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April 10, 2019

Chairwoman Waters, Ranking Member McHenry, and members of the Committee:

The material below represents our initial response to Chairwoman Waters's letter of April 1, 2019. Here, for your reference, is where in this document we address the issues you highlighted in your letter:

(1) Size and complexity	pages 1-2, *passim*
(2) Number and location of branches	pages 5-7
(3) Enforcement actions	pages 2-3
(4) Capital market activities	pages 8-9
(5) Forced arbitration clauses	pages 7, 17
(6) Compensation and clawback policies	pages 14-16
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(8) Cybersecurity and data protection	pages 7, 10
(9) Ten-year comparison of all items above	*passim*

On behalf of all of us at Bank of America, I am grateful for your consideration of this written statement, and I look forward to discussing these matters with you during my appearance before the Committee.

I. How We Transformed the Company

I became CEO of Bank of America on January 1, 2010. During my first week as CEO, I spoke with a gathering of North Carolina business leaders in Raleigh, and told them:

"We know that policy leaders also have an important role to play in crafting laws and regulations that protect consumers and create a level playing field for all competitors. We want to be positive partners in this process..."

I also said to the North Carolina gathering that "Bank of America has not waited for new rules and regulations to make important changes… It became clear to us very early in this economic crisis that customers… in all sectors and income groups… wanted clarity, consistency, transparency and simplicity in their financial products and services."

Ten years since the crisis, through the passage and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and from what we have done to clean up and transform our company, Bank of America is better prepared for what the future may bring.

In 2010, I assembled a team committed to changing Bank of America dramatically. We had three primary dimensions to our work.

First, we had to resolve the mortgage challenges stemming from the acquisition of Countrywide Financial, which took place prior to when my team and I stepped into our roles.

Second, we transformed our company by focusing on many of the principles embedded in the Dodd-Frank legislation. These include strength, stability, transparency, fairness, a straightforward approach to serving clients while managing risk well.

Third, we created an approach to how we run the company today that we call Responsible Growth. The tenets of Responsible Growth will be discussed in this testimony.

We began our transformation by establishing a straightforward strategy of serving three groups of customers – people, companies of all sizes, and institutional investors – through eight lines of business. All of those lines of business operate within the United States. Outside the United States, we operate those lines of business serving companies and institutional investors.

By focusing in this way, we reduced the scope and complexity of our company. To simplify the company and reduce the scope of our activities, as envisioned in Dodd-Frank, we divested more than $80 billion of non-core activities and businesses. These included the divestiture of private equity holdings, an insurance company, an asset management company, equity positions in non-U.S. financial institutions, and businesses outside the United States that served consumers and retail investors. We consolidated our capital to support the U.S. consumer and small and mid-sized companies.

We also reduced the size of our balance sheet, from its peak of about $3 trillion following the acquisition of Merrill Lynch during the financial crisis. Today our balance sheet is 20 percent smaller.

We also improved our risk management framework, again consistent with the principles embodied by Dodd-Frank. In 2008-2009, we tightened underwriting standards, shifting focus from driving volume and market share growth to align it with our business model, which depends on deepening relationships with core clients. Our credit quality is strong and we have the lowest stressed loss rate among the U.S.-based global and universal banks in the Federal Reserve Board's annual Comprehensive Capital Analysis and Review (CCAR) in five of the last six years.

Another central element of our company's transformation since the crisis is how we have strengthened our capital and liquidity. Over the past decade, we have increased our tangible common equity, an important measure of a bank's financial strength, to $173.1 billion from $69.6 billion subsequent to our acquisition of Merrill Lynch. We have also strengthened liquidity: Our excess global liquidity sources are up, from $214 billion in 2009 to $544 billion in 2018.

Government Enforcement Actions and Consent Orders

Even as we were transforming our company, we addressed the legacy issues from the financial crisis, primarily mortgage-related matters stemming from the acquisition of Countrywide Financial in 2008.

To address the challenges we faced, among other actions we created a unit staffed by more than 50,000 team members at its peak, primarily dedicated to addressing troubled mortgages. Through the period, we were able to assist 2 million distressed borrowers. In addition, we had to integrate the Merrill Lynch acquisition and align the capabilities with our standards.

Further to our work to resolve mortgage related issues, Bank of America engaged in a number of other settlements and other actions. In the interest of disclosure, we provide the following overview of certain settlements based upon readily accessible information collected in the time permitted to provide this response. With sufficient time, we can provide to the committee additional information as may be desired about other actions and settlements. In particular, we entered into four significant settlements valued at greater than $1 billion. These were:

- In 2014 for $16.5 billion, a comprehensive settlement with the U.S. Department of Justice and other parties and agreement for release of state and federal law claims regarding the securitization, origination, and sale of RMBS and CDOs. The settlement included $7 billion in relief to aid harmed consumers.

- In 2014, $9.3 billion to FHFA as conservator of GSEs to resolve claims that Bank of America falsely represented that underlying mortgage loans complied with certain standards.

- In 2013, $2.9 billion to the OCC, including $1.8 billion for loss mitigation and payment of $1.1 billion into a fund for foreclosed-upon borrowers.

