Bank of America

First Quarter 2025 Earnings Announcement

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BANK OF AMERICA

Participants

Presenters

Brian Moynihan – Bank of America, Chair and CEO
Alastair Borthwick – Bank of America, CFO
Lee McEntire – Bank of America, Investor Relations & Local Markets Organization Executive

Participants

Steven Chubak – Wolfe Research
John McDonald – Truist Securities
Jim Mitchell – Seaport Global
Glenn Schorr – Evercore
Mike Mayo – Wells Fargo
Erika Najarian – UBS
Matt O'Connor – Deutsche Bank
Betsy Graseck – Morgan Stanley
Ken Usdin – Autonomous
Gerard Cassidy – RBC Capital Markets

Presentation

Lee McEntire

Good morning. Thank you. Thank you for joining the call to review our first quarter results. Our earnings release documents are available on the Investor Relations section of the bankofamerica.com website. Those documents include the earnings presentation that we will make reference to during the call. First, our CEO, Brian Moynihan, will make 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 expectations are detailed in our earnings materials as well as our SEC filings available on the website. Information about non-GAAP financial measures, including reconciliations to U.S. GAAP can also be found in our earnings materials on the website.

With that, Brian, let's get started.

Brian Moynihan

Thank you, Lee, and thank all of you and good morning, and thank you for joining us. Given the recent events, we want to do a couple of things at our time today. First, we want to provide a clear picture of how well the fundamentals of the company performed to produce another good quarter of earnings in the first quarter of 2025. So I'm going to talk through a little of those highlights, and I'm going to turn it over to Alastair for details on the quarter and some forward guidance. And second, given the market volatility and the concerns of potential changes in the economy and its outlook, at the end of the quarterly presentation, we're going to give you some facts to set the context about the quality of our credit portfolios, our capital, and liquidity as we may face periods of economic change and set that in the context to how we fared prior to past periods of economic stress.

So let's get going on Slide 2 of the discussion. This morning, Bank of America reported $7.4 billion in net income and $0.90 in EPS for the first quarter of 2025. That's a solid start to 2025 and great work by our team. On a year-over-year basis, we grew revenue by 6%, we grew net income at 11%. We grew earnings per share at 18%, and we delivered more capital back to shareholders, and we reduced shares in the aggregate by 3%. We produced an 89 basis points return on assets and a 14% return on tangible common equity in the first quarter.

So let me hit on a few highlights that drove that performance. Net interest income grew 3% year-over-year and is up from quarter 4 to the high end of our guidance range we gave you 3 months ago. We grew deposits for the seventh straight quarter. They reached nearly $2 trillion at quarter end and have now grown 8% from the mid-2023 low point. We grew commercial loans in nearly every line of business. That is the second quarter in a row, they've grown across the board.

Holly O'Neill, our consumer team marked the 25th straight quarter of net new checking account growth. We saw annual flows to our consumer investments business of $22 billion over the last 12 months. Our wealth management businesses led by Eric and Lindsay and Katy Knox in the Private Bank, together added 7,200 net new households in this quarter and saw net AUM flows of $24 billion in the quarter. Jim DeMare and the team recorded a 12th straight quarter of year-over-year sales and trading revenue growth and achieved a 16% return on allocated capital.

We generated these results working from a strong balance sheet with over $200 billion in regulatory capital, nearly $1 trillion in liquidity. This allows us to provide strong support and solutions for our clients.

Turning to Slide 3, on organic growth. One of the keys to our earnings improvement has been our ability to consistently drive organic growth. Organic growth remained strong across the businesses, as highlighted on Slide 3. I won't go through all the statistics and all the points on the page. But as you can see, the momentum has continued. I note the continued growth in net new checking, new households, new companies of commercial banking, and growth in our institutional markets business. Clients continue to see the value in our capabilities in connected businesses as a company.

Our digital engagement and sales continue to expand across all our businesses. We saw more than 14 billion log-ins in 2024. Eric has now surpassed 2.7 billion interactions since its inception. Our CashPro app for our commercial customers has continued strong adoption and usage rates, as you can see. Transactions sent through Zelle, at Bank of America, are not only 3x the number of checks written by our Bank of America customers, but also 1.3x the number of checks written plus the number of cash transactions, taking money out of the ATM. It's also worth noting that digitally-enabled sales in our Consumer business across the board reached 65% of total sales. You can see these trends on digital in the slides that we show you each quarter on Slides 26, 28, and 30 in the appendix, and we commend those to you.

As you go to Slide 4, we showed you some of the highlights and economic activity. We provide some of the current spending data by our consumers of Bank of America. There's a lot that could potentially change given the uncertainty around the tariffs and other policies and the future path of the economy. And our communications to – just as we've done during other stress periods – we want to relay to you those facts, which we think give you some context.

But before we do that, our research team – like many research teams – led by Candace Browning does not currently believe we'll see a recession in 2025. However, they've lowered their GDP growth rates for 2025 and continue to see no rate cuts during '25, but expect as inflation gets under control, you may see them in the future, i.e., in '26.

But going more to what our customer data shows: it shows that the money moving across all our consumer spending methods (debit and credit cards, ACH, checks written, Zelle, et cetera), all that aggregate shows it grew about 4.4% pace in the first quarter of 2025 compared to the first quarter of 2024. As you look in the chart and look across it, you can note that consumer spending has been consistently growing year-over-year. But during last year, it actually slowed a bit, especially in the summer and pick back up in the fall. That resulted in the fourth quarter of '24 over the fourth quarter of '23 being about a 4% pace and that pace has continued. That pace has also continued through the first part of April. We note that some retailers may say that their sales are slower, and others are picking up, and it really reflects the change in consumer spending behavior. But in the aggregate, the consumer keeps pushing money into the economy.

As we look at our business side and what our business clients are telling you, in the current setting, they remain profitable, liquid, and have strong results. They all look ahead and worry about the same things you hear reflected in your conversations with them also. So we continue to watch for signs of the environment actually changing, but we thought it would be good to share with you what we're actually seeing in our customer base at this moment.

So in summary, for Bank of America for the first quarter of 2025, I want to thank the team for another strong quarter. We saw good organic client activity. We enjoyed good growth in revenue and earnings. We continued to invest in the future growth of our company. We managed the risk well. And that drove healthy returns for you, our shareholders, and we increased the capital delivered back to our shareholders.

With that, I'm going to turn it over to Alastair to talk you through the quarter.

Alastair Borthwick

Thank you, Brian. I start on Slide 5 of the earnings presentation to provide a little more context on the quarter. And as Brian noted, we generated $7.4 billion in net income or $0.90 per diluted share this quarter, and that represents good growth over both last quarter and the year earlier period.

On Slide 6, we note some of the highlights of the quarter. Revenue of $27.5 billion on an FTE basis, grew 6% from the first quarter of '24. Most revenue items showed improvement year-over-year. NII grew 3%. Investment and brokerage fees rose 15%, with both assets under management flows and market levels contributing nicely to the growth. This quarter's $5.6 billion in sales and trading revenue grew 9% from the year ago period. Service charges grew 8%, with particular strength in our Global Payment Solutions revenue. Card income improved 4%, and other income also improved, driven by gains mostly associated with leveraged finance positions, and these were positions that we disposed of during the quarter.

Noninterest expense was $17.8 billion, up from the fourth quarter driven by seasonally-elevated payroll taxes and markets revenue-related costs of processing and incentives. Litigation costs were also higher related to a recent decision in a long-running matter. We had operating leverage this quarter as revenue grew 300 basis points faster than expense compared to Q1 '24, provision expense for the quarter was $1.5 billion, with asset quality remaining in great shape.

