Testimony of Brian Moynihan

Chief Executive Officer
Bank of America

May 27, 2021

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

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.

Beginning in 2020, the U.S.—and countries around the world—have faced challenges without modern precedent caused by a global health and humanitarian crisis. In response, Bank of America has taken many steps that will be discussed in this statement to help our clients, the communities we serve—and ultimately the U.S. economy—through the pandemic-driven economic crisis and recovery. We made additional investments to address the needs of our teammates and their families, to support our communities and to help deliver progress on important issues facing society, with a particular focus on racial equality and economic opportunity.

When the crisis hit, we were well-positioned to be a source of strength and stability. That reflects our decade-plus focus on driving Responsible Growth.

I. 2010-2020: A decade of transformation

I assumed the role of CEO on January 1, 2010. Over the past decade, my teammates and I have transformed Bank of America into a strong, straightforward, stable, transparent and client-centric company.

Our approach to how we run the company is shared and commonly understood by our team at Bank of America. We call this Responsible Growth, and it has four straightforward tenets:

1. We must grow in the market;
2. We must grow with a customer focus;
3. We must grow within our risk framework; and
4. And we must grow in a sustainable manner.

I'll discuss each of these tenets in greater detail later in this statement.

Coming out of the financial crisis, we adopted a straightforward strategy, 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.

We also took significant steps to reduce the scope and complexity of our company, as envisioned in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). We divested more than $80 billion of non-core activities and businesses, including 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, small and mid-sized companies, corporate clients and institutional investors we serve.

We also improved our risk management framework, again consistent with the principles embodied by Dodd-Frank and in alignment with a business model that emphasizes deepening relationships with core clients.

Another central element of our company's transformation since the financial crisis is how we have strengthened our capital and liquidity. Since the end of 2009, we have increased our tangible common equity[1] from $112 billion to $180 billion. Over the same period, our average global liquidity sources have increased from $214 billion to over $1 trillion. Our capital and liquidity levels give us the financial strength and flexibility to support our clients, regardless of the economic environment.

In addition, we have managed our loan portfolio to a more balanced credit profile, making it consistent with our risk framework.

As a result of these improvements, the Federal Reserve has modeled Bank of America's loan loss rate in its annual Comprehensive Capital Analysis and Review (CCAR) stress tests to be the lowest among peers in seven of the last eight years. Bank of America also had the lowest loan loss rate (6.1%) in the additional December 2020 CCAR stress test, which was prompted by macroeconomic uncertainties caused by the global pandemic.

Subject to federal bank regulations, we have remained committed to returning excess capital to shareholders, absent what is needed to support economic growth, deliver for customers and communities, reward our teammates through shared success, invest in our future and sustain strength and stability. From the beginning of 2011 through the end of the first quarter of 2021, we returned almost $115 billion through share repurchases and dividends, and ended that period with $35 billion in excess capital above our required minimum as well as record liquidity. And while we have continued to repurchase shares over the past decade, the number of shares currently outstanding is still nearly double the amount outstanding before the 2008 financial crisis, due to capital raised in the wake of the financial crisis. *Table 1 in the Appendix shows end of year capital and leverage ratios as well as capital distributions over the past 10 years.*

Thanks to the efforts of our team to transform the company over the past decade, and their ongoing focus on Responsible Growth, our company has been well-positioned to be a source of strength for all of our stakeholders during the health, economic and social crises of the past year.

II. Delivering for clients, teammates and communities

Supporting our clients when and where they needed us

For over a decade, we have invested heavily in our capabilities to be able to serve all of our clients where, when and how they choose. That includes investment in technology; from 2009 to 2011 we doubled our new technology initiative spending budget to roughly $3 billion and it has remained at that level or higher every year since then. This strong and consistent level of investment enabled us to rapidly respond to evolving client needs in 2020—and to be there for them when they needed us most.

---

[1] Represents a non-GAAP financial measure. Tangible common equity is calculated as common shareholders' equity of $249.7 billion and $207.2 billion for the first quarter of 2021 and the fourth quarter of 2009, which has been reduced by goodwill of $69.0 billion and $86.3 billion for the first quarter of 2021 and the fourth quarter of 2009 and intangible assets (excluding mortgage servicing rights) of $2.1 billion and 12.0 billion, net of related deferred tax liabilities of $0.9 billion and $3.5 billion for the first quarter of 2021 and the fourth quarter of 2009.