- In 2012, for $11 billion, a global settlement with federal and state regulators regarding origination, servicing and foreclosure practices. Bank of America settled claims with 49 states, the District of Columbia, and several federal agencies, agreeing to provide $8.6 billion in consumer and refinancing relief to eligible borrowers and pay $2.4 billion to the federal agencies.

- In addition to the settlement payments, the banks involved were required to comply with mortgage servicing standards. Compliance was overseen by the Office of Mortgage Settlement Oversight. The oversight monitor issued a report in June 2014 indicating that Bank of America had met its repayment obligations under the settlement. The Monitor issued a further report in March 2016 indicating that the Bank had completed its obligations with regard to compliance with the mortgage servicing standards.

Separately, Bank of America is operating under two open consent orders, not related to consumer activity: a Foreign Exchange Consent Order opened by the Office of the Comptroller of the Currency (OCC) in 2014 and a Foreign Exchange Consent Order opened by the Federal Reserve Board (FRB) in 2015.

II. How We Run the Company Today: Responsible Growth

Over the past ten years, Bank of America has transformed into a stronger and more stable company with a straightforward operating model and a relentless focus on delivering Responsible Growth. Our commitment to the guiding principle of Responsible Growth is resolute. Responsible Growth is the way that we deliver on our purpose, which is to help make financial lives better through the power of every connection we can help make. Responsible Growth has four tenets: We have to grow. But we must grow while being customer focused. We have to grow by managing risk well. And our growth must be sustainable. At Bank of America, sustainable means 1) sharing our success with our communities; 2) being a great place to work for all of our employees; and 3) driving operational excellence. When we are sustainable, it gives us the ability to reinvest savings back into our people, our clients, and our communities.

1. We have to grow.

By focusing on the tenets of Responsible Growth, and by transforming Bank of America consistent with the expectations of Dodd-Frank, we have built a stable, efficient company that delivers consistent, predictable returns for our shareholders while also delivering value for our clients and the communities we serve. Responsible Growth, backed by a solid U.S. economy and a healthy consumer, contributed to the fact that in the fourth quarter of 2018 we recorded our 16th consecutive quarter of positive operating leverage. This was driven by continued growth in deposits, client balances, solid loan growth, and disciplined expense management. Deposits and loans within our businesses grew at a higher rate than U.S. economic growth, reflecting the value that customers place on having a relationship that brings the range of capabilities, products, and services to help them with their financial lives.

2. We must grow by delivering more for our customers and clients.

We are pleased to serve more than one in three U.S. households and more than 9 million business-owner clients. Our ability to deepen customer and client relationships is driven in part by the investments we are making to provide the best client care in the industry. For example, overall, our company was certified or recognized as having industry-leading capabilities six times by J.D. Power in the last year alone. We also are receiving the strongest customer satisfaction scores in our history.

Overdraft Policies

Focusing on the customer in everything we do allows us to builder a deeper relationship with them. One important change we made in 2009 was eliminating overdraft fees for debit cards at the point of sale. We made this prior to changes in Reg E being finalized, and we also decided not to let clients "opt in" for point of sale overdraft. These fees fell disproportionately on a narrow group of customers. We believed this was unfair, so we ended them.

Over the years we have continued to refine our overdraft policies. For example, for those customers who needed extra assistance with overdraft protection, we introduced the Bank of America Advantage SafeBalance Banking checking account. The SafeBalance account has been certified by the Cities for Financial Empowerment Fund as meeting the Bank On National Account Standards benchmarks for account safety and affordability. No customer using a SafeBalance account can exceed their balance. We have more than 700,000 customers taking advantage of this offering.

Over the past ten years, through our decision and from Reg E, we've received approximately $35 billion less in overdraft fees. We think of that as an investment in our customers' financial futures—and, by extension, our own. Because when they're set up for success, we are too.

We also engage with consumer advocates and other third parties to inform the ways we shape and market our products and our policies regarding our consumer accounts, mortgage and small business lending, and other matters. Our National Community Advisory Council, in place for more than a decade, is a forum for senior leaders from social justice, consumer advocacy, community development, environmental, and research organizations to provide external perspectives on our business policies, practices and products, as well as the societal challenges faced by our customers. Our Council members provide valuable insights that continue to enhance the fairness and transparency of what we do for our clients.

A Straightforward Approach to Serving Clients

Also in 2009, we introduced Clarity Commitment documents for home mortgages, home equity loans and credit card agreements. A Clarity Commitment document is a simple, easy-to-read, one-page loan summary that includes important information on payments, interest rates and fees to complement customer loan agreements.

We have taken further steps to simplify our company. For example, over the past several years we have cut the number of credit cards we offer from 25 to six and condensed 22 checking accounts into one operating account.

In addition to making our products and services simpler, we're also working with customers to help them understand their finances better. We achieve this by offering a set of easy-to-use educational tools. In 2013, we launched Better Money Habits, a personal finance education program that offers consumers information, tools and videos that empower better financial decision-making. For Bank of America customers, the platform is embedded in our online and mobile offerings, and is enhanced by our Spending and Budgeting Tool, which puts timely information at clients' fingertips to help them improve their financial outcomes.