Preferred dividends were $125 million less than the first quarter of '24, as we redeemed some preferreds over the past year. And we used some of our excess capital to reduce our outstanding shares 4% from the first quarter of last year. All of these things aided in EPS improving 18% year-over-year.

Let's move to a discussion of the balance sheet using Slide 7, and you can see assets ended the quarter at $3.35 trillion. That's up $88 billion from the fourth quarter, driven by higher levels of client activity in Global Markets. In addition, loans grew $15 billion in the quarter, supported by a $24 billion increase in deposits. As deposit growth exceeded loan growth, we continue to add to our liquidity. Long-term debt increased $21 billion, driven by funding needs to support the growth in client assets, average global excess liquidity at $942 billion remained strong and up year-over-year.

Shareholders' equity was flat with the fourth quarter around $296 billion. And within that, we returned $6.5 billion of capital back to shareholders with $2.0 billion in common dividends and the repurchase of $4.5 billion in shares. It's worth noting that year-over-year equity is up $2 billion, and a $10 billion increase in common equity was partially offset by a 28% reduction in preferred stock. Tangible book value per share of $27.12 rose 9% from the first quarter of '24.

Turning to regulatory capital on Slide 8, our CET1 level increased to $201 billion, and the CET1 ratio is 11.8%. This is down 11 basis points and remains well above our 10.7% requirement. You can see in the waterfall, we deployed capital in a number of ways this quarter. In addition to the increased amount of share repurchases, we allocated more capital to our Global Markets business and grew both consumer and commercial loans. Within the ending loan growth, it's worth noting we bought an $8 billion portfolio of residential mortgage loans, that's both high and quality and allows good potential to expand relationships with customers beyond those mortgage loans. And we expect these loans to add just over $100 million in NII annually. Supplemental leverage ratio was 5.7% versus a minimum requirement of 5%, which leaves capacity for balance sheet growth and our $468 billion of Total Loss Absorbing Capital means our TLAC ratio remains comfortably above our requirements.

As you see on Slide 9, we've now grown deposits for the seventh consecutive quarter on an average basis, and we're near $2 trillion on an ending basis. Typically, we see some downward pressure on deposits as we move from Q4 to Q1 as commercial clients use their cash to pay bonuses and taxes. And this year, we saw commercial deposits more stable as clients remain highly liquid. In addition, we remain disciplined on pricing as we pass through short rate declines and saw a 24-basis point decline in rate paid in Global Banking. We saw continued stability around our consumer noninterest-bearing balances. And as interest rates moved lower in CDs and Preferred deposits on our brokerage platform, we saw a 3-basis point decline in rates paid in Consumer banking this quarter to 61 basis points. Overall, rate paid moved from 194 basis points in Q4 to 179 basis points this quarter and were lower in every business segment.

Let's turn to loans by looking at average balances on Slide 10. And you can see loans in Q1 of $1.09 trillion improved 4% year-over-year driven by 7% commercial loan growth. Excluding commercial real estate, that year-over-year growth was 9%. We noted a modest increase in revolver utilization during the quarter as clients navigate the current environment. Consumer loans grew modestly year-over-year with linked-quarter movement reflecting seasonal credit card paydowns, and the $8 billion of residential loans we purchased this quarter, and that I noted earlier, those will come on to the balance sheet -- or they came onto the balance sheet at the end of the quarter. So they don't really impact averages this period and will begin to impact them next.

Let's turn our focus to NII performance on Slide 11, where on a GAAP non-FTE basis, NII in Q1 was $14.4 billion. And on a fully-taxable equivalent basis, NII was $14.6 billion. That's up 3% from the first quarter of last year. We finished at the higher end of our expected range, and NII grew $75 million on a fully-taxable equivalent basis over Q4, even as we incurred approximately $250 million headwind from 2 fewer days of interest accrual. The improvement was driven by Global Markets activity, as well as deposit favorability and loan growth, and fixed rate asset repricing also benefited NII. With regard to interest rate sensitivity, on a dynamic deposit basis, we provide a 12-month change in NII for an instantaneous shift in the curve. So that means interest rates would have to move instantaneously another 100 basis points lower than the 4 cuts already expected and contemplated in the April 10 curve. On that basis, a 100-basis point decline would decrease NII over the next 12 months by $2.2 billion. And if rates went up 100 basis points, again, more than the forward curve, NII would benefit by roughly $1.0 billion.

With regard to a forward view of NII, given the uncertainty of announced tariffs, we've seen expectations for more cuts and interest rates and more variability now in the market expectations for economic growth. So let us provide a few thoughts for you using Slide 12 to illustrate. In Q4, we provided our expectation that we could exit Q4 of 2025 with NII on a fully-taxable equivalent basis in a range of $15.5 billion to $15.7 billion. And that included an acceleration of NII growth in the second half of the year. Our assumptions underlying the NII belief then included an interest rate curve, which anticipated one rate cut in the middle of the year and modest loan and deposit growth. And while the interest rate environment has changed a little, our current expectation for the exit rate of NII in Q4 remains unchanged.

Using the first quarter '25 as the base, the waterfall gives you some idea of our assumptions to bridge to our Q4 '25 expected exit rate. First, we pick up 2 additional days of interest, one in each of the next couple of quarters. Fixed-rate asset repricing also benefits our NII, and it takes into account the impact of the current interest rate curve. There are 3 primary buckets for that benefit: securities, mortgage loans, and cash flow hedges. Security paydowns are running about $8 billion to $9 billion a quarter. Mortgage loans are another $4 billion to $5 billion a quarter, and each gains a little more than 200 basis points as they're replaced. Cash flow swap repricing benefits are a little more staggered in their roll down and make up the rest of the benefit here.

We assume the early-April interest rate curve, which reflects 4 cuts and a couple are later in the year. So that will have some negative impact near term on our expected NII growth, but it improves as the funding costs more fully reflect those cuts. The best proxy for that impact is our asset sensitivity, which again assumes instantaneous rate reductions, even below the rates cuts currently in the curve. We provide our best estimate using the timing of those cuts. And at the same time, with lower rates, we would expect just a little more loan and deposit activity, and we estimate the NII impact of that growth would offset some of the interest-rate impact from lower rates. We already saw modestly better deposit growth in the first quarter than we expected.

In addition, we believe our liability-sensitive Global Markets business will also likely benefit NII more as we move through the year. And that obviously depends on the way clients choose to trade with us. Bottom line, our fourth-quarter exit rate expectation for NII is unchanged at $15.5 billion to $15.7 billion from our previous expectation. And that means we're still expecting strong full year NII improvement this year of 6% to 7%.

Okay. Let's turn to expense, and we'll use Slide 13 for the discussion. We reported a little less than $17.8 billion in expense this quarter, and that included roughly $500 million in seasonal elevation from payroll tax expense and some market-related, revenue-related costs. We also had higher litigation expense to $160 million driven by a recent decision in a long-running matter. And remember, as you think about the expense increase from Q4, that quarter included a $300 million release of accruals for the FDIC special assessment. Expense compared to Q1 '24 is up a little less than 3%, consistent with our full year '25 growth expectations, and the increase reflects costs of higher sales and trading and wealth management fees and in the investments made to add more sales associates and to support increased technology and marketing costs.

