was 15.6 billion and consistent with our prior guidance. That allowed us to invest for growth, as well as use good expense discipline to eliminate work and reduce headcount. And on an adjusted basis, this then is the third quarter of sequential expense decline this year. Provision expense for the quarter was 1.1 billion.

That consisted of 1.2 billion in net charge-offs and a modest reserve release, reflecting the improved macroeconomic outlook. Net charge-offs reflect the continued trend in consumer and commercial charge-offs toward more normalized levels, as well as higher commercial real estate office losses. Lastly, our income tax expense this quarter was a modest benefit as credits from tax-advantaged investment deals offset the tax expense on the lower earnings in Q4, driven by the notable charges. So, let's review the balance sheet on Slide 6, and you'll see we ended the quarter at $3.2 trillion of total assets, up 27 billion from the third quarter.

I'd highlight here both the $39 billion growth in deposits and a decline in cash on balance sheet of 19 billion. Overall, you'll note that debt securities increased 92 billion, and that included a $9 billion decline in hold to maturity securities and 100 billion increase in available for sale securities, reflecting short-term investment of liquidity from all of these activities. We continue to put money into very short term T-bills and hedged treasury notes this quarter, and those are essentially earnings, the same rate as cash. And you can see our absolute cash levels remain quite high.

As Brian noted, liquidity remained strong with 897 billion of global excess liquidity sources. That was up 38 billion from the third quarter of '23, and it remained 321 billion above our pre-pandemic level in the fourth quarter of '19. Shareholder's equity increased $5 billion from the third quarter as earnings and AOCI improvement were only partially offset by capital distributed to shareholders. The AOCI improved 4 billion, reflecting both the previously mentioned BSBY-related reclassification into fourth quarter earnings and other AOCI improvements.

This included some improvements and other cash flow hedges, which don't impact regulatory capital, driven by a decline in long-end rates. During the quarter, we paid out 1.9 billion in common dividends, and we bought back 800 million in shares, which more than offset our employee awards. Tangible book value per share is up 3% linked quarter and 12% year over year. Turning to the regulatory capital, our CET1 level improved to $195 billion from September 30th, while the CET1 ratio declined 9 basis points to 11.8 and remains well above our current 10% requirement as of January 1st '24.

We also remain well positioned against the proposed capital rules, as our current CET1 level matches our 10% minimum against anticipated RWA inflation from the proposed rules. Risk-weighted assets increased $19 billion on loan growth and growth in global markets RWA. And our supplemental leverage ratio was 6.1% versus the minimum requirement of 5%, which leaves plenty of capacity for balance sheet growth. And our TLAC ratio remains comfortably above requirements.

But let's focus on loans by looking at the average balances on Slide 7. And you can see loan growth improved this quarter as we saw improvement in both credit card and commercial borrowing, offset by declines in commercial real estate and securities-based lending. The commercial growth reflects good demand overall and was muted only at quarter-end by companies paying down commercial balances as they finalized their year end financial positions. Lastly, on a positive note, we've seen loan spreads continue to widen, given some of the capital pressures from proposed rules on the banking industry.

And this, combined with investment in relationship managers we've added over the past few years, has positioned us to take market share and improve spreads. Moving to deposits, I'll stay focused on averages on Slide 8. And the trends of ending balances saw a growth in global banking and wealth management and declines in consumer. Relative to the pre-pandemic fourth quarter '19 period, average deposits are still up 35%.

Every line of business remains well above their pre-pandemic levels. Consumer is up 33%, with checking up 40%, driven by the net new checking accounts added that Brian noted earlier. On a more recent performance basis, deposits grew $29 billion or 6% from Q3 on an annualized basis. The only business that saw a decline in deposits linked quarter was consumer.

And here, we saw a decline of 21 billion. This linked quarter decline slowed from the third quarter change. And in total, we have 959 billion in high-quality consumer deposits, which remains 239 billion above pre-pandemic levels. The total rate paid on consumer deposits in the quarter was 47 basis points.

And this remains very low, driven by the high mix of quality transactional accounts. Most of this quarter's rate increase remained concentrated in CDs and consumer investment deposits, which, together, only represent 15% of the consumer deposits. Turning to wealth management, balances on an end-of-period basis improved modestly. And we continue to experience a slowing in the trend of clients moving money from lower-yielding sweep accounts into higher-yielding preferred deposits and off balance sheet.

Our sweep balances were down 4 billion and were replaced by new account generation and deepening. Global banking deposits grew $23 billion, moving nicely above the $500 billion level that we've experienced over the course of the past six quarters. These deposits are generally transactional deposits of our commercial customers. They're the ones they use to manage their cash flows.

And noninterest bearing deposits were about 33% of deposits at the end of the quarter. So, when we turn to access deposit levels on Slide 9, you can see deposit growth exceeded loan growth this quarter. And that expanded our access of deposits above loans from Q3 to about 0.9 trillion, which is well above the 0.5 trillion we had pre-pandemic. You can see that in the upper left of Slide 9, which is where we've used and shown you how we think about managing excess liquidity.

We continue to have a balanced mix of cash available for sale securities and held to maturity securities. In this quarter, the combination of the cash and the AFS securities now represent 51% of the total 1.2 trillion noted on this page. You'll also notice the change in mix of the shorter-term portfolio as we begin to lower cash and increase available-for-sale securities by mostly short-dated T-bills with similar yields. You can note also the hold-to-maturity book continued to decline from paydowns and maturities pulling to par.

In total, the hold-to-maturity book moved below 600 billion in this quarter. It's now down 89 billion from its peak. And it consists of about 122 billion in treasuries and about 465 billion in mortgage-backed securities, along with a few billion others. Also, note that the blended cash and securities yield continued to rise and remained about 170 basis points above the rate we pay for deposits.

The replacement of these lower-earning assets into higher-yielding assets continues to provide an ongoing benefit and support to NII. From a valuation perspective, given the reduced balance and the longer-term interest rate reductions we've seen in the fourth quarter, we experienced an improvement of more than $30 billion in the valuation of the hold-to-maturity securities. So, let's turn our focus to NII performance using Slide 10. And a strong finish to the year helped us report 57.5 billion in NII on a fully tax equivalent basis for the full year of 2023.