The impact of Better Money Habits has been significant. Among clients who use both Better Money Habits and our Spending and Budgeting Tool, about one in four grew savings by 20 percent or more, while about one in three grew their checking balance by 20 percent or more.

Since its creation, Better Money Habits has been available for customers and non-customers alike. In 2017, we extended its reach by rolling out content in Spanish, and fully translated the site by year-end 2018. This complements our online and mobile banking app, which has been available in Spanish since 2015. Better Money Habits' Spanish content has resulted in higher average time on the site, an increase of 37 percent.

Our Branch Network

We also are investing in our facilities and in the teammates who serve there. We have retooled many of our ATMs, our financial centers, and our technology in our branches and call centers. We regularly evaluate the ways our clients choose to connect with us to ensure we maintain the right balance between the high-tech, high-touch ways that we serve them.

Serving customers still requires a strong physical presence. Recent analysis by one industry association demonstrates that banks of all sizes are serving – and growing their presence – across urban, mixed, and rural communities. The combination of physical and digital is what our clients need and serves them best.

Bank of America has 4,341 retail financial centers across 36 states and the District of Columbia. These centers are where 800,000 clients come each day to talk with a relationship or product specialist for the financial advice, products and services they need.

Over the past year, we have opened more than 80 new financial centers and have completed renovations on 567 more. Looking ahead, we plan to open more than 350 new financial centers by 2021 and will soon be expanding into nine new markets: Cincinnati, Cleveland, Columbus, Denver, Indianapolis, Lexington, Minneapolis, Pittsburgh, and Salt Lake City. Today, we cover more than 80 percent of the U.S. population

with our retail branch footprint. When the scheduled investments are complete, we will cover more than 90 percent. This overall expansion in new and existing markets is expected to create nearly 5,500 jobs, including certified professionals to help serve clients' diverse needs.

In 2010, we faced cost pressures as we emerged from the economic crisis. In addressing that, we reviewed our branch network and identified a number of locations that we felt could be better served by more local financial institutions. We sold more than 350 branches to nearly 30 other financial service institutions. That gave these local providers the opportunity to strengthen their local networks.

Of those 350 branches that we sold, 250 remain open under the original buyer's brand. All but two of the remaining 100 branches were consolidated into other local bank networks that continue serving those communities.

Overall, we have reduced our total number of retail branch locations from 6,011 in 2009. As we have reduced the total number of retail branch locations, we have made significant investments in low- and moderate-income (LMI) communities to ensure that they have better access to the full range of high-quality financial services and products that we offer.

Approximately one-third of our financial centers (1,265) and ATMs (5,230) are in LMI areas. In addition, 35 percent of our centers are in majority-minority markets. All our financial centers are staffed with professionals who can readily assist clients with any financial need. Each center provides free Wi-Fi for our clients' convenience, giving them the opportunity to connect to our leading digital and mobile resources and tools.

We are not only present in, but closely integrated with, LMI communities. Because we work to ensure that our teams reflect the communities they serve, 80 percent of our LMI financial centers have at least one associate (4,020 associates overall) who speaks more than one language. Nearly 30 percent of our financial center employees are in fact residents of LMI communities; and Bank of America has committed to hire and train 10,000 individuals from LMI communities within the next five years. We anticipate that by the end of 2019, we will have hired 7,000 individuals from LMI areas onto our Consumer & Small Business team.

We also have designated about 650 locations across the country as Community Financial Centers. In addition to retail banking services, Community Financial Centers offer access to tailored financial education, expert professionals, job opportunities, affordable homeownership solutions, and potential capital for small businesses.

Community Financial Centers are equipped with free Wi-Fi for clients so they can access their mobile banking app without using their own data plan, and many offer access to lending officers and small business bankers. Many Community Financial Centers also include enhancements such as local art and cultural exhibits prominently featured in the lobby; kiosks with interactive, self-guided financial education content; and conference rooms where clients can attend Better Money Habits financial education seminars in English and Spanish.

To supplement our branch locations in underserved communities, we have invested heavily in alternative methods of ensuring access to capital for members of those communities. Bank of America is the nation's largest lender to community development financial institutions (CDFIs). CDFIs provide affordable, responsible lending and support to low income and other disadvantaged clients and communities. By

funding CDFIs, we help make it possible for credit to flow to needs for which we may otherwise be unable to provide direct lending. We have provided more than $1.5 billion to finance affordable housing, community facilities and small businesses through 255 CDFIs in all 50 U.S. states and the District of Columbia. Approximately $400 million of that total has been focused on small businesses.

We are committed to ensuring that everyone has access to the financial products and services that they need to thrive, wherever they live and whatever they earn. As the breadth of our branch networks and the depth of our investment in LMI communities makes clear, we have worked hard to ensure that Bank of America serves a broad and diverse community of consumers.

Data Privacy

Bank of America does not sell personally identifiable customer data to third parties, nor do we allow third parties to conduct research for their own purposes using personally identifiable customer data that the bank has collected in the normal course of business. If any of our vendors receive customer data in the course of performing a function for us, Bank of America requires that the vendor meet our privacy and data protection standards and that the data be protected by the bank's strict information security controls. No further use of that data can be made without Bank of America's express approval.