Let's move to credit and turn to Slide 14, where our asset quality remains sound. Net charge-offs were $1.45 billion, modestly down compared to Q4. This is the fifth consecutive quarter that net charge-offs have hovered around $1.5 billion. The total net charge-off ratio this quarter was 54 basis points, flat with Q4. Q1 provision expense was $1.5 billion and matched net charge-offs. Consumer net charge-offs were $1.1 billion, consistent with the past few quarters.

Now 90% of our consumer net charge-offs are driven by credit card, which highlights the importance of prudence in underwriting that portfolio as we note on Slide 22. On the commercial side, we saw losses of $333 million, down modestly from Q4. Near term, we don't expect much change in net charge-offs, as you can see improvement in both early- and late-stage delinquencies from the fourth quarter. That tells us that net charge-offs could even be a touch lower next quarter on the consumer side.

On Slide 15, in addition to the improvement in consumer delinquency statistics, note the modest changes in other stats for both our consumer and commercial portfolios.

Let's move to the various lines of business and some brief comments on their results, starting on Slide 16 with Consumer Banking. For clients, Consumer Banking continues to deliver strong organic growth driven by high-touch and high-tech capabilities, convenience, and security. For shareholders, through NII, in particular, this business is increasingly seeing benefits fall to the bottom line for its high-quality deposit book with only 61 basis point rate paid on nearly $950 billion of deposits. In Q1, Consumer Banking generated $10.5 billion in revenue and $2.5 billion in net income. Revenue grew 3% from the first quarter of '24, as NII growth was complemented by fee improvement in card on service charges. Expenses rose 6% as we continued our business investment and worked through elevated compliance costs.

The organic growth that Brian noted on Slide 3 included nearly 250,000 net new checking accounts this quarter, another strong period of card openings, and strong investment account growth. Investment balances grew 9% to $498 billion with full year flows of $22 billion and market improvement. Consumer

Banking deposits continued to increase from their mid-August low, that was $928 billion, and it's now at $972 billion on an ending basis. Looking at averages deposits grew $5.2 billion from the fourth quarter to $948 billion, and our rate paid declined to 61 basis points. Finally, as you can see in the appendix, Slide 26, digital adoption and engagement continue to improve, and customer experience scores rose to record levels, illustrating the appreciation of enhanced capabilities from these investments.

Moving to Wealth Management on Slide 17. The business had another strong quarter with a continued increase in banking product usage from our investing clients, the diversification of the revenue in this business continues to grow. The number of clients that have banking products with us continues to grow also and is now approaching 2/3 of the client base. Importantly, about 30% of our revenue remains in net interest income, which complements the fees earned in our advice-driven model, and those have also grown. Net income of $1 billion rose modestly from the first quarter of '24 as solid revenue growth was mostly offset by higher revenue-related costs and continued investments.

In Q1, we reported revenue of $6 billion, growing 8% over the prior year, led by 15% growth in asset management fees. Expense growth of 9% supported both the cost of the increase in fees, as well as investment in technology and the cost of hiring to add experienced advisers to the platform in Merrill and the Private Bank. Average loans were up 6% year-over-year. That was driven by growth in custom lending, securities-based lending, and a pickup in mortgage lending. Deposits were relatively stable compared to Q4, and our pricing discipline resulted in a 25-basis point decline in rates paid.

Both Merrell and the Private Bank continued to see organic growth and produced strong assets under management flows of $79 billion over the past 12 months, which reflects a good mix of new client money, as well as existing clients putting money to work. We also want to draw your attention to the continued digital momentum that you'll find on Slide 28. Our new accounts continue to be predominantly open digitally.

On Slide 18, you see the Global Banking results and the loan and deposit gathering success of the team. In the first quarter, Global Banking produced earnings of $1.9 billion, modestly lower than the year ago quarter as lower credit costs from CRE office losses were more than offset by higher expense of investment in the business. Revenue of $6 billion was flat to the prior year, as lower NII was offset by roughly $230 million higher other income related to leverage finance positions, as well as higher treasury services revenue. Firm-wide investment banking fees were $1.5 billion in Q1, similar to last year's first quarter. We maintained our #3 investment banking fee position. And looking forward, we've got a healthy pipeline, and our clients are simply waiting on more clarity on trade policy and the regulatory environment before committing to deals.

Expense increased 6% year-over-year, driven by continued investments in technology and operations to support clients. On the balance sheet, we saw good client activity. As I noted earlier, we saw good growth in commercial loans, mitigated by decline in CRE loans. And total average global banking deposits are up 9% year-over-year, where we saw strong growth across all categories from corporate and commercial clients on the larger end to business banking on the lower end.

Switching to Global Markets on Slide 19. I'll focus my comments on results excluding DVA as we normally do. As Brian said, we continued our streak of strong revenue and earnings performance, achieved operating leverage, and continued to deliver a good return on capital. In Q1, we earned $1.9 billion, and that grew 8% year-over-year. Revenue, again, ex DVA, improved 10% from the first quarter of '24 on good sales and trading results and $230 million of other income on leveraged finance positions similar to Global Banking.

Focused on Sales & Trading, ex DVA, revenue improved 9% year-over-year to $5.6 billion. Equities led the way this quarter, growing 17% year-over-year, while FICC grew 5%. And Equities and FICC both benefited from increased client activity among the market volatility. Year-over-year expenses were up 9% on revenue improvement and our continued investments in the business.

On Slide 20, we show -- all other, with a loss of $4 million in Q1 and the driver of the year-over-year improvement in expense and net income is the absence of the first quarter '24 FDIC special assessment.

Our effective tax rate for the quarter was 9%, which reflects the discrete impact of share-based compensation awards. As a reminder, our tax rate remains well below our typical corporate tax rate driven by tax credits related to investments in renewable energy and affordable housing. Looking forward, as we said last quarter, we expect the tax rate for the full year 2025 to be in a range of 11% to 13%, excluding unusual items.

So let's shift gears to finish. And we'll use Slide 21. Over the last couple of weeks, investors have signaled concerns for the banking industry over potential changes in the economy. And in light of that, we added the next few slides to illustrate how much stronger our risk profile and balance sheet are today for whatever economic outcome we might face. And let me offer 3 important takeaways as you see the next few slides. First, we have a vastly improved risk profile from previous periods of economic dislocation. Second, at the same time, we strengthened the balance sheet by adding billions of capital and liquidity. Third, following 15 years of operating under responsible growth, our portfolio and our balance sheet are well prepared to support our clients in various economic outcomes.

Now the left side of Slide 21 highlights the shift in the loan portfolio to a more balanced mix of commercial and consumer as well as a more geographically-diverse mix. Our high-quality commercial loan portfolio at this point is more than 90% investment-grade or collateralized. And it also includes a more diversified geographic mix as you see at the bottom of the page. At the top right, you see the improved mix toward a more secured, collateralized balance of our consumer book. The bottom right illustrates the 9-quarter loss rate and how our 9 quarters – so this isn't annualized, this is 9 quarter – stress loss ratios faired in the Fed models and CCAR exams. And we compare quite favorably to peers in each of the past 12 years of exams.

CCAR provides investors an annual independent view to analyze adverse impacts in the most severe circumstances. So just to recap, if you went to the latest results from 2024, those scenarios include a drop of 6% to 8% in real GDP from peak to trough. It includes a rapid increase in unemployment up to 10% and significant changes in inflation. It also assumes housing prices falling 35%. It assumes short rates basically go to 0% and the 10-year goes to 1%. And it assumes bond spreads widened dramatically, commercial real estate prices decline 40%, and equity prices would drop by 50% together with significant weakness in international economies. It also assumes the portfolio size doesn't change from any management actions that we might take in that environment, and we obviously do quite well in that CCAR stressed environment.