That's up 9% compared to 2022. On an FTE basis, we reported 14.1 billion in NII, which was modestly better than we told you to expect last quarter, driven by modestly better deposit growth. The 14.1 billion was a decline of 400 million from the third quarter, driven by the unfavorable impacts of deposits and related pricing and lower global markets NII, partially offset by higher rates benefiting asset yields. And as we look forward, given that we've got one last day of interest in the first quarter, and that's worth about 125 million to 150 million.

And given the rate curve shift, we believe the first quarter will be somewhere between 100 and 200 lower than the fourth quarter. It could move a touch lower in Q2, and then we believe it should begin to grow sequentially in the second half of 2024, so very consistent with our prior guidance. With regard to the forward view I just provided, let me note a few other caveats. It would include an assumption that interest rates in the forward curve materialize.

And the forward curve today has six cuts compared to last quarter when we had three cuts in the 2024 curve. So, it's bouncing around a little and shifted in the past quarter. Forward view also includes our expectation of low to mid single-digit loan growth and some moderate growth in deposits as we move into the back half of 2024. Given our recent deposit and loan performance, we continue to feel good about these assumptions.

Before moving away, it's worth noting our net interest yield declined 14 basis points to 197 basis points. And that's driven by the decline in NII, as well as higher average earning assets, reflecting prior period builds of cash and cash-like securities. Turning to asset sensitivity and focusing in a forward-yield curve basis, the plus 100 basis-point parallel shift at December 31st was 3.5 billion of expected NII over the next 12 months, coming from our banking book. And that assumes no expected change in balance sheet levels or mix relative to our baseline forecast.

And 93% of that sensitivity is driven by short rates. A hundred basis point down scenario is 3.1 billion. Let's turn to expense, and we'll use Slide 11 for the discussion. And we reported 15.6 billion in adjusted expense this quarter, which excludes the FDIC assessment.

This was in line with our projection from last quarter and down 199 million from the third quarter, driven by reductions in headcount earlier in the year and seasonally lower revenue-related expense. These reductions outpaced the continued investments that we're making to drive growth. Our average headcount was down from the third quarter to 213,000 people, and that's good work after peaking at 218,000 last January. We lowered our headcount through the year by 5,000 and did so without taking an outsized severance charge, as we used attrition to lower our headcount along the way.

One more point to acknowledge the good work of our teams on expense. Q4 '23 adjusted expense of 15.6 billion is only $94 million higher than the fourth quarter of 22. 'And just remember, we began 2023 with a $125 million left in quarterly FDIC expense. So, through some good operational excellence work and otherwise, we've managed through all of the additional costs of investments in new tech initiatives and merit and financial center openings, as well as some stronger revenue and higher marketing costs.

As we look forward to next quarter, we expect to see the more typical Q1 seasonal elevation in expense of 700 million to 800 million compared to Q4. So, we believe expense will be around 16.4 billion in the first quarter. That includes elevated payroll tax expense and the expected costs of higher revenue in both sales and trading, in wealth management, as well as merit cost increases. And as we move through 2024, we expect the quarterly expense to decline from Q1, reflecting a drop in the elevated payroll tax expense and revenue changes, as well as some additional operational excellence initiative work.

Continued digital transformation and adoption is also going to help us as we go through the year. So I'll, turn to credit. I'll use Slide 12 for that. Provision expense was 1.1 billion in the fourth quarter, and it included an 88 million reserve release due to a modestly improved macroeconomic environment.

On a weighted basis, we're reserved for an unemployment rate of nearly 5% by the end of 2024 compared to the most recent 3.7% rate reported. Net charge-offs of 1.2 billion increased 261 million from the third quarter. And the net charge-off ratio was 45 basis points, a 10 basis point increase from the third quarter. On Slide 13, we highlight the credit quality metrics for both our consumer and commercial portfolios.

And the overall increase in net charge-offs was driven by three things. First, 104 million of the increase was driven by credit card losses, which continued to normalize as higher late-stage delinquencies flowed through to charge-offs. Second, 65 million of the increase was driven by a broad range of smaller commercial and industrial losses, which were mostly previously reserved and monitored for the past couple of quarters. And lastly, 76 million of the increase was driven by commercial real estate losses, primarily due to office also mostly reserved.

In the appendix, we've included a current view of our commercial real estate and office portfolio stats provided last quarter, and we've also included the historical perspective of our loan book, de-risking, and long-term trend of our consumer and commercial net charge-offs. And you can see those on Slides 30 to 33. Let's move on to the various lines of business and their results, and I'll start on Slide 14 with consumer banking. For the quarter, consumer earned 2.8 billion on continued good organic growth.

And despite their good client activity, it's difficult to outrun the earnings impact of higher rates on deposit costs while the credit is also normalizing. The reported earnings declined 23% year over year as top-line revenue declined 4% while expense rose 3% and the credit costs rose. Customer activity showed another strong quarter of net new checking growth, another strong period of card opening, and investment balances for consumer clients, which climbed 105 billion over the past year to a record 424 billion. Our full year flows were 49 billion as accounts grew 10% in the past 12 months.

Loan growth was led by credit card, and that broke above 100 billion in this quarter. Deposit declines slowed in the quarter with continued strong discipline around pricing. And our expense reflects continued business investments for growth. And as you can also see on the appendix, Page 21, digital engagement continued to improve and showed good year-over-year improvement as customers enjoy the continuation of enhanced capabilities.

Moving to wealth management on Slide 15, we produced good results, earning a little more than 1 billion after adding 40,000 net new relationships in Merrill and the private bank this year. These results were down from last year as a decline in NII from higher deposit costs, still catching up from the interest rate hikes, more than offset higher fees from asset management, driven by higher market levels and assets under management flows. As Brian noted earlier, both Merrill and the private bank continued to see strong organic growth and produced solid assets under management flows of 52 billion since the fourth quarter of '22, which reflects a good mix of new client money, as well as existing clients putting their money to work. Expenses reflect continued investments in the business and revenue-related costs.On Slide 16, you see the global banking results.

The business produced strong results with earnings of 2.5 billion as a decline from peak levels of NII was offset by lower provision expense, leaving earnings down 3% year over year. Revenue declined 8%, driven by the NII. Our global treasury services business remained robust, with strong business from existing clients, as well as good new client generation. In addition, we continue to see a steady volume of solar and wind investment projects this quarter, and our investment banking business continued to perform well in a sluggish environment.