Mandatory Arbitration

Bank of America avoids relying on mandatory arbitration clauses in nearly all cases. In our relationships with consumers and investors, we only use mandatory arbitration in a few, limited instances, as described below.

<u>Consumer Products</u>

In 2009, Bank of America publicly announced we would discontinue the use of mandatory arbitration in our consumer agreements for credit card and deposit accounts. We also eliminated mandatory arbitration in our mortgage and home equity agreements several years ago. As a result of these changes, customers seeking to resolve disputes with us related to automobile loans, recreational vehicle loans, marine loans, credit cards, and deposit accounts are not subject to mandatory arbitration or class action waivers. Our High Net Worth lending group does offer a marketable securities line of credit (similar to margin loans offered by broker dealers which are exempt from the rule) that contains a mandatory arbitration clause.

<u>Investors</u>

Bank of America, along with other securities industry firms, uses arbitration clauses in our client agreements when establishing a brokerage or investment advisory account relationship. The Securities and Exchange Commission monitors this long-standing industry practice as it fulfills its responsibilities to oversee FINRA, the administrative body that creates the rules regarding arbitration and provides the forum for such disputes to be resolved.

Small Business and Commercial Lending

Bank of America is one of the largest lenders to small businesses, with a portfolio of $36 billion. From 2010 to 2018, loan originations less than $1 million to small businesses total $85.5 billion. Also, since 2015 we have seen a greater than 10 percentage point increase in small business client satisfaction, to 84.1 percent in 2018.

We also have established programs of specialized outreach to small business entrepreneurs. We have pledged $100 million in capital in partnership with the Tory Burch Foundation Capital Program, to connect women who own small businesses to affordable finance. We also maintain a Veteran Entrepreneur Lending Program, to which we have committed $20 million to help U.S. military veteran business owners obtain affordable loans.

Financing Affordable Housing

Bank of America also is addressing the affordable housing shortage for individuals, families, students, veterans, the formerly homeless, those with special needs, and other at-risk groups.

In 2018 alone, our Community Development Banking initiative deployed $3 billion in debt commitments and $1.7 billion in new equity investments to finance affordable housing as well as charter schools and economic development across the United States.

Last year alone, we financed 15,000 affordable housing units, including: 3,265 green housing units; 4,706 housing units for seniors; and 1,520 units for veterans, people with special needs, and the formerly homeless. For example, we extended a $36.8 million construction loan and $25.4 million in direct LIHTC equity to help revitalize the Jordan Downs public housing development in Watts, Los Angeles. This was targeted at 135 new affordable rental apartments as well as retail stores, a community center, and parks. This year, we also helped finance significant projects in Boston's Brighton Marine and Orlando's Village on Mercy Apartments.

Additionally, in 2018 Bank of America invested $79.1 million to support affordable housing through community development financial institutions (CDFIs), support that is described above.

Capital Market Activities

Our Global Markets business serves our corporate clients and institutional investors. We help clients raise capital and hedge risks. When markets are volatile and clients are trying to manage their business, they turn to us for help. When markets are stable and there is less client activity or volatility, our revenues may be lower.

Bank of America has a diverse set of businesses and client relationships that position us to weather changing market conditions over time. 80 percent of 2018 net revenues within our business segments were generated by non-capital markets businesses.

Consistent with our company's transformation since the financial crisis, and with the objectives of the Dodd-Frank legislation, we have repositioned our Global Markets business to focus activities in support of core corporate and institutional investor clients. Since 2010, we have reduced total market-based portfolio VaR – a key measure of risk – 81 percent.

Since the financial crisis, we have positioned this business to deliver steady and sustainable returns across the range of market conditions, while taking less risk. Over the years, our performance bears that out. Over the past five years and with all of the volatility in markets and trading activities during that period, Global Markets has delivered annual sales and trading revenue within a range of $12.9 billion and $13.6 billion. This relative stability reflects our leadership positions across multiple products and our ability to maintain the appropriate business mix during market shifts while providing billions of capital to help business grow.

3. We have to grow by managing risk well.

We have made major changes to ensure that a culture of responsible risk management is embedded in every part of our company. Our risk management begins with the board of directors. The directors set the risk appetite for the company. That cascades through the company and defines the risk we take in credit risk, operational risk, trading, or otherwise. The Enterprise Risk Committee of the board reviews dashboards quarterly to review compliance with the risk appetite.

The risk function is an independent control function that is outside the lines of business hierarchies. It consists of a 5,300 person Risk & Compliance group that reports to the Chief Risk Officer, who has a reporting relationship to the Chief Executive Officer and to the Enterprise Risk Committee of the board. Other control functions, also outside the lines of business and reporting to the CEO, include the 900 person audit team that reports to the Chief Auditor (who reports to the Audit Committee of the board); the Chief Financial Officer, the head of Global Human Resources, the General Counsel, and the Chief Technology and Operations Officer, whose 85,000 person organization includes 2,500 teammates in the Corporate Information Security group.