With that, I'm going to stop. I'll turn it back to Brian for a couple of thoughts to wrap up.

Brian Moynihan

Thanks, Alastair. And I'm on Slide 22. On that slide, we highlight some of the key balance sheet or asset quality statistics of the company has faced important periods of economic disruption, and we compare those to the current status. On the left side of the columns, you can see that the fourth quarter of 2009 illustrates what the company looked like after a couple of years in the financial crisis and after the acquisition of Merrill. Second column, obviously, is fourth quarter '19, which represents what we look like heading into the pandemic. And now we show you what the company looks like today.

We have a multifarious loan book across types of clients, geographies, and various asset classes. That holds us in good stead. In total, our consumer loans are down more than $200 billion, as home equity loans are down more than $125 billion and credit card loans -- unsecured credit card loans are down by more than $60 billion. This reflected a concentrated effort on us to focus on our relationship loans rather than loans as a product and deepen those relationships with the highest-quality prime credit customers. Our Wealth Management business has doubled in size in those consumer categories and the relative exposure to those borrowers in those loans is very secure as they are highly collateralized and the strength of the borrowers underneath it.

In the commercial area, in addition to the more geographic dispersion that Alastair discussed, you can also see that the construction lending and land development exposures have been greatly reduced.

At the same time, our equity is $93 billion higher. At Bank of America, we remain obdurate about our strength of our balance sheet. We are well reserved for our portfolio and risk profile. On a weighted basis, including our model reserves, our imprecision reserves, and our judgmental reserves, it positions us at a 6% -- approximately 6% unemployment rate. The current reserve allocation on card is 7.4%, for example, against a charge-off rate of about 4%.

When you go to Slide 31, you can see some more statistics about our portfolios -- Slide 23 -- you can see more statistics about our portfolios. Let's take a deeper look at those and just a couple of points. On Slide 23, you can see that in regards to mortgage, between the first and second lien products today, we have a total of about $260 billion. On average, our borrowers have FICO scores above 770 and average debt-to-income ratios of 35% for the residential mortgage product and 39% for the home equity product. Loan to values also leave us in strong equity positions being below 50%. For comparative purposes, we entered the financial crisis in early 2007, and you can see the exposures were more than $400 billion with average FICO scores were 50 to 60 points lower and higher LTVs. So $400 billion more in balances, lower credit scores and higher LTVs. And so we've significantly repositioned those portfolios across the last several years.

Moving through the other consumer loan types. You can see the high quality of the collateralized securities-based asset lending and auto portfolios. And on consumer credit card, we have about $100 billion in outstandings with the current net charge-off ratio, as I said, about 4%. The FICO score of our average borrower is 777. And thinking about exposure to borrowers less than a current FICO score of 660, we have about 12% exposure. Card is really our only consumer unsecured exposure in the portfolio. As comparison, heading into the financial crisis in fourth quarter ‘07, we had $150 billion in credit card balance about 1.5x of our current balance of card loans. The average FICO score was 55 points lower, and the unused lines of those books were much, much higher.

So this strong position allows us to better serve our clients in the times of stress which may come ahead according to our projections. Bank of America stands ready to support them as never before. Whether it's a commercial client, which needs to help to borrow and navigate the changing economy around the world, whether it's a commercial client needs to reposition our debt structure and move money to help participate in the economy, we’ll be there for them. If it's a wealthy client who needs advice and counsel on rocky periods or loan to get them through, we're there for them. If consumers need access to cash or borrowing, we're also there for them.

Bottom line, operating the company in this way allows us to stand tall in times of stress. And these slides highlight the importance of having done that across the last many years and the relative important strength of our company compared to others. Thank you, and now we'll go to questions and answers, Q&A.

Q&A

Operator

We'll take our first question from Steven Chubak with Wolfe Research.

Steven Chubak

I wanted to start off with one on capital management. Certainly encouraging to see the acceleration in the buyback towards that $4.5 billion level. At the same time, you're still running with more than 100 basis points of cushion. I was hoping you could speak to, given the uncertainty in the environment, what level of CET1 you're currently comfortable running with, in terms of the ratio and whether this $4.5 billion buyback level is something that we expect to be sustained over the near to medium term?

Alastair Borthwick

Yes. So Steve, if you look at what we did this quarter, just take a look at Slide 8 in the earnings materials. Here's a quarter where we ended up earning $7 billion. And it allowed us to step up the share buyback from $3.5 billion up to $4.5 billion in an environment where we also invested more RWAs in Global Markets and into higher loan balances. So not only do we grow the loans, I'll call them organically, but we also purchased a loan portfolio this quarter. So we're sort of growing into our capital at this point by investing in the business and we still have some flexibility to increase the share buyback. So I don't think we have an ultimate destination in mind right now on CET1, recognizing that we don't have full clarity yet on all the aspects of capital, and we'd like to see that before we determine it.

But obviously, as you point out, we've got a lot of flexibility -- and we're more focused on just making sure that the CET1 is in a good place and then grow into the capital base that we have, and that's probably the best way to articulate it.

Steven Chubak

That's great. And for my follow-up, just on the outlook for loan and deposit growth. You delivered better growth across both KPIs relative to peers. I was hoping you could speak to what drove the strength in 1Q beyond the portfolio purchase you alluded to earlier. And just bigger picture, the outlook for commercial loan growth as tariffs and policy uncertainty have certainly raised concerns regarding weakening loan demand, weaker CapEx, what have you.

Brian Moynihan

So Steven, just on the -- I'll give you the broader thing and also can talk about some of the specifics. Remember, over the last several years, we were investing in basically building out more commercial bankers across the world, including build-outs in Switzerland and the U.K. and things like that. We built more commercial loan officers in the United States and our Global Commercial Banking business under Wendy and the team. We've grown more private bankers and more -- in the wealth management team under Merrill, what we call wealth management bankers to support those teams we've grown them. So those investments are sort of kicking in on that sort of 20-mile march way, just more of a more of a more of it and that just keeps driving it through. So that's why you're seeing us sort of do better than the competition just in linked-quarter loan growth.

When we look forward with all the things you described, that change in economy, business views. Will people draw in anticipation of tougher economic times. We'll see all that play out. But the real way -- the real reason that we're driving our capabilities is more capacity and then making that -- honestly, we're also making that capacity more efficient using some artificial intelligence, machine learning to direct that calling capacity, and that's allowed us to take what we call new logos in the commercial business, adding new companies for the first time, and you're seeing that having started a couple of years ago is now maturing in the balances and outstandings, which it takes a while to bring those clients in, get them underwritten they renew once every couple of years, getting the flow, et cetera. So those investments are paying off, and we expect that to continue across the board.

Operator

We'll move next to John McDonald with Truist Securities.

John McDonald

Thanks for the longer-term perspective on the credit. I just wanted to follow up that. In terms of the loan loss reserve, what were the dynamics of the setting of the reserve this quarter in terms of any change in weighting of scenarios for the tariffs? And was it set with a 3/31 view or early April view?

Alastair Borthwick

So John, we said it all the way through the close, but normally, we're focused on the data that we have on 3/31. And then we have the ability to layer on top, after we model our reserves, we have the ability to layer on imprecision and judgmental on top of that. So we did this quarter the same way that we've done in other quarters, we went through and assessed using the blue-chip economic indicators, so the consensus view of all of the various macro assumptions. That's sometimes different than others who use their own proprietary.