Year-over-year revenue growth also benefited from lower marks on leveraged loan positions. The company's overall investment banking fees were 1.1 billion in Q4. That grew 7% over the prior year, despite a fee pool that was down 8%. And for the year, we held on to the No.

3 position overall, given that performance. In the component parts, we ended the year No. 1 in investment grade, No. 2 in leveraged finance, No.

4 in equity capital markets, and No. 4 in mergers and acquisitions. The diversification of the revenue across products and regions reflects the growing strength of our platform. And a good example of that is our focus on the equity capital markets blocks business, where we finished No.

11 in the United States for the first time since 1998. And in EMEA, we were also No. 1 for blocks. Provision expense reflected a reserve release of 399 million.

And that comes from an improved macroeconomic outlook, as well as realized charge-offs, better, as noted before. Expense decreased 2% year over year, as continued investments in the business were more than offset by reductions in other operating costs. Switching to global markets on Slide 17, the team had another strong quarter with earnings growing 13% year over year to 736 million, driven by revenue growth of 4%. And we refer to results excluding DVA as we normally do.

Good results in sales and trading and comparatively lower marks on leveraged loan positions drove the year-over-year performance. And focusing on the sales and trading, ex-DVA, revenue improved 1% year over year to 3.8 billion, which is a new fourth quarter record for the firm. FIC was down 6% from a record quarter, while equities increased 12% compared to the fourth quarter of '22. And the FIC revenues were down versus that record fourth quarter level with higher revenues in mortgages and municipal trading.

Equities was driven by improved trading performance in derivatives, and our expense was up 3% on continued investment in the business. Finally on Slide 18, all other shows a loss of 3.8 billion as the two notable items highlighted earlier negatively impacted net income by 2.8 billion in that segment. Revenue adjusted for the 1.6 billion. BSBY cessation was flat year over year.

And expense adjusted for the 2.1 billion FDIC assessment was down a couple hundred million, driven by lower litigation and lower unemployment processing costs. I noted earlier, we reported a modest tax benefit this quarter. The tax credits from tax-advantaged investment deals throughout the year, including their benefits in the fourth quarter, exceeded taxes on reported earnings because we had the two notable items that lowered results this quarter. For the full year, our tax rate was a little more than 6%.

And excluding the impacts of BSBY cessation and FDIC and the other discrete tax benefits, that rate was 10%. And further, excluding our investment tax credits, our tax rate would have been 25%. So, thank you. And with that, we'll launch into the Q&A, please.

Questions & Answers:

Operator

[Operator instructions] We'll take our first question from Jim Mitchell of Seaport Global.

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

Hey, good morning, guys. Alastair, maybe on the the NII trajectory that you're talking about, sort of down a little bit in the first half and then start to stabilize in the second half, and you're building in six cuts. But a lot of those cuts are coming, starting in sort of 2Q and beyond. And given your asset sensitivity, why would we expect NII to stabilize? Is that just sort of expected growth in deposits and loans? Just kind of help us think through your assumptions on the NII for '24.

Alastair Borthwick -- *Chief Financial Officer*

Yeah. Well, I think, Jim, going back to last quarter, I don't think our views have changed a great deal. So, our guidance isn't changing much either in that regard. You know, if anything, Q4 deposits were a little better than we expected.

So, I think you see in the -- we sort of thought this quarter might be around 14 billion. It was a little better than that. So, that's obviously a good starting point. Now, when we look forward off of that slightly higher number, if you think about Q1, I'm thinking about it in terms of the day count.

That might be 150 million, let's say. So, from where we are, that's going to get us to somewhere between 13.9 and 14. It's going to be in that kind of a range. Q2, we see going down just a little bit more.

That's a little bit of deposit seasonality in Q1 and a little bit of just catch-up on rate paid and some rotation. But at that point, we see growing in the back half of the year. And that's largely, yes, deposits growing. It's loans growing a little bit.

It's some restriking of the securities that come off the balance sheet. And it's restriking some of the loans that come off the balance sheet. So, it's all of those things. You're right.

You know, when we got together last quarter, we thought there might be three rate cuts. Now, it's up to six. So, that's obviously a -- that's a little harder, but the deposit picture has been a little better. So, no particular change at this point.

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

OK. That's fair. Maybe just as a follow-up. Just on loan growth, what do you think -- we all see the card growth, but outside of that it's been pretty muted.

We're looking at rate cuts. Maybe that's a little bit better for demand. How do you think -- what are you seeing on the commercial side in terms of demand? And what changes the dynamic?

Alastair Borthwick -- *Chief Financial Officer*

Well, I mean, you look back, if you look at our loan growth in the materials, it's been a pretty slow loan growth environment. And I think what's going on underneath it is, obviously, you've got the economic activity. Offsetting that a little bit is lower revolver utilization. And you can sort of see why with rates being much higher, it's a little more expensive to borrow a revolver.

So, as corporate cash balances have come up and deposits have come up, that's just a natural headwind. That's beginning to fade. So, you know, we kind of feel like the loan growth ought to be low single digits. Normally, we think about it as kind of GDP plus just a little bit of market share.

So, in a low GDP environment, that's sort of what we're expecting for loans this year. And then, we just need to see how the rate structure develops.

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

OK. All fair. Thanks.

Operator

We'll take our next question from Erika Najarian of UBS. Ms. Najarian, please check your mute switch, your line is open.

Erika Najarian -- *UBS -- Analyst*

Hi. Sorry, rookie move. I apologize for that. You know, Alastair, if you could -- thank you for giving us more detail about how your NII trajectory is going to be for the rest of the year.

I'm wondering if you could just give us a little bit more color on what you're expecting for, you know, deposit repricing and, perhaps, for BofA specifically, perhaps, the liability mix in the second half of the year. So, if you expect deposit growth to come back, I think a big question that the market has is, you know, what is the repricing power to the downside that these banks have, you know, as the fed cuts rate? So, I think that would be really good color for the market to have.

Alastair Borthwick -- *Chief Financial Officer*

Yep. OK. So, first of all, if I go back over the trajectory of deposits through the course of 2023, we troughed at 1,845 and we ended at 1,925. So, underneath there, there's $80 billion of growth in deposits since May.

So, that obviously informs our perspective around how we think about deposit gathering at this stage. That feels to us like it's a supportive environment of our NII forecast. Second, obviously, over the course of this year, there's been a move toward more interest bearing. And that actually helps us in the event that we start seeing fed cuts, because that's, obviously, going to allow us to take those rates down.