Client support programs

Our support for clients included far-ranging measures to assist those impacted by the health and ensuing economic crisis, through our own relief programs and through government relief programs.

Client Assistance Program
Through our Client Assistance Program, we helped nearly 2 million consumers and small businesses defer payments on credit cards, vehicle loans and home loans as they managed their finances through the pandemic. Even with a deferral, the vast majority of those clients remained current on their payments. A small percentage have needed extended assistance, and we continue to work with them individually to help them get back on track. For example, for clients with mortgages originated by us, we are adding deferred payments to the end of the loan term so they aren't making a lump-sum payment up front.

At peak, we deferred roughly $55 billion in client loans through our Client Assistance Program. Today, due in part to government stimulus efforts, clients are better positioned to manage through the pandemic and deferrals are less than $7 billion.

Paycheck Protection Program
Beginning in late March 2020, thousands of Bank of America teammates worked to design, develop and deliver a digital platform to support clients through the Paycheck Protection Program (PPP). We began accepting PPP applications the day after the program details were announced in early April—the first major bank to do so. And in 2020, we provided PPP loans to more small businesses than any other financial institution.

To support that work, we dedicated more than 3,000 employees by the first week of the program to assist small business customers with PPP applications. We did not prioritize among client applicants when processing or submitting completed applications to the Small Business Administration (SBA) based on the amount of the customer's loan request or any broader client relationship.

To date, we have provided PPP loans to nearly 500,000 small businesses—reflecting more than $35 billion in funding. Of all PPP loans provided to Bank of America clients, 83% have gone to businesses with 10 or fewer employees; nearly 40% have gone to businesses in majority-minority communities; and 24% have gone to low- to moderate-income (LMI) communities. We sent millions of emails to help clients understand the program, and encourage them to apply if eligible, including targeted outreach to drive awareness in LMI and majority-minority communities.

We also took immediate measures to implement SBA guidance related to some of the smallest businesses—sole proprietors, independent contractors and single-member LLCs—allowing them to use gross income, instead of net profit, in the PPP application process and potentially benefit from a higher loan amount. We have provided PPP loans to more than 10,000 of these small businesses, with an average loan amount of under $20,000.

Bank of America's process for the PPP allowed any business client with an existing credit relationship, or a business client that had no credit relationship with Bank of America or another bank, to apply online for a PPP loan, because we could provide financial assistance more quickly to those with whom we already had a relationship. To assist businesses in under-served communities that weren't Bank of

America clients, we partnered with dozens of community development financial institutions (CDFIs) to assist them in providing PPP loans to more than 10,000 small businesses in the communities they serve.

In August 2020, we launched our digital portal to help clients apply for forgiveness on their PPP loan. We have since updated our portal to support the SBA's simplified application processes. To date we have helped more than 220,000 clients receive loan forgiveness and we continue to work closely with clients to help them in the PPP forgiveness process.

We expect to receive fees from our participation in the PPP consistent with the rules and formulas set forth in applicable laws, and will have a final assessment of total fees received once all loans have been processed. In 2020, we announced that any net proceeds related to PPP fees will be dedicated to support small businesses and the communities and nonprofits we serve.

Stimulus Payments
Since the start of the pandemic, we have supported clients and non-clients through three federal stimulus programs as well as two state programs and one local program. Through these efforts, we have processed over 43 million stimulus transactions totaling $73 billion.

We took steps to ensure all clients were able to access their funds immediately. Additionally, we provided overdraft credits to help those with a negative balance on their account access the full payment amount. If a client had a negative balance on their account when they received a stimulus payment, we provided a temporary credit to their account—for at least 30 days—equal to the amount of the negative balance. Through this expanded support, we have helped more than 1 million clients access the full amount of their stimulus payment.

To help non-clients access the full amount of their payment, we waived non-client check cashing fees for stimulus checks.