We feel like the right answer is to use the blue-chip consensus. It's more independent. And then we've got that as our baseline, and we've got four other scenarios around that. We've got upside and three downside.

And so in this particular quarter, already the blue-chip economic indicators have moved down in terms of economic growth. So GDP lower in the baseline. And a little higher on inflation. So that's reflected in the baseline before we even get to the weightings. And then weightings this quarter, we -- those are unchanged for us. And by the time we then take that modeled answer, and then layer on top of it the judgmental piece all the way through the close, we're reserved closer to an unemployment rate that's right around 6% in '25, '26, just to give you some idea. So that should give you an idea. We feel like we're pretty well reserved at this point.

Brian Moynihan

John, one of the things we've been looking a lot of sort of what happened because, obviously, CECL came in, the pandemic hit sort of the buildup and things like that. But as Alastair said, one of the hard concepts is the baseline that we use continues has moved negative over the last couple of quarters, obviously, due to the outlook here the last couple of months in to reflect that. But we have a strong reserve position with that when you add it all up at the 6% implied level. So we feel good.

John McDonald

That's helpful. And then on expenses, you previously were looking for the full year expenses this year to be up 2% to 3% over last year. How are you feeling about that? Is that still kind of your current thinking?

Alastair Borthwick

Yes. That's still our current thinking, John. I mean, I think we said 2% to 3% for the full year. We feel like we're on course there. It might be towards the higher end, but we just got to see what happens with fees over the course of this year.

Operator

We'll take our next question from Jim Mitchell with Seaport Global Securities.

Jim Mitchell

Maybe, Alastair, you were able to absorb 4 cuts this year in your assumptions and maintain the 4Q NII target, which is a good thing. As we think about the full impact of the 4 cuts, felt in '26 and potentially a few more, does that make it a little more difficult to reach that intermediate-term target NIM of 1.3% by the end of next year? Or the fact that you're getting them out of the way this year is helpful. Just trying to think through that intermediate-term target.

Alastair Borthwick

So Jim, first of all, that target's 2.3%, not 1.3%.

Jim Mitchell

I'm sorry. Yes

Alastair Borthwick

Yes, you're letting us off the hook you -- we're aiming at 2.3%, and we still feel like over the course of the next couple of years, that's the right answer. For this year's NII, those rate cuts, we've got 4 of them in there, but a couple of them are later in the year. So it doesn't have a tremendous impact on 2025. It will be a little bit of a headwind in '26. If that, in fact, is the case. But again, we got a lot of time between then and there. I feel like last year, at one point, we thought there'd be one rate cut in the curve. Then there was 6, then we were back to one, so we got to see how the interest-rate curve develops. But our management team's focus and goal has not changed.

Brian Moynihan

Yes. And Jim, one thing on the rate sensitivities, Remember, those are instantaneous drops, and it takes time for the fixed -- our debt portfolio, our debt issuance portfolio, some of it's floating, some of it's fixed, it reprices over time. So if they come more over time, you can't quite quit it to the instantaneous drop type of things if you got my point because you have other dynamics which helps. So remember that long term, most economists believe that with the inflation coming back towards the target rate, you'd see the fed funds rate ultimately get down to 3.0%, 3.5% type of levels, which is more of a traditional normal – it's hard to say in the world we're in now – level. So if that happens, we feel very comfortable if you look back historically, the earnings power of this company and the NIM percentages you've talked about with the Fed funds rate in that range pushing up 2.3% and beyond is strong.

Jim Mitchell

Okay. Yes, it makes sense. And just as a follow-up on just sort of the near term, April, we saw a big jump in volatility. Just any -- what are you seeing across your business segments, whether we've seen -- you've seen deposit flight to safety flows and the volatility in trading. Has that been good volatility, bad volatility? Just trying to get a little window into the near term.

Alastair Borthwick

Well, we've seen significant pickups in customer activity in Global Markets. So the environment there remains constructive. We have seen, I'd say, continued -- sort of similar to what we would expect. We haven't seen anything like if you were to go back a couple of years around regional banking crisis that nothing like that. It's been pretty regular way, I would say, and we just keep driving the deposits day-to-day.

Brian Moynihan

And Jim, I mentioned it earlier, but just you did specifically ask about it, but what's interesting is you watch that consumer money flow spending, if you take a 4-week average, including up to the first 12 days of April, it's running at 5%, so it hasn't fallen off. You have to be careful just using 2 weeks because of where Easter fell this year versus last year and all that stuff. But basically, it's maintaining that pace. So the consumers are still solidly in the game. What they'll do next, different question, but right now, they're still solid even to the first part of April.

Operator

We'll move next to Glenn Schorr with Evercore.

Glenn Schorr

So another good trading quarter for you guys. So I'm curious, when you benchmark yourself to the top tiers, there's probably about $3 billion difference to that biggest platforms. I'm just curious, if you see those big gaps to peers, are those gaps that you're choosing to pursue? You mentioned you have the SLR room. You have a great equity franchise. I'm just curious on your approach towards is it a capital thing? Is it a risk thing? I'm just curious on the high-level thoughts.

Brian Moynihan

So I think starting a number of years ago, this has been a relentless climb up the ladder and not overshooting and having to cut off. So that 3 years of year-over-year growth consecutive quarters that other people don't do because there's more volatility. So Jim and the team have been basically building up. So what have we done? More capital, probably over 5 or 6 years, $300 billion more balance sheet capacity even to this quarter was $60 billion. So we keep adding capabilities, capacity. But remember, the -- and we've relentless March, fourth, third, second this category, keep moving up and just keep pursuing it. In some areas, like physical commodities, that's not a business where heavily into, and we made a decision about that a number of years ago versus core fixed income, where we're stronger, and we've been gaining share.

So the idea is to keep gaining share, but at a pace for lack of a better term, in the business, which has volatility in it, a pace that capitalizes that volume of revenue into the business and then grows from there, as opposed to grabs it and gives it back and grabs and gives it back. It's just the way that Jim and the team have driven it and they've done frankly, a very good job doing it. And so expect us to keep gaining share. We'll keep closing the gaps that you mentioned. It's getting closer to the third-place gap. But in a given quarter, other people may shoot up a little higher because of this element of that element, but our job is to just to be consistent across all the elements that we participate in and keep driving it, and there's plenty of opportunity ahead, and it's not for lack of capital or lack of risk taking; they're taking more risk. And the other major thing is the investment in systems here is a competitive moat, frankly, that the amount of work you have to do to get this all to work right on a worldwide basis. There's very few of us who can do it.

Glenn Schorr

I very much appreciate that. And similar to what John said, we'd definitely like to drill down on the extra detail around the credit book and history guide. I'm curious on the right now, when you talk about the reserving and you took now to give us the further drill down on the exposures, -- is it a traditional regular way we're marching towards or closer towards a higher likelihood of recession. And -- or have you gone through and assessed the loan book from exposures to the shifting tariff and tax environment, and that's bringing the higher attention. I hope that the question is clear. I'm just more talking about the why now and what's driving the increased attention?