So, look we're going to see a little bit of rotation, I think, here in Q1 and Q2. I think we'll likely see a little bit of deposit pricing lag. But the last fed hike at this point was July. So, there's been an awful lot of time at this point for deposit pricing to shake out.

We won't be immune from anything. We have to compete for deposits along with everyone else. But combine all of those things and that's where we get our confidence.

Erika Najarian -- *UBS -- Analyst*

Got it. And just to clarify, you know, how we should think about the full year. You know, the 16.4 billion in 2024 expenses and a quarterly decline from there, you know, does that pretty much square with what you've said in the past for expenses of up 1% to 2% year over year? And would that number include an assumption that investment banking activity returns in force in 2024?

Brian Moynihan -- *Chief Executive Officer*

Yeah. So, if you think about it, pre-pandemic, we reached a point where we'd taken expenses down a place where you said we'd kind of grow, you know, sort of half the rate of inflation, etc. So, you're right, it -- what we're thinking now is we're up $100 million in the fourth quarter of last year's fourth quarter.

And if you think about that and you look at the personnel side of it, it's up a little higher than nonpersonnel down a little lower.

We got the rise in first quarter expenses, and we start going down each quarter again. So, if you think about a 100 million to 200 million of sort of inflationary growth over the quarters this year, you get between 64 and 64.5. And, you know, most of the firms out that we look at are sort of in that range, and we feel comfortable that that sort of allows us the room to use our good operational actions to take out expenses and replace them with things like revenue-related expenses that we've seen. And we've seen that pattern reemerge now as we've gotten stability past the pandemic and past the great resignation and all the inflation that occurred in that -- in the '21, '22 timeframe.

We now stabilize back to that ability to produce, you know, sequential declines in quarters during the year, year-over-year growth of, you know, inflationary 1% to 2% levels. And that gets you in that low 64s.

Erika Najarian -- *UBS -- Analyst*

Thank you, Brian.

Operator

We'll take our next question from John McDonald of Autonomous Research.

John McDonald -- *Autonomous Research -- Analyst*

Hi, Alastair, Brian. Alastair, I wanted to go back on the NII, and maybe you could help us. It's so hard for us to square, you know, the NII outlook with the rate sensitivity disclosure, you know, that you have in the slide with the, you know, 100 basis point, you know, parallel shift down is 3.1 billion. Maybe just -- is there some caveats about how in the real world it doesn't play out like the disclosures? You know, we've already seen rates come down on the long end, you know, almost 100 basis points.

So, I guess it just -- where is that 3.1 billion headwind in your number? Because it's very impressive, obviously, to be able to kind of keep it flat despite that using -- the forward curve. Thanks.

Alastair Borthwick -- *Chief Financial Officer*

Yeah, well, I mean, I think that the main thing is, number one, it obviously assumes a parallel shift instantly. So, you know, the rate cuts that are in the forward projections, the earliest one comes March, for example. So, you're not going to see a full year's worth of rate cuts all in space of the first day or so. That doesn't work out that way.

So, John, I think the way to start would be just use what we've disclosed, which is that 3.1. You can see what we say in terms of how much of that is the short end. And then, you know, I'd just take that number and use that as the beginning point. And just keep in mind, you know, we still see some deposit growth, some loan growth, and some securities and loan repricing that offsets all that.

John McDonald -- *Autonomous Research -- Analyst*

OK. OK, that's helpful. And then, maybe just on top of that, trading NII or the global markets NII, is that likely to be a headwind or a tailwind in '24 versus '23? Is that -- do you have any visibility on that?

Alastair Borthwick -- *Chief Financial Officer*

Yeah. Well, look, if you look at global markets in any given quarter, it moves around just based on the customer behavior. But over the long arc, if you look over the course of the past two or three years, it's liability-sensitive. So, I'd expect, you know, you see rate cuts that'll benefit global markets NII just a little bit.

And you can almost -- like if you think about just retracing the steps of what they've conceded in NII, you'd sort of expect to get that back over time.

John McDonald -- *Autonomous Research -- Analyst*

OK, so meaning that could grow a bit.

Brian Moynihan -- *Chief Executive Officer*

John, you know, this quarter it was dropped third quarter, fourth quarter a pretty good amount. And so -- and that's partly due to the fourth quarter being lower activity, just lower inventory carry and things like that. That reversed itself, and we're off to a good start so far in the first quarter here, and the balance sheet moves back up. So, you know, there's a little bit of quarter-to-quarter linkage third or fourth quarter.

It typically happens.

John McDonald -- *Autonomous Research -- Analyst*

OK. Got it. Thanks, guys.

Operator

We'll take our next question from Mike Mayo of Wells Fargo.

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

Hi. Just another follow up on NII. I guess if you take the Fed dot plot, maybe there's just three rate cuts. If you take that instead of the six, what would -- how would you think about NII change?

Alastair Borthwick -- *Chief Financial Officer*

Well, I think if we got the three rather than the six, Mike, we'd do modestly better. You know, I think let me put it this way. If we hadn't seen the three more since last quarter, we might have a higher guide. But because we've come off of a base with better deposit gathering in Q4, so we're starting in a better place.

So, those two things have started even themselves out. But obviously, if it pushes out later, that's a good thing for us.

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

And, Brian and Alastair, you always talk about the information advantage you have by just being in the flow of so much of the U.S. economy. What do you think? I mean, is this just not -- and I know you'd like to rely on your research group, Brian, and what their economic forecast is. But what do you guys think as far as, are we going into a recession the second half of this year? Does the fed need to cut six times? Are you seeing that? Where are you seeing the most softness, I guess, is the question.

Brian Moynihan -- *Chief Executive Officer*

So, I think, you know, our research team, you know, has rate cuts in next year and has a soft landing, as you referenced, Mike. So, that's it. As you see the customers today, as I said earlier, the year-to-year spending growth in the fourth quarter versus last year's fourth quarter or in the first quarter so far versus the first part of last year is a 4% to 5% rate in movement of money. And that was across $4 trillion plus out of the consumer accounts and Bank of America into the economy.