We drive a culture of compliance as an element of Responsible Growth deep into our company. To ensure that all employees across all levels are managing risk effectively, we conduct educational sessions and mandatory training on all risk issues, including to drive deeper understanding of the lessons of the financial crisis. We also sustain an open environment in which employees are encouraged to identify and elevate issues for thorough investigation by an independent investigations group. These changes, too, have made their mark. Our 2018 Employee Satisfaction results demonstrate the continued strength of our risk culture. Employees rank all 12 risk-related items at 80 percent favorable or higher, and 11 of these items are higher than industry benchmarks.

4. And our growth must be sustainable.

Another core tenet of Responsible Growth is that it must be sustainable. To us at Bank of America, sustainability means that a) we have to drive operational excellence. This makes it possible to reinvest savings back into our team, our capabilities, our client experience and our communities; b) we have to share our success with our communities; and c) we have to be a great place to work for our teammates.

a. Driving operational excellence.

We ensure that Responsible Growth is sustainable through our focus on operational excellence—continuous improvement in our internal and external processes to make it easier for our employees to work with each other and to serve clients and customers. By pursuing operational excellence, we are

becoming more efficient, so we can continue to invest while providing you good returns. This makes all the other progress that I've discussed possible.

Focusing on operational excellence allows us to continue to invest in our capabilities and in our team, even as we maintain expense discipline. While we face the same inflation and cost challenges all employers do (e.g., benefit increases, wage increases, real estate cost increases, more investment), we managed through them. We achieved our 2018 expense target of approximately $53.5 billion. We set that goal in mid-2016, when our annual expense run rate was $57 billion. Managing expenses well has contributed to four straight years of positive operative leverage and allowed us to grow pretax earnings at 18 percent in 2018—all while investing in the company.

Cybersecurity

Our focus on operational excellence allows us to continue making robust investments in cybersecurity. Our cybersecurity program is designed for every step of the cybersecurity lifecycle—we prepare, prevent, detect, mitigate, respond, and recover.

Since 2011 we have doubled the size of our Global Information Security (GIS) team to more than 2,000 employees and contractors.

We maintain strong, ongoing relationships with government partners, including the Department of Homeland Security, the Department of the Treasury, law enforcement, and the intelligence community. Coordination within our industry and across other industries is also critical to mitigating and managing cyber and other challenges. That is why the financial sector is investing in resilience capabilities and cyber partnerships to build a trusted community among banks for cyber threat information sharing.

Bank of America is leading efforts across the financial services industry to define resilience and recovery in today's marketplace. We helped drive the creation of the first financial sector organization focused specifically on systemic risk and analysis—the FSARC (Financial Systemic Analysis & Resilience Center). We hold or have held leadership/Board positions in financial sector organizations working to improve the security and resilience of the sector. These include the FS-ISAC, FSARC, FSSCC, and Sheltered Harbor. The company also participates in multiple sector-level exercises each year to help refine not only our individual firm incident response playbooks, but also our sector-level playbooks. We are leveraging our leadership role to ensure that the financial sector is truly resilient. We are also working with partners in the electricity and communications sectors on these topics, given our mutual dependencies with them.

b. Sharing our success with our communities.

We share our success with our communities through our Environmental, Social, and Governance work. This is reflected in many aspects discussed throughout this submission.

Our nation and our world are grappling with substantial challenges: the need for clean water and sanitation, education, health care, renewable energy, and other concerns in which we all, in developed and developing countries alike, have a shared stake.

In setting its Sustainable Development Goals (SDGs), the United Nations has drawn attention to the most pressing of these challenges and has encouraged individuals, organizations, and governments to work

toward shared objectives. Despite these efforts, there is still a significant gap between the capital it would take to solve these global challenges and the amount that is currently being spent. Credible estimates of what is needed to address the U.N. SDGs is about $6 trillion per year; the current annual funding gap is as much as half that.

Government alone cannot solve these challenges. The U.S. government, with the largest economy in the world, will spend more than $4 trillion this year. But almost two-thirds of those expenditures go to non-discretionary needs: funding the social safety net, servicing U.S. debt and other commitments. The discretionary elements of the budget include national security, education, health care and other priorities. What is true of the U.S. is true for many other nations around the world: government budgets provide little room for increased spending on development.

Charitable giving also cannot fill the need. Annual giving from individuals, foundations, and corporations is spread across many worthy causes and, even in the aggregate, falls short. The U.S. is the largest philanthropic giver in the world as a percentage of GDP. Total giving to charitable organizations overall in the world was around $800 billion in 2017 and $410 billion in the U.S., primarily from individuals. Assets by foundations in the world are estimated at about $1.5 trillion; nearly half of that, $890 billion, is held by foundations in the U.S. Again, even if we spent all that money in a single year, it would be insufficient to close the gap.

Public companies that employ and invest at the scale that we and others do are well-positioned to contribute to the solution of these problems. We have considerable capacity to address income inequality, clean energy, health care, and affordable housing through thought leadership, investment, innovation, mobilization of capital and other means. Private-sector leadership is necessary because solutions involving capitalism are inherently sustainable, and the returns will bring continued and increasing investment.