Brian Moynihan

Well, why now, of why we put the extra disclosure is just to remind people, we actually -- if you look back, we did a lot of this around '19 and '20 because of the same discussion came up. And then in '22 or '23, there were the same discussion about we're heading into recessions, consumers are going to spend down their money, the consumers -- turned out not to be true, frankly, in the '22-'23 time frame, the consumer held in. So if you look, we always are testing every -- on a continuous basis in a trading book stress test, but on a quarterly basis across the things. If you think about all the different ways the economy can get knocked into recession or potential recession or lower growth. Remember, the whole world is predicting a lot lower growth this year than last year. That's not new. That's all -- the Street are economists et cetera. So that the growth is slowing down from a 3% growth rate in the third quarter of last year to one-ish type of numbers that are a little bit less than one-ish in the blue chip in the first quarter. So over 2 quarters, a pretty good drop. So that's all embedded in it.

But what we're trying to give you reassurance is – or a look at it in-depth is – because it's a source of strength for us. And we've been working at that hard to ensure that as we go through a crisis, and we've had a couple of bumps in the road as we go through a more traditional economic downturn, we will be in great shape, and we test that every quarter in lots of different ways. So -- but you sit there and say, "what happens if tariffs happen, this happens, this happens." It's going to result in either GDP negative growth, higher inflation, which may then cause GDP negative growth, higher unemployment, et cetera, all those are the factors we actually test in granular detail. So it's not necessarily how you get there. It's the outcome of getting there. The GDP fall of housing price fall off, unemployment levels, that's what we do. And we want to make sure we are positioned at the end of the day that we could serve our clients well and not have to be pulling back. And so that's where the underwriting discipline the last decade hold you in good stead if, in fact, we do enter recession in the future.

Operator

We'll move next to Mike Mayo with Wells Fargo Securities.

Mike Mayo

Brian, I'm hearing this call and it sounds like it could have been the fourth quarter earnings call. Loans are growing, deposits are growing, credit's fine. Consumer spending is slowing, but still growing. You're buying back more stock, and I'm just trying to reconcile the $7 trillion of lost stock market wealth with comments from you, sounds like you're not blinking. And by the way, I don't think you're alone. It's just seems more upbeat relative to what the stock market has done and I'm trying to reconcile those 2 things. So what am I missing? Or what are you seeing? Or at what point do you say, "Hey, wait a minute, this is really might be a bigger problem?"

Brian Moynihan

I think, Mike, you're laying out the difference between is and could and might and should, in the future, right? So what we're trying to do is make sure people see what is going on today and like you said, for the -- and that's why you actually split the 2 pieces of the presentation for the first quarter. Everything you said is true: loans, deposits, credit is good, charge-offs went down, delinquencies are down at the end of the quarter versus fourth quarter. You're looking at all that and saying, okay, that's what we did. Then if we look forward, our economists, your economists, I'm sure, are all predicting a slowdown in growth -- and the core question will be when all these different policies and stuff come together, and responses to policies by other trading partners to the tariff policies, by the policies on deregulation, working for that, the tax bill, which comes out. All that will mix together and come to an outcome.

And our job is to have positioned the company well and take advantage of the opportunities to – and that outcome hasn't happened yet. And when it comes to being a good position. And that's why the latter part of this was geared to show you the strength of the credit portfolios and other things. At the end of the day, you and I know that the real risk and a balance sheet of a bank is going to be its credit posture heading into a general recession. Our colleagues have raised their probability of a recession, lowered their growth as the blue chips. But even if you look at the people we did, it's a very slight recession, and we should fare well on that. But we just don't -- nobody has a perfect crystal ball, whatever the right word is, to the future, but we're positioned our company for everything, but we don't want people to lose sight of the strong performance of this company and our team in the first quarter of 2025.

Mike Mayo

Let me take the other side of that. I thought the idea was to make it easier to do business with deregulation. And you can see the nominations, people, and then you get the policies. If that narrative plays out, how do you think it will be easier to do business at Bank of America and with your customers as it relates to deregulation?

Brian Moynihan

I think the new administration has made it clear that they're going to reduce the regulatory burden along two dimensions. Dimension one is, I think, less regulations new and getting other regulations off the book of refining based on the view that the pendulum has swung too far -- now talking about banker regulations, but it's actually more broad across. The second way is actually reduce the size of the federal administration that brings the regulatory inquiries and things like that. So we're seeing some relief. We look forward to seeing more relief as the nominees get in position, and the policy outlines can be then drilled throughout the teams. But it's critically important that we get this rebalanced.

We want to run a company that is going to be well-capitalized, great liquidity, fair to consumers, et cetera, Mike, but sometimes the regulation gets in the way of that and way overshot the issues. And we look forward to having come back in the middle. And just take the debate about treasury trading. The SLR requires us to hold capital to level against riskless assets and treasuries and cash; that doesn't make a lot of sense. And we've been saying that for a long time, and we expect now that there'll be a relief in that that will help us provide liquidity to our clients, both in good times and times of stress. But that -- remember, our cash and our government-guaranteed securities and government-issued securities, is $1.2 trillion of our balance sheet right now, Mike. So think about that in terms of -- and capitalizing that under the SLR at 5% or whatever it is. That's a big number. And none of that has any risk attached as you will know. And so that's one thing.

The second thing – we saw it again this quarter on some of the expenses – is the operational cost to deal with the regulatory push that happened that we tried to talk the last set of administrators into “you're going way too far and you've gone past the substance into form” is a cost that we're going to see come out of the system and ought to be reinvested into helping our customers and clients grow.

Mike Mayo

And short follow-up, the $1.2 trillion in cash and governments where would that be kind of in a more ideal world and the operating costs, how much of that could potentially be saved even if you want to give some back to the industry, just order of magnitude?

Brian Moynihan

Yes, I'm not sure it would be tremendously different by hundreds of billions of dollars. But I'd say a few hundred billion of it is pure size that we all added to meet a bunch of metrics that I'm not sure are as important as people may think they are, and that's proved out. So think of that as our long-term debt posture being up higher, et cetera. So -- our job is to -- we've got $2 trillion of deposits, $1 trillion of loans. We need to extract the value of that deposit. Our size ought to be more generated by that question. And less about, well, we want you to just add stuff because we're not sure that the treasury, the market for repo of asset-backed securities will be available at a time of stress or even treasuries. And so therefore, you have to more capital and more term funding against -- those are the things which change. So you'd probably see it most in our long-term debt footprint coming down relative to size. And our sheer size coming down, I don't know, $100 billion, $150 billion. Maybe I think Alastair, probably be a good guess that we've grown really just fluffed up the balance sheet to make metrics that are not that important to look good.

Operator

We'll move next to Erika Najarian with UBS.

Erika Najarian

Understanding that there's a lot of potential moving pieces in the regulatory agenda or deregulatory agenda, I did notice that at the end of the year, your GSIB score would indicate that if you didn't take down your exposure this year, you would have a higher GSIB surcharge by January 1, 2027, from what I understand, all else being equal. I'm just wondering, Brian, Alastair, if your plans are to reduce this exposure or the message is, look, are ROTCE is 13.9% and improving. And so crossing is not going to be a big deal because of the PPNR and return power that we see going forward.

Brian Moynihan

So I think that relates back to -- I think it was Glenn's question about the Markets business, if I remember who asked it. At the end of the day, most of what drives that change is the Markets business. There are other factors, obviously, Erika, but the big factor is the Markets business. And if they're out there getting market share and getting the return on that, we'll keep growing through that. That's, in fact, why we have gone up the chunk we've gone up.