That 4% to 5% is similar to what it was in '17, '18, '19 when the Fed rose -- took rates up. Inflation was under control, and economy is growing at, you know, 2% -- 1.5%, 2%, 2.5%. And so, the spending level should sustain an economy, albeit our core prediction, as it's slowing down from a higher growth rate in the third quarter, 4.5, 5, or whatever it was, down to a percent or something like that in the first couple of quarters next year. But we see the consumer activity indicating that they're still in the game, they're still spending money where they spend.

It's a little different, more in services and going out in restaurants and experiences, and less on goods at retail. They're employed. You know, if you look at the estimates by any of you, any of your economists, the unemployment rate projected is, you know, really a modest deterioration from here. And most of them in the core base case.

Our reserves are actually set at almost a 5% unemployment rate by the end of this year, to give you a sense. So, that's good news. They're using their credit responsibly. Much is made of, you know, higher credit card balances, but on the size of the economy and the size -- you know, people forgetting that, you know, economy is a lot bigger than it was in '19 because of the inflation and everything.

And as a percentage, we don't see any stress there. We see a normalization of that credit. So, they're working, they're getting paid. They have balances in their accounts.

They have access to credit. They've locked in good rates on their mortgages. And they're employed. It's -- we feel it's good.

So, we think the soft landing is of course thesis, and our internal data supports what our research team sees. And they get -- you know, they see it also through our institute.

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

And then, just as far as controlling what you can control in terms of expenses and headcount, tech investments, and maybe throw in AI as part of that, what sort of extra efficiencies can you achieve through AI, tech, and other initiatives? You squeezed a lot out over the last decade plus. What's left to go?

Brian Moynihan -- *Chief Executive Officer*

You know, there's always more to go. So, I think we've got lined up -- if you take what we're doing this year and next year, meaning '24, '25, and rolling in 26, it's a couple of billion dollars plus, which helps us to the dynamic. Erica was talking about avoiding growth in expenses, keeping it below inflation, because you think of us as rolling that expense taken out back into good things. This year will be, I think, $3.8 billion on technology initiatives.

That's up from '21 to '22 by 500 million or more, and then sort of flattish '22 to '23. They're being applied in different ways. We added relationship managers across the board. We keep opening the branches.

We're largely through the rehab of the branches that we're keeping. And these are all spending to grow, and that's what you're seeing. So, net new checking accounts, 600,000 for the year. That's 20 straight quarters of net checking account growth.

All good core account flows into the asset management business, 80 billion or more. In our Merrill Edge program, the advertising has driven the business. We have 10% more customers. And those customers, which is 300,000 to 400,000 customers, added in the last 12 months.

Those customers bring an average opening balance of $80,000 to $100,000. To give you a sense, they're not small accounts. That's good. So, we're just investing.

But there's a thousand levers. None of them are simple. But even this year, when we said we've got to get the headcount growth back in -- you know, back in an alliance after the great resignation '22 and we had to hire fast, we went from 218,000 people in January down to 212,900 at the end of the year. And in that, we're rolling over teammates from one business to another business where we need help and retraining people and reskilling people.

And as AI comes in, and to the extent that we can deploy it, deploy it wisely, it'll allow us to redeploy people. And even with our very low turnover rate, which is 7% for year '23 and actually down from 12% in the year '22, and I think 6% in the fourth quarter, you know, we still can manage headcount down just by not hiring people because that gives us an opportunity. We hired 15,000 people this year. So, we hire -- we can always hire a little less if we see the efficiencies coming through and redeploy the people we have.

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

All right. Thank you.

Operator

Our next question is from Matt O'Connor of Deutsche Bank.

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

Hi. Just thoughts on capital allocation from here. Brian, I think there was some -- and sorry if I missed it in the beginning, but I think there was some media coverage about you guys. Are you talking about leaning into markets with capital? I don't know if there's any way to kind of size that.

And then, just broadly speaking, like, how you allocate capital from here or buyback levels and all that stuff? Thanks.

Brian Moynihan -- *Chief Executive Officer*

Yep. I'm not sure about the media report. But in the end of the day, Jim DeMare and team had done a great job. So, deploying capital and growing market share in a sales and trading business, so they're up 7% year over year in revenue.

FIC was up 11% for the year. Equity was down a little bit, down a percent or so. And that's a -- they've done a great job, $17.6 billion of revenue, highest by a lot over the last few years. And think about it in a '19 time frame, we were 13 billion in revenues.

They fundamentally moved up. That was deploying more balance sheet, you know, a little bit more capital inherently, but not a lot. They're not taking a lot of risks. They made money every trading day in '23 again, I think.

And so, they do a great job of serving the clients. So, I don't think it was a big capital, you know, a massive amount of capital. They get the capital they need. You know, they have the balance sheet and the, you know, the risk appetite they need.

But we're continuing to put money toward that business because they've proven to be successful. We gave them the balance sheet a few years ago, and they were able to deploy. More broadly, you know, we pay out the dividend. We then have a bunch of capital today.

We meet the standards as best. As Alastair said, we can define from the rule, and we'll see what the final rule looks like when it comes out. But right now, the $194 billion of CET1 is the level of notional CET1. We'd have to meet the RWA inflation.

I'm not saying it's a good rule, I'm just saying we make the math work. And so, from now on, we can basically deploy capital to to the dividend payment, a couple billion dollars a quarter, and then everything above that will go to support business growth if we have it, build a little bit of cushion. We need to build over some period of time to meet these new rules if they come through. And then, share buybacks, which we bought 800 million or so last quarter, and you'd expect that to keep ticking up.

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

OK. That's helpful. And then, you did mention that trading or markets is off to a good start so far this year. Obviously, just a handful of days.

But any color around that? And then, kind of more broadly speaking, as we think about the overall wallet, like, obviously, banking is the press. But how would you frame the market trading wallet? Do we use '23 as a jumping-off point and grow it by some kind of long-term trend? Or any way to kind of frame that in terms of a base case? Thank you.

Alastair Borthwick -- *Chief Financial Officer*

Yeah, it's too early for us to predict what the quarter will look like. We'll get a much better feel for that, you know, four or five, six weeks from now. But I think you can use the '23 numbers as a baseline starting point. And then for the first quarter, I'd just apply sort of a typical kind of seasonality.

Q1 tends to be a very good quarter for us, Q4 less so just with the client activity. And I just recognize that we're starting from a Q4 record. So, that's the only thing I would consider.

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

OK. Thank you very much.