But as the great student of business and author Jim Collins has said, we have to embrace "the genius of the AND." We have to do our part to achieve strong and timely progress on the sustainable development goals AND we have to deliver strong returns to our shareholders. This enables us to keep addressing these important priorities, in a number of impactful ways.

First, we continue to align our expense base and our balance sheet to find every business opportunity to provide good returns and to make progress toward our goals. We do this by financing new energy sources, financing affordable housing, and financing other types of development. These opportunities provide a return for investors while making progress toward societal goals.

Second, we bring thought leadership to the discussion. Our Research team has established that companies adhering to sound environment, social, and governance (ESG) practices will be stronger for that effort. In fact, our research shows that investors could have avoided almost all of the bankruptcies of the last several years by avoiding companies that do not have good metrics on ESG. Increasingly, investors are looking for that kind of adherence in making investment decisions. Institutional investors are directing more and more private-sector investment capital toward companies that are addressing these priorities.

We also see this in our wealth management businesses, where we are meeting client demands to construct portfolios focused on companies that meet standards consistent with the sustainable development goals. The practice is growing. By harnessing private capital in this manner, the alignment we create can help fill the gap left by limitations in government and philanthropic spending by bringing more resources, capital, and expense to the task. In addition, we can be a catalyst for others to act. Our

expertise, credibility, and ability to assess the opportunities can help others who have the desire but may lack the expertise to deploy capital.

Third, we contribute by the ways we manage our own activities. In April, 2019, we initiated a $300 billion, 10-year Environmental Business Initiative, building on prior commitments totaling $145 billion extending back to 2007. Our Environmental Business Initiative supports clients and others who are helping create a sustainable energy future. We also focus on our own sustainable facilities management and improved energy efficiency. For example, we have set a goal to be carbon-neutral by the end of 2020.

Fourth, our own ESG work makes a direct impact. The direct investments we make, the volunteer efforts of our teammates, our philanthropic works—all of this helps address the challenges. We are proud of what our teammates directly do to help make progress on these priorities.

Last year, Bank of America committed more than $50 billion in lending, investing and philanthropy to deploy capital toward the SDGs. In fall 2018, we created a special $60 million Blended Finance Catalyst Pool to encourage more companies to participate in addressing those priorities. Our blended finance initiative combines different sources of capital for a targeted objective, in order to accommodate different risk tolerances and rates of return. As this approach expands over time, we can create the capacity to mobilize vast amounts of capital and achieve the scale necessary to fundamentally address global challenges driven by the force of private-sector capital returns.

In one of the first commitments of our catalyst pool, we joined with two other financial services companies in our headquarter city of Charlotte, North Carolina, to extend more than $70 million to fund low-income housing developments. Most of that amount will be low-interest loans to private developers building income-restricted housing.

We believe it is not only possible, but desirable and valuable, for Bank of America as a public company to simultaneously serve our clients, deliver for our shareholders AND address these local, national, and global social priorities. Delivering on both aspects of the "AND" is the way to ensure that we can continue to channel the capital from others and from our company that is needed to fund societal needs. We all have to provide great returns, while delivering on the goals.

Our teammates are called upon in every community where they live and work to lead efforts that promote economic and social development, and we are proud of how they step in to help. We welcome the continued interest of elected officials in these efforts and engage them across the cities, towns and communities we serve. Our commitment is a core element of Responsible Growth.

b. Being a great place to work for all of our employees.

Diversity and Inclusion

The diversity of our team—in thought, style, sexual orientation, gender identity, race, ethnicity, culture, age, ability, and experience—makes us better and stronger and is essential to serving our clients, living our purpose, and driving responsible growth.

I chair our Global Diversity and Inclusion Council (GDIC), which we created more than 25 years ago. The GDIC provides strategic direction on how we approach diversity and inclusion as a company and is focused on growing the diverse representation of our workforce, promoting an inclusive workplace and being a

place where all employees have the opportunity to achieve their goals and meet the needs of our customers.

The commitment to diversity also includes our Board of Directors. In 2010, we had 15 percent women and 15 percent people of color on the board. Today we have 31 percent women on the board and 19 percent people of color, an increase of 107 percent and 27 percent, respectively. Furthermore, Bank of America's Board of Directors is more diverse than the average company in either the Fortune 100 or Fortune 500.

Board Diversity	**BAC**	**Fortune 100[1]**	**Fortune 500[1]**
Women and people of color	43.8%	38.6%	34.0%

[1] Alliance for Board Diversity: 2018 Missing Pieces Report (includes all board members, both independent and management directors)

Since 2010, we have also increased the diversity of our management team which is now 54 percent diverse (female and people of color), up from 42 percent in 2010 (a 29 percent increase).

We also have strong diversity in representation across our company, mirroring the customers and communities we serve. Women make up more than half of our global workforce and over 40 percent of all managers. Additionally, people of color make up more than 45 percent of our U.S. workforce and 37 percent of all managers. For key race/ethnicity areas, our total US total workforce figures are at or above published Department of Labor and EEOC financial service industry benchmarks. While our focus on this is clear, we continue to seek areas where improvements can continue and progress can be made.