Now go back to sort of Mike's point, and frankly, I think embedded in your question. Think about the fact that the G-SIB calculations at the time they were set, I think it was up at '12 data or something like that, 2012 data. The idea, and it's right in the rules, was that they should be indexed, so that our relative position Bank of America -- relative position to the industry and the economy, we ought to be able to grow. We've had a nominal economy growth of 30% in the last since the pandemic to now just sheer size growth, of which there is no adjustment in the G-SIB calculations for that. It was in the statute. It hasn't been implemented you've heard in some of the even discussion by the Fed that they would index a lot of that -- one of the proposals was from sort of now forward, which then skips all the growth. Our belief is it should be indexed more fairly, as designed the statute, because our relative size hasn't grown, even though our balance sheet has grown to the economy or to the industry. So why are we more G-SIB sized than we were before. So I think that's the 2 sides of trade. Yes, we'd let -- if the Market business can get to returns and grow and do it in a way that sticks to the ribs, Jim and the team will grow and that will probably push our G-SIB. But back up and think about the reality of it; you're now looking at Bank of America and our peers, circa 2014, '15 off of 2012 data, if I remember the exact date. And think about the sheer size of the U.S. economy probably 50%, 60% bigger, and we have not indexed anything for this. And therefore, we're shrinking our banking size relative to the economy for the same -- without kind of the logic behind it, and that's what we've been pushing them about.

Erika Najarian

Got it. And I'll follow up offline. I just wanted to squeeze my second question in, follow-up on the net interest income outlook for the fourth quarter. You helped us with the exit points on both balance sheet and net interest margin in the last call. If I recall, it was flat to fourth quarter levels in 2024, and I think a 2.05%, 2.10% net interest margin. Are those points still so valid in terms of what's underneath the surface of that 4Q '25 exit NII. Obviously, the balance sheet is bigger because of market in the first quarter.

Alastair Borthwick

Yes. I think you've captured it, Erika. You're exactly right. And we're comfortable with that.

Operator

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

Matt O'Connor

I just want to follow up on the concept of growing into the capital. Slide 8 here has a really good walk on the capital and the puts and takes. And I guess I want to hone in on the RWA growth and just think about that going forward. Obviously, there's some increase in 1Q from seasonal stuff in Markets, but maybe it won't be as much going forward and the loan growth might pick up a little bit. But what I'm getting at is: it's not that clear to me that you're going to use all the capital that you're generating and the excess from organic growth. It does feel like the buybacks at some point will be at a pretty robust pace. So long story, one question just to summarize, like talk about the capital consumption in a little more detail from organic growth and the interplay buyback.

Brian Moynihan

Matt, I think you sort of answered your own question in the question because you could see that a $16 billion RWA increase in a quarter where Markets tends to be bigger just because of the nature of it. So that's on $1.7 trillion, so less than a percent growth in RWA and the earnings grow through. So we will always, always, always deploy capital into the businesses at whatever they need to grow the businesses with the right returns. That -- that's a given.

In fact, the efficiency of our RWA deployment is something we're working all the time, and that's why you can see the growth in size relative to RWA, and we think we have room to go on this is always than the overall growth in the loans and deposits. And so we'll continue to work at efficiencies. But you've got it exactly right. The capital goes deployed to support the business. It's going into a much the business's demands for that are a much lower rate than the capital accumulation. And then we turn around and say, what do we do with it? Well, you have a common dividend, obviously, and then the rest goes to buybacks, and you saw us step that up this quarter, as Alastair said earlier, to $4.5 billion. This meaning the first quarter.

Matt O'Connor

Okay. And then just separately, that all other fee line on a consolidated basis was pretty close to breakeven versus normally a loss because of some of your tax credits. Is that just some lumpy items like loan sale gains or marks given some of the things that we saw in the marketplace this quarter for 1Q.

Alastair Borthwick

Yes. No, you got that mostly right. The other income line this quarter as in every quarter, it's generally most impacted by what's going on with our tax credit activity and often it depends on the timing of the completion of really long-dated projects. It could be solar, could be wind farms, could be housing. So in any given quarter, there can be some timing there where we catch up in later quarters. But in this particular quarter, in addition to that, we've got the leverage finance positions that we referred to.

We'd written those down in prior quarters. So when we sold them this period for a gain that accounts for a reasonable amount of the delta. And then the only other thing you just got to remember is we had that legal settlement, pretty long-dated one, got that cleaned up. A little bit of Visa B cleaned up this quarter. So there's some one-timers that offset that, but it's probably worth about $0.03 this quarter, just to give you some idea.

Operator

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

Betsy Graseck

Great quarter. I did have 2 quick questions. One was on, Brian, earlier in the call, we talked about how some of the commercial loan growth was being generated by the investments you've been making in particular, one of the areas, international. So I just wanted to, with this tariff overhang that we have going forward, how do you think about that investment spend in the international markets -- do you step it up? Do you pull it back? Is it an opportunity? Is it a threat of risk? Just wanted to understand that angle from you.

Brian Moynihan

So I think a lot of that's to be played out. That's but we would continue to invest where we see the opportunities. And where we see opportunity outside the United States is with the teams that we have that have been in these countries, Japan for -- since the day after World War 2 ended, India for 65-plus years, Australia for 60-plus years, European countries for many years. We are deeply embedded in those countries. And the idea was we basically coming from pure multinational largest companies in those national champions and taken around the world and taking companies from outside that particular country into those countries, we will then, we're now moving down a notch in size, strong family-owned businesses in the production supply chains for a business we understand.

I don't think that will change dramatically. The product -- the goods and products start to be produced. And so -- we'll continue to work with -- watching our clients and helping try to figure out what this all means to them in terms of supply chain alignment and things like that. So I think it's it may ebb and flow. But remember, when you then take the other side of where the investment is in the United States, that's where it's just a larger factor in terms of the overall commercial business, meaning small business; we're the largest small business lender in the United States by quite a bit. And those loans are growing; small business, meaning FDIC loans under $1 million, which we both have in our consumer business and our business banking area and then middle market, largest -- one of the largest lenders in the United States and the large corporates. So we -- because of the diversity of our company, we'll see what might not be as possible in a place due to the dynamics you're describing, may be more possible in a place like Georgia.

So we'll keep playing this out. But the goal was to have relationship manager investments on a relentless pace to keep adding our team that's dedicated towards handling client relationships and then frankly, making it more efficient by the use of machine learning now, AI to make them more and more efficient and also where to call, who to call on the prospect list we have. And we're seeing that take hold and that's where you're seeing these logos just build up in new client acquisition.

Betsy Graseck

Okay. And that was my second question on the small business side. Can you help us understand what you're seeing today from small business? I know you've -- you are, as you mentioned, the largest small business lender and you've had significant loan growth over the past several years in small business. Way ahead of peers. And so you're the closest to these folks in our world, and I would love to understand how are they thinking about investing in this environment with tariff overhang?

Brian Moynihan

Betsy, they're just trying to figure it out. And so they see the policies along multiple dimensions: deregulations, the tariff policy, immigration policies, et cetera, and look at all of it and say -- and tax policy. And so they're trying to figure out how it affects their business. At the end of the day, today, they're producing the goods, and the goods are going out in the stream and being sold, but they're trying to figure out how that relates to it. And there's the concerns, I think, that were interesting is for a while, it was inflation, obviously, coming through last year when that was a discussion -- then it's interesting flip to labor again, which was a little bit unique in that they're trying to make sure they get the qualified employees that need to operate.