Brian Moynihan -- *Chief Executive Officer*

And then, actually, you mentioned investment banking. Matthew and the team, you know, exceeded what we thought in the quarter and seemed to perform at -- better than industry and actually were up a little bit year over year. But there's a full pipeline. And the question is, you know, sort of when is the clarity.

And you're seeing some stuff get done. And with stability and rates, you'd expect that to kick back up. You know, we typically are running about 1.5 billion, you know, before the added activity because of the rate falling in the pandemic a quarter. We're now, you know, 1 billion, 1.2 billion.

You expect it to move back in those levels. And we have actually been gaining share over the last few quarters as the market's gone down around as we held our relative position grew it. So, we -- you know, I think Matthew and the team is in good shape. And this middle market execution has added a lot of throughput to the team and is building up over time.

Operator

We'll take our next question from Glenn Schorr of Evercore.

Glenn Schorr -- *Evercore ISI -- Analyst*

Hello there. Good morning. First question is on the deposits. And I like the path that we've seen in terms of all the stimulus comes, all the deposits come in, you get some spending, you get some migration, get some rich people buying treasuries.

Great. To see the stability in the fourth quarter and hear your comments about 2024 for deposits is a little encouraging. We'd always want more, but it's a little encouraging. But my question is, to be 35% higher in 4Q '19 is what I would call a lot more growth than a normal period of time with the up and down.

So, is that a good thing, or is that a risk? And maybe the answer lies within how much of those excess deposits are sitting in all these new accounts that you've opened versus just cash from sitting around in existing clients that maybe waiting to be deployed. I hope that question is clear.

Brian Moynihan -- *Chief Executive Officer*

So, Glenn, you make me had deja vu because, basically, I think you would have asked this question the first quarter of '23, too, on the theory that this was all going to run off. And so, when we looked at it, we always said, you know, we had grown sort of in the period at the time of the pandemic at sort of 4% or 5% a year in terms of deposit growth. If you strung that line out that we're still above that line, let's just say that. And now we're turning and growing.

So, as Alastair said, we dropped in the middle of the year. So, we've outgrown what our sort of implied growth rate would have been against a size, etc. So, we feel good about that. It's all core.

Now, if you look at the underlying dynamics, you think about the different clients. We have -- the -- if you start with a wealth management clients discreetly in GWIM, you know, those balances came down and are bouncing around $300 billion, $290 billion, $300 billion on a given day. And they've been relatively stable now for, I don't know, five, six months, I think. If you look at the wholesale banking, what's happened is they came -- you know, they shot up, came down after the pandemic.

And then they've been growing back. And they're actually stronger because just the activity is picked up in a stabilization of line usage has -- shows that the [Inaudible] rates have done that. And is there -- is it still bouncing around a little bit in consumer? Yeah, they're $950 billion more or less on a given day. But it's -- you know, it's stabilized and been relatively consistent for the last four, six, eight weeks.

But that's got to settle in and then you grow out from there. But that -- what that's really telling you is they've kind of moved the money they're going to move. Mostly because, you know, they did it, and you don't get that money twice, so you've moved a chunk in these higher-end consumer balances. They moved, you know, 20% of their balances over and to get in money market funds, which we captured, and other things.

And, yeah, they don't have to move again because that was accumulated balances that they had in a zero interest rate environment pre-pandemic, plus whatever other things they got. So, if you look at the Slide 8, you can see the deposit slides laid out by noninterest bearing and interest bearing. But, you know, the key is that consumer was 700 going into the pandemic, sits at 950 today. And if you look at the checking, it's still up $140 billion.

And that's kind of bouncing around. You can see it's moved down a little bit. But that's really the people with high-end checking balances that have moved it into the market.

Glenn Schorr -- *Evercore ISI -- Analyst*

That's all good and more than I was looking for. I appreciate it. The quickie follow-up on reserves now. As you mentioned --

Brian Moynihan -- *Chief Executive Officer*

Glenn, just one back --

Glenn Schorr -- *Evercore ISI -- Analyst*

Sure.

Brian Moynihan -- *Chief Executive Officer*

Look at the consumer banking page. It's 47 basis points all-in. And it was six, you know, quarters ago. And so -- and that's all driven by the CDs.

You know, we don't have a lot of CDs and some of the high-end money market pricing. But the point is, if it was going to be moved, it's -- think about that. You know, so the money that's moved is moved. And we pay higher rates for very high balances and stuff like that, especially in like the Merrill Edge platform.

So, a lot of that dynamic is for the system right now, for lack of a better term.

Glenn Schorr -- *Evercore ISI -- Analyst*

That was great. Good comment. I appreciate that. Quickie on reserves is with a pretty solid economy, resilient U.S.

consumer, your NPLs are down, you have a lot of reserves, the question is, what are the signposts that you or we should be looking for to know when you've added enough, when we're stable enough point in time, and you actually start funding charge-offs from reserves and not adding? Thanks.

Alastair Borthwick -- *Chief Financial Officer*

I think we're getting pretty close now because things are beginning to stabilize. They're beginning to normalize. The whole -- you know, this appeared to transition for the economy. And it's appeared to transition for our clients, too.

A lot of them are dealing with, you know, higher interest rates and they're just beginning to moderate and change their spending behaviors. So, we've seen a trend over the course of the past few quarters. It's pretty predictable around the consumer side. You can see that in our disclosures.

I think it's Slide 12 and 13. But that's going to bounce around over the course of the next couple of quarters. Now that we're back toward 2018, 2019 levels, it's going to settle in, we think, in the first half of this year. And then, on the commercial side, the asset quality remains really in a very good position.

We happen to have a couple of names that popped up this quarter. But to your point, we were pretty fully reserved against them. That wasn't a surprise to us. We've seen those for the course of the past six months.

So, we think we're getting close there, Glenn. And obviously, the closer we get to a soft landing, the better we're going to feel about that.

Brian Moynihan -- *Chief Executive Officer*

Glenn, as you think about it, when you said reserves, remember, because under CECL and stuff, we've always got sort of the lifetime reserve methodology, which we're all still getting clear now. We've operated on it for a few years. But, you know, this quarter, we actually had commercial reserves come down to pay for the charge-offs on the specifically prior period-reserved properties or loans, and that happened. So, you saw some of that.