We also have a culture of inclusion. We have 11 Employee Networks with over 250 local chapters across the globe and 120,000 memberships globally. We foster a culture of inclusion by encouraging employees to have open dialogue on topics important to them. 60,000 teammates, or more than one in every four employees, has participated in a Courageous Conversation.

We want our people to reflect the communities we serve, so we focus on hiring from the community and connecting people to sustainable career pathways. We provide a range of resources, tools and support to help our employees and contractors grow their careers and realize their professional aspirations.

Bank of America's culture of diversity and inclusion has also been recognized by many external organizations. We are honored to have received the following awards and citations, among others:

- 2019 Catalyst Award winner for our efforts to support the success of women in the workplace
- World's Best Bank for Diversity and Inclusion by Euromoney
- One of the 100 Best Companies to Work For by *Fortune* magazine and the global research and consulting firm, Great Place to Work®, and the only financial services company on *Fortune*'s inaugural Best Big Companies to Work For list
- Ranked the top financial institution in the 2019 LinkedIn Top Companies list

- 100 Best Workplaces for Diversity (#26) and the list of 50 Best Workplaces for Parents (#46) by *Fortune* magazine
- Working Mother Magazine's 100 Best Companies for 30 consecutive years
- JUST Capital 2018 Rankings of America's Most Just Companies
- 50 Best Places for New Dads to Work by fatherly.com
- We have been a leading financial institution on the Bloomberg Gender-Equality Index since its inception
- Corporation of the Year in 2018 by the National LGBT Chamber of Commerce
- Military Times magazine's Best for Vets: Employers 2018
- Best Places to Work for Disability Inclusion by Disability:IN
- First (and only) financial institution inducted into the Billion Dollar Roundtable of companies that support supplier diversity

Compensation Policies

At Bank of America, we are committed to ensuring that all employees are compensated equitably and competitively based on market rates for their roles and their job performance. We regularly benchmark compensation against other companies, both within and outside our industry, to ensure that our pay is competitive with comparable roles in the market.

This commitment to fair compensation has benefited all our employees, regardless of their position in the company. Bank of America has been an industry leader in establishing an internal minimum rate of pay for our U.S. hourly employees. Two years ago, we raised our minimum wage to $15 per hour, and have increased it further. Our current average rate for all U.S. employees is significantly above this level.

For our senior-level employees, we have developed a strong pay-for-performance governance framework that rewards long-term, sustainable results that are aligned with stockholder interests. And since the passage of the Tax Cuts and Jobs Act in 2017, our company has extended two special compensation awards—which include cash bonuses and stock—benefiting approximately 95 percent of our employees worldwide in 2018. These awards, totaling more than $1 billion, were given in addition to our employees' regular compensation.

Consistent with the principles embedded in Dodd-Frank, including a requirement for an annual shareholder "Say on Pay" vote, the company's CEO is compensated through base salary, cash-settled restricted stock units, performance-restricted stock units and time-based restricted stock units. From 2013 to 2018, CEO base salary was $1.5 million, while from 2010 to 2012 base salary was $950,000. The vast majority of CEO compensation (94.3 percent in 2018) was variable and directly linked to company performance. As has been the case since 2010, all variable compensation was awarded in equity. Each year, the CEO pay structure is put before shareholders and is made contingent upon their approval. In 2018, approximately 95 percent of shareholders voted in favor of the structure as proposed. Since 2010, the shareholder vote in support of the company's compensation plan since 2010 has averaged 93.4 percent.

The CEO's direct reports receive a portion of their total compensation as base salary and the remainder as variable pay—a majority of which is delivered as deferred equity-based awards. Finally, all compensation plans are reviewed and certified annually by our risk management team, and all variable pay awards are subject to clawback policies.

In 2009, we made equity awards to executive officers and other key risk-takers subject to a performance-based clawback to encourage sustainable profitability over the vesting period. If losses occur during the vesting period, awards may be canceled in whole or in part. Also beginning in 2009, equity awards have been subject to a detrimental conduct clawback to encourage compliance with policies and appropriate behaviors. If an executive officer engages in detrimental conduct, unvested awards can be cancelled and previously vested awards can be recouped. An additional recoupment policy, instituted in 2007, permits the Board to require reimbursement of any incentive compensation paid to an executive officer whose fraud or intentional misconduct caused the company to restate its financial statements.

Our Corporate Governance Guidelines were enhanced to require the CEO to hold at least 500,000 shares of common stock, and for executive officers other than the CEO to hold at least 300,000 shares (up from 150,000 shares) of our common stock. The Guidelines were also enhanced to require that (i) our CEO retain at least 50 percent of the net after-tax shares from future equity awards until retirement and (ii) our other executive officers retain at least 50 percent of the net after-tax shares from future equity awards until the increased ownership guideline is achieved. This ensures that executive officers have a significant and long-term financial stake in the company.

Furthermore, since 2011, certain executive officers have received a portion of their incentive compensation in the form of performance restricted stock units (PRSUs). PRSUs must be re-earned based on performance of key metrics. If the results are below minimum standards, the entire PRSU award is forfeited.