But if you look about it, they're basically sanguine on the current environment, but they're worried about how this will affect their businesses and where they should invest. And I think that's slowing down some of their decision path right now, because they're trying to figure out if my goods and services will be able to pass through the price, do I need to change my business plans in terms of growth, should I buy that piece of equipment. That's why line usage has been relatively muted still and we continue to try to grow it. Now there's areas which in our small business growth, which are sort of recession resistant, which is like in health care. We have a big business lending to docs and veterinarians and other people involved in the practice. And those things tend to have less impact by the issues in a moment because the services business and things like that.

So I think it depends on the business, it depends on location, depends on whether in services or whether in goods. But right now, if they look at the last quarter, just like we're going to look at it, looks pretty strong, then they're going to sit there and say, read the papers and see all the things coming at them and saying, should I slow down my decisioning. That, I think, is the worry -- because once they talk themselves into slowing down, it will be a while until they get restarted right now, I think it's more thoughts and then worry is, and they've got to see this settle in it. And when it settles in, then they know how to run their business. But right now, it's very unsettling for them.

Operator

We'll move next to Ken Usdin with Autonomous Research.

Ken Usdin

Thank you again for the interest income outlook slide, the waterfall. I wanted to ask on the fixed-rate asset repricing bucket, can you help us understand how much is rolling off each quarter in the HTM securities and mortgage loan books and what you're getting from that? And then also as we get closer to that second half benefit on the cash flow hedges, what type of pickups are you imagining in terms of like new fixed rate versus received rate versus what's rolling off?

Alastair Borthwick

So Ken, on hold-to-maturity, if you look back over the last 14 quarters, it's sort of been around $8 billion, $9 billion a quarter. It depends a little on the seasonality as we go through the year, so $8 billion this quarter, but maybe $9 billion next quarter. And normally, when those are rolling off, we're picking up 200, 225 basis points, just to give you some idea. So that's that bucket. Around residential mortgages, let's say, we're originating $5 billion a quarter. Typically, we're picking up a couple of hundred basis points, sometimes more on those just depends on prevailing market rates. So think about that being $5 billion at a couple of hundred basis points or more. And then the cash flow swaps, we'll talk more about those as we go into the second half, but you can think about that as being something where we're probably picking up 150 basis points or so. It just depends on any given quarter. So we'll give you a little more guidance as we get closer.

Ken Usdin

Okay. Great. And then second question, you guys did another great job getting deposit costs down 20 basis points for the second straight quarter. As you contemplate this growth that you're seeing and continuing, how do you think about just how much you can continue to reduce rates paid relative to how you're seeing just the overall cost of funding?

Alastair Borthwick

Yes. So I don't think we'll have any change in our philosophy there. We felt like -- when it comes to the commercial and the wealth clients in particular, where they have interest-bearing balances, we just passed through the cuts. And then as it relates to the consumer book, we've got an awful lot of noninterest-bearing there, obviously. So really, your focus there on the piece that's in the CDs and then the preferred deposits. And there, again, we tend to pass that through as it comes through. So -- so it's trickier obviously, in consumer. We're paying 61 basis points on $950 billion. But even there, just because we still have some CDs outstanding, and we still have some preferred. We were able to take that down last quarter and look to do that again in the future.

Operator

And we'll take our last question from Gerard Cassidy with RBC.

Gerard Cassidy

You guys did a very good job in giving us the details about what it looked like back in 2009 versus today on Slide 22. And if we move up to Slide 21, you can see the consumer loan portfolio has obviously been derisked, as you pointed out. I'd like to ask a question about is the commercial loan portfolio, particularly the growth -- can you guys share with us some of the companies you have that we're not going to see some issues here, particularly if you look at the dark blue non-U.S. commercial has grown very, very strongly over this time period. And -- what can you share with us about the risk in this portfolio relative to maybe 2009?

Alastair Borthwick

Yes. So I'll start, Gerard, I'd say we felt like over time as we've become a more global and international company than maybe we were in 2007, it was important for us to diversify the loan book outside of just the U.S., and it was appropriate because we've got to support clients who are multinationals in the United States, operating around the world and multinationals around the world who also operate and sell into the United States and other places.

So -- that's natural, I think, we've kind of supported that over time. And that's been a big part of our growth over a 15-year period. Now in terms of commercial, if you look at the loan growth overall, I'd say we're pretty diversified in the way we look at that. So all lines of business grew last quarter. So that's Small Business banking, it's Business Banking. It's the Commercial Bank, ex-CRE. It's the Global Corporate Investment Bank, it's Global Markets and its Wealth in terms of their commercial exposure. So a little bit of it is diversification in all lines of business. And then if you looked at the book itself for the most part, as we talked about it secured, it's investment-grade. We always think about good client selection. It's the sort of people who can make it through any environment. That's where we're investing and partnering. And we've had virtually no charge-offs. So then when you turn to like the Global Markets business that, again, very diversified, all assets, all client types across things like asset banks and mortgage warehouse and credit financing and subscription.

So we feel like this book is in very good shape. We feel like they're the right clients. And then for our teams, it's just about driving the relationship deepening to make sure that we're seeing benefit not just in the loan portfolio, but in the other things we do across the platform.

Gerard Cassidy

Very good. Very insightful. And then as a follow-up, Alastair, you guys mentioned that the credit card charge-off ratio was a seasonally higher number just over 4.0%. And when we go back to the first quarter of '24 and '23, obviously, the charge-off levels were lower. Can you -- and especially with the unemployment rate remaining as low as it has over the last couple of years, is the higher level due to some of that FICO score inflation we've read about during the pandemic? What do you guys account for the number being where it is today versus the last couple of first quarters of each of those prior years, considering that the unemployment rate, for example, has not gone up that much.

Brian Moynihan

Yes. I think I'd flip it around the other way, Gerard, that with all the stimulus and all the -- after the pandemic, wage growth for inflation, the stimulus that came in, just sheer cash, you saw these things drop to levels that we knew wouldn't hold, right, meaning charge-off rates on the cards went way down. And all you've seen now is sort of normalized around where it was in a very good credit period for our company in the 2019 pre-pandemic type of era. So that's just normalization. I wouldn't over-read that. It's a comparative period.

So if you look relative to 2019, 2018, you'd see that those charge-off rates running 3.5%-ish plus or minus percent or similar that we have now. So we feel good about it. The important thing is if you look at stressing that portfolio like we do, you could see that the losses are projected, whether it's in the CCAR process our own internal stress test. If you take it across 9 quarters, it doesn't come -- it's closer to honestly, the charge-off rage we actually underwrote to prior to the financial crisis. We underwrote to like a 5.5% charge-off rate in normal times, and then it would go up from there. And so it's a much more core book driven at a very strong performance through crisis.

So I think I just -- I think it's just normalizing more to where it was in the relatively good credit times in 2019 rather than any significant movement. And in fact, we said that as we came through last year over and over again, people kept doubting it. What you've seen is delinquency actually have fallen and it's flattened out in terms of the $1 billion charge-off level on cards.

Brian Moynihan

Okay. Well, thank you. I think that's all our questions. I just wanted to think about 2 or 3 things. One, thanks to the team for another good quarter. And thank you all for participating in our call. Number two, as I said earlier, the story of the first quarter is a strong operating performance, good organic client activity, growth in revenue and earnings, managed expenses well. And at a period of time, we continue to make investments to position the company for the future.

On the other hand, we gave you the latter part of this presentation to show you our multifarious loan book and how that diversity of types of clients and collateral types and geographies and all that holds us in good stead as not only by our own internal models, but also by the comparison of stress test. In addition, we talked about how we're well reserved heading into whatever may be in front of us. So our job is to serve our clients in all times, and that's what we plan to do. Thank you.