Be careful on the consumer side because, basically, you know, the pay as you go side, the consumer side is still building up to a nominal amount of charge-offs, consistent where it was in '18, '19. So, if you look at card in '18, '19, the charge-off rate across the eight quarters ranged from a low of 2.90 to higher 3.26. We're at 3.07 today, but we're $6 billion, $8 billion higher balances. So, you got to be careful of the nominal amount to get that right.

If you go look at it more broadly, all -- the company, you know, we had a 45 basis points this quarter. And the range in those eight quarters are 34 to 43. But what's different is the CRE piece of that and the charge-offs. So, you know, the reserve to loans and all the classic factors looked at are very strong.

The reserve has set itself with basically half the reserve is driven by the adverse case scenario, to give you a sense, versus the base case, and then some judgmental on top of that. And so, you know, as it becomes clear that we're in a soft landing, to Alastair's point, there's less allocation to those scenarios. We always will make some. But when you put all that together and wait, you know, it has unemployment pushing up in the high 4s.

And, you know, you look at unemployment today, it's nowhere close to that, and there's no prediction to get there in a base case. So, that's what will start to ease up on the general reserving. But remember, on card, it's a bit of pay-as-you-go. And we were running around 6% reserves.

We're up to 7% against card now. So, there might be a little bit coming back, but not that -- I'd rather have the growth to sop that up down to 6% in cards than give them back to reserves.

Glenn Schorr -- *Evercore ISI -- Analyst*

That's great color. Thank you for all that.

Operator

We'll take our next question from Ken Usdin of Jefferies.

Ken Usdin -- *Jefferies -- Analyst*

Hey, thanks. Good afternoon. Just a technical clarification on that BSBY 1.6 billion. So I presume that you start to get that back mid-quarter 4Q next year, given the November 15, 2024 termination.

And then, does it just run out ratably? Just wondering how -- over what exact period of time you get that 1.6 billion.

Alastair Borthwick -- *Chief Financial Officer*

Yeah, OK, so --

Brian Moynihan -- *Chief Executive Officer*

Hey, Ken. Happy new year. It's this year. It's '24, so --

Ken Usdin -- *Jefferies -- Analyst*

Correct, sorry.

Alastair Borthwick -- *Chief Financial Officer*

Ken. Yes, you got it right. We'll get some of it back at the back end of 2024. So, we'll get a little bit in the fourth quarter.

And then I'd say we get most of it back in '25, most of the remainder back in '26. That's the easiest way to think about it.

Ken Usdin -- *Jefferies -- Analyst*

So, it's a little -- so is it straight line, or is it a little bit front load? Like, I just want to get --

Alastair Borthwick -- *Chief Financial Officer*

A little more by the --

Ken Usdin -- *Jefferies -- Analyst*

Is it a straight line divided by, or it has a little bit of like a tail?

Alastair Borthwick -- *Chief Financial Officer*

No, it's got a little more in 2025 than 2026.

Ken Usdin -- *Jefferies -- Analyst*

OK. OK, I got it. Thank you. And just one question.

Can you just remind us of -- brokerage fees this quarter felt the impact, I think you said it, of the soft averages from this quarter. And so, I think, should we expect to see just from the markets bounce that we saw in the fourth quarter that should play well into the first quarter starting points from the management fees perspective?

Alastair Borthwick -- *Chief Financial Officer*

Yeah. I think you should expect our global markets performance to continue right now. I mean, obviously, there's a pretty constructive environment for the markets business at this point. I don't think anything has changed there.

There's a lot of client repositioning going on. So, yeah, I think the fourth quarter is sort of the right number to start with. And then, you've just got to, I think, adjust for the fact that, obviously, you've got a step-up in their activity in Q1. If you -- I don't know if I misinterpreted, if you're talking about the wealth management --

Ken Usdin -- *Jefferies -- Analyst*

Yes.

Alastair Borthwick -- *Chief Financial Officer*

Then those fees are obviously just going to work on the monthly lag based on where the markets go over time. So, obviously, the markets are elevated right now, and that should [Inaudible] well for the future.

Ken Usdin -- *Jefferies -- Analyst*

That's what I was getting at. Yup, thank you. Right. Just confirming that we didn't see the benefit yet.

That comes further based on the averages and how that'll play forward, presuming the market hangs in there.

Alastair Borthwick -- *Chief Financial Officer*

Correct. That tends to be a lag by a month or so, so you'll see that in Q1.

Ken Usdin -- *Jefferies -- Analyst*

OK, got it. Thank you.

Operator

We'll take our next question from Ryan Kenny of Morgan Stanley.

Ryan Kenny -- *Morgan Stanley -- Analyst*

Hi. Thanks for taking my question. Just following up on a few questions ago on the commercial credit side. So, the commercial net charge-offs did roughly double sequentially.

And you mentioned that there were a few customers that popped up. Should we interpret that to mean that the pace of deterioration decelerates and it was just a one-off, or is there anything else going on under the hood there?

Alastair Borthwick -- *Chief Financial Officer*

Yeah, so I don't think -- let me put it this way, I think it's too early to conclude that it's anything other than just a momentary spike-up. But if you look at that chart, essentially, what's going on is two things. First, we've got a little bit of office, and that's going to bounce around over the course of time. It just takes a while to resolve that portfolio.

It's pretty small for us, obviously. We feel like we're doing all the right things with it, but that was a little elevated this quarter relative to the prior three. And then, more broadly in commercial, there were a couple of other things that took place this quarter. Again, we were pretty fully reserved against them.

So, we sort of saw those coming. Asset quality generally in commercial remains in a very, very good place outside of the office sector. And you can again see that in terms of looking at our reservable criticized that declined this quarter. So, I don't think there's any change there.

The issue is just that we're starting with such small numbers in commercial that anything appears like a spike.

Ryan Kenny -- *Morgan Stanley -- Analyst*

Thanks. And then, just one more clarifying question on NII. So, in this scenario with the six rate cuts, can you help us understand how you expect the deposit mix to migrate? And specifically, would the migration from NIP to IP deposits, you know, grind to a halt? Or is there any scenario where NIP deposits actually start growing again?

Alastair Borthwick -- *Chief Financial Officer*

Well, I think what we're trying to describe is a sense that we're getting toward the tail end of this now, partly because we're now six months away from the last time that the Fed raised rates. And then, partly because if we do have rate cuts, it's going to start to disincent people moving out of noninterest bearing. So, that's what we're describing over the course of time. We've got to see how that develops through the course of the year.