In 2016, our Incentive Compensation Forfeiture & Recoupment Disclosure Policy became effective. Pursuant to this Policy, we will disclose publicly the incentive forfeitures or clawbacks recovered from certain senior executives in the aggregate pursuant to our Detrimental Conduct and Incentive Compensation Recoupment policies, subject to certain privacy, privilege, and regulatory limitations.

Bank of America is committed to paying our employees equitably. We believe in equal pay for equal work, regardless of race or gender. We maintain robust policies and practices to ensure that we are fulfilling this commitment. We use a standard U.S. practice restricting how we solicit compensation information when hiring, so we determine compensation levels for new hires based on individual qualifications and roles, rather than how they may have been compensated in the past. And we solicit rigorous assessments from outside experts with oversight from our Board and senior leaders to analyze whether we are living up to our commitments on pay equity. And these assessments have confirmed that our equitable pay policies are having an impact. Results of our most recent review of employee compensation at Bank of America showed that compensation received by women is on average greater than 99 percent of that received by men. Results also showed that in the U.S., compensation received by people of color is on average greater than 99 percent of non-people of color teammates.

In 2018, the CEO to median employee pay ratio was 247:1.

Our compensation policies reflect the principles and requirements of Dodd-Frank. Transparent, equitable, competitive compensation is central to being a great place to work, which, in turn, is a fundamental element of Responsible Growth.

Employee Wellness

To be a great place to work for our employees, we focus on supporting their physical, emotional, and financial wellness; recognizing and rewarding performance through fair compensation structures; and building an inclusive workplace that makes all our employees feel welcome and empowered. And if any employee believes that we have failed to live up to these or any of our other responsibilities to them, we support their right to seek redress without recourse to mandatory arbitration.

We base our approach to providing a competitive, comprehensive health benefit on the principle that such a benefit is a core element of the total reward to employees and a driver of employee satisfaction. That is why we offer health care coverage to all U.S. benefits-eligible employees that costs no more than 7 percent of their wages. For employees who earn less than $50,000 in compensation, we reduced annual family coverage medical premiums by 50 percent in 2011 and have kept those premiums flat since 2012. Over that same period, premiums have risen more than 20 percent nationally. For higher paid employees, the average contribution increase since 2012 has been at or below the national trend. the By ensuring that our employees have access to affordable healthcare, we are able to help them and their families live healthy lifestyles. On average, 85 percent of employees and their partners have completed annual health screenings over the past five years.

Our commitment to wellness extends to emotional health. Bank of America policies and programs support team members through major life events. We offer 16 weeks of paid parental leave in the U.S. and up to 40 days of backup child and adult care. As part of our support for growing families, we provide a wide variety of support and resources related to fertility, pregnancy, infancy, and adoption.

We are also there for our employees when they experience loss or struggle. Bank of America has industry-leading paid bereavement leave that allows full-time employees to take up to 20 days off to address the loss of a spouse, partner or child. Our Life Event Services team has assisted more than 85,000 team members with needs related to survivor support, domestic violence, natural and man-made disasters, transitions in or out of military service, and other major life events. And in 2018, we doubled the number of free, confidential counseling sessions available through our U.S. Employee Assistance program.

As an element of competitive compensation, we include other financial benefits to help employees manage their financial lives, prepare for retirement, and provide long term for themselves and their families. Bank of America provides matching 401(k) contributions of up to 5 percent of eligible pay and an automatic annual company contribution of 2 percent of eligible pay (3 percent after ten years with the company). Also, as part of our support for growing families, we provide reimbursement for eligible adoption, fertility, and/or surrogacy expenses to a maximum of $20,000 during an employee's career. Our Benefits Education & Planning Center provides free personalized guidance for budgeting, debt management, retirement planning and more, while our Employee Financial Services group provides access to a full range of discounted banking and investing products and services.

When our employees are healthy—physically, emotionally, and financially—our company is healthy. By investing in their wellness, we enable our team to deliver on our purpose, live our values, and drive

Responsible Growth. We therefore view wellness programs as critical strategic investments in the success of our company.

Mandatory Employment Arbitration

Bank of America does not include mandatory arbitration clauses in our offer letters and the vast majority of our employees are not required to arbitrate disputes arising from their employment or termination of their employment outside of industry requirements imposed by FINRA. This has been the case for more than a decade.

Neither does Bank of America require employees at any level to sign non-competition agreements. Non-competition provisions are used in only two situations: (1) as a condition to receive separation payments in a limited number of voluntarily executed separation agreements (generally used only for executive-level employees), and (2) as a condition to receive continued vesting of equity and certain other long-term incentive awards after meeting the career retirement eligibility standard and retiring. Non-competition restrictions for equity and long-term incentive awards do not apply to employees who leave the bank in a workforce reduction scenario. These are common features of long-term incentive awards. While retirees may lose the value of their unvested deferred awards if they go to work for a competitor, they are not restricted in any way from working for another employer.

While the bank may negotiate limited restrictions on solicitation in the context of ongoing business relationships, such as vendor service agreements, those agreements are limited in duration and scope and have no restrictions on hiring Vendor employees who apply to the bank on their own.

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