Ryan Kenny -- *Morgan Stanley -- Analyst*

Thanks.

Operator

We'll take our final question from Gerard Cassidy of RBC.

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

Hi, Brian. Hi, Alastair. You guys have obviously done a very good job in the consumer banking area with digital banking, and I frame that for you guys in this question. We hear a lot about AI and what it could do for the banking industry.

And when you look out over the next three to five years and you invest in AI to improve efficiencies, could it have a similar impact what digital banking did for consumer banking pre-iPhone to where we are today in your business? Or is it going to be more like blockchain, where it was a lot of discussion about the future of blockchain, but we don't hear much about that anymore? Do you guys have a view on what AI could be for your business over the next three to five years?

Brian Moynihan -- *Chief Executive Officer*

I'm not -- I agree with you. I'm not sure that there's a relevant comparison to blockchain. But let's just focus on AI. If you look at '21, you can see the digital movement.

One of the things in the digital movement you see is Erica in the lower left-hand page -- lower left-hand chart on Page 21, Gerard. And you can see that in the fourth quarter, the 170 million interactions with Erica, where people effectively answered on question, another 2 million people from last year to this year using it on a basis, 16 million up to 18 million people using it, unique users. And that's just an example. And that's AI, you know, in early stage.

We built that starting 10 years ago. It operates on our data, use natural language processing. We have to keep updating that for the way people use words, that process. But think 170 million phone calls, walks into branches, emails, etc., where that inquiry had -- would have to go through another place, and it's able our clients to do things and find them.

So, we think that there's vast promise for AI, and we're deploying it in places, a lot of internal stuff. We help employees work better, work faster. We're doing it. We have it in our coding shop.

There's coders using it to continue to improve their effectiveness in learning it. But it's still -- there's still the care that has to be taken on data and usage and models and accountability. It's -- all that stuff is still high. So, we're using for things that are a little easier, and we think it has great promise.

It's just going to -- I'd say it's going to be more similar to digital. What the pace will be, it'll be a little bit of how far it can go before you start to run into difficulties, applying it effectively. But it plays off of the same thing that we've done in digital and Erica and other things. We brought Erica over to the commercial side now so that -- CashPro uses Erica to answer questions, and we're seeing the uses of that grow.

And you can see the customers can interface and be comfortable with it, and that's good. So, it will have tremendous help as it's applied in more and more ways. We are still, you know, trying to hear and seeing if it really works, how much benefit it generates. Can it be controlled under the model outputs controlled and also the things? But we've had, you know, algorithmic machine learning type models all over our company for years.

And so, the billions we've spent literally over the last 10 years on data -- cleanliness data, or getting the data in the right place, making sure it's dependable, and the models operate [Inaudible] that aren't, you know, these open autonomous natural language models, but are models that are machine learning models. We've seen great promise. That's partly how we operate the company now, basically on the same dollar amount of expenses we had in

2015 or '16, to give you a sense. So, yes, it's been digitization, but it's also been using more of that.

So, it's got -- we have high hopes for it. We just have to make sure it does a great job for the customer.

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

Very good. And as a follow-up, we've been reading and seeing a lot of information about the private credit markets making inroads continue, and we know the shadow banking industry has been around for a long time, our entire careers. What are you guys seeing today? Is it more competitive against the Apollos and Blackstones in lending? And then, second, they're also, I'm assuming, customers of yours. So, how do you balance servicing them but, at the same time, they could be a direct competitor in the lending markets?

Brian Moynihan -- *Chief Executive Officer*

Well, that's all the issues that we got to balance on a given day. And we can originate loans into their platforms, and there are lots of things we can do. So, we continue to work through that. I think to take it more broadly, you know, my colleagues and I have made clear that the strictures around our industry, the methodology operating and the openness and ability to operate outside has led to the mortgage business largely being done outside the industry and most other asset classes, for lack of better term, being outside the industry.

And the private lending is just another case of that. And I think we're very competitive. We do a great job. We have a $0.5 trillion of consumer -- excuse me, commercial loans outstanding.

We have hundreds of billions of dollars of mid-sized companies, etc. So, we think there's a way that we can do this with our clients and help them and help us. A lot of them are asking, "Can you help us originate loans?" I think there's still a question ahead of whether the policy of having more things going on the bank industry is a good policy. Of course, we, in the banking industry, don't think it's a good policy because the reality, I think, in one inherent part of your question was when these companies bounce around because of economic stress or for them as an operator, the banking system has a workout methodology, not a liquidation methodology or trading methodology.

And that served American enterprise very well. And so, I think we have to be clear and see how it affects the economy that way. And those are issues that were true pre-pandemic and have become more acute. So, we feel we'll be competitive no matter what.

Nothing scares us. We've got a great team, and they do a great job. But it's endemic of the issue that if you keep pushing too much capital regulation, you know, stuff will find its way outside the system. And that doesn't mean the risk has changed, it just means it's moved from purview of the regulators and that's one of the points we make.

But on the other hand, we are working with those enterprises to help us be a combined effective competitor.

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

Very good, Brian. I appreciate it.

Operator

This does conclude our question-and-answer session. I'd be happy to return the call to Mr. Brian Moynihan for closing comments.

Brian Moynihan -- *Chief Executive Officer*

Happy new year to everyone. Thank you for all the time today and on a very busy day with lots of us reporting. As we summarized, fourth quarter was a good quarter and another strong year for our company, driven by organic growth from all our customer segments. Our digital capabilities continue to grow, our deposits and loans grew, and that's good news.

Our NII continues to exceed what we tell you each quarter in terms of what we think is going to happen, which is good news. We gave you new guidance which we plan to hit. Our capital markets activity remains good on both the investment banking side and the sales trading side. And importantly, to get the value of that revenue, we have to have good expense management.

You saw us, during the course of year, take headcount down from 218,000 to 212,900. You saw us take the expense down sequentially, sets us up good for next year. And with all that, our capital and asset quality remains strong, as does our liquidity. So, thank you, and we look forward to talking to you next quarter.

Operator

This does conclude today's Bank of America earnings announcement. [Operator signoff]

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*

John McDonald -- *Autonomous Research -- Analyst*

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

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

Glenn Schorr -- *Evercore ISI -- Analyst*

Ken Usdin -- *Jefferies -- Analyst*

Ryan Kenny -- *Morgan Stanley -- Analyst*

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