We continue to process stimulus payments pursuant to all applicable federal and state regulations on garnishments, including executive orders on garnishments issued in several states during the pandemic.

Unemployment Insurance
Bank of America has supported 12 state government unemployment agencies (Arizona, California, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Nevada, New Jersey, North Carolina and South Carolina) with the distribution of unemployment benefits during the pandemic.

Those states have contracted with Bank of America to help distribute unemployment funds using pre-paid debit cards. Since March 1, 2020, we have experienced a more than six-fold increase in cards issued, compared with the rate of issuance prior to the pandemic, and loaded over $195 billion in unemployment payments to more than 24.7 million recipients, with California representing the largest share of active pre-paid cards and aggregate funds.

The delivery of unemployment benefit payments is a collaborative effort between state agencies and the bank they select to administer the delivery of payments, with each having different responsibilities. Unemployment claimants submit an application for unemployment benefits to the state agency, online, via email or by phone. The state agency determines both eligibility and benefit amount, then transmits a file with benefits recipient and payment information to the bank. The bank creates and mails a card, and loads funds into an account associated with that card. Once the benefits account is opened, the bank is responsible for routine card servicing issues relating to account access, lost or stolen cards, personal identification numbers, as well as account transaction claims and disputes. The state agency is also responsible for addressing ongoing questions regarding benefit recipient eligibility status.

The vast majority of state unemployment funds have been delivered to recipients as intended during the period of heightened activity brought about by the pandemic. However, Bank of America and the relevant state agencies have also seen unprecedented levels of criminal fraudulent activity in the form of eligibility and identity fraud. We have faced these challenges in all 12 states, although the scale of fraudulent activity related to California's program has been uniquely large.

A spike in criminal activity occurred in the third quarter of 2020, resulting in heavy volumes in our call centers and claims departments. In response, we took a number of actions with authorities in order to reduce fraud, including freezing suspicious cards, while also implementing measures to improve the experience for valid recipients. These steps, in connection with additional measures being taken by states, have led to a meaningful reduction in fraudulent activity and improved processes for legitimate recipients. We continue to monitor and adjust our response as needed to support these important state programs.

Supporting clients' day-to-day financial needs

Our services are essential to our clients and to the economy. Throughout the past year, our team has redoubled its efforts to support the everyday financial needs of our clients—in person and through digital channels—in all of the communities we serve.

Ongoing support through our financial centers
From the beginning of the health crisis, we've taken additional health and safety measures within our financial centers to protect our teammates, clients and communities. That includes implementing enhanced deep cleanings and temperature checks, and installing more than 44,000 wellness barriers. Like many businesses, we've had to continuously adjust our local operations in response to the spread of coronavirus, state regulations and local ordinances.

Through it all, our financial center teammates have been there for our clients—and our entire company is grateful for their efforts. I will talk more about how we have supported our teammates in financial centers later in this testimony.

Staying connected through digital platforms
For more than a decade, we've invested heavily to develop a secure, user-friendly digital platform that supports the full range of client needs. These industry-leading digital capabilities have allowed us to remain connected to our clients and deliver essential products and services without interruption during the health crisis.

In 2020, more than 9 billion out of 10 billion total client interactions with Bank of America came through digital channels. As clients navigated lockdowns and quarantines, we saw 84% of deposits come through our automated channels (mobile, online and ATMs), up from 78% the prior year. This includes a record 160 million checks—many of them government stimulus checks—deposited using our mobile banking app in 2020.

As the health crisis hit, we saw a spike in digital adoption among older clients, who needed a safe and reliable way to continue banking. As one client shared with us in the spring of 2020:

> "I'm a 75-year old senior in New York, currently sheltering in place at home. I received a few checks that I needed to deposit so I could pay my bills. I had heard about a way to deposit using my iPhone, so I decided the time had come to learn how to do it."

At a time when clients' schedules were pressured, our digital capabilities made it easier to connect with our teammates for support and guidance. In 2020, clients used digital tools to arrange a record 2.6 million in-person and virtual appointments. Our Bank by Appointment capabilities were responsible for more than 20% of account sales and service interactions in our financial centers, up from 13% in 2019.

The strength of our digital platforms enabled us to be responsive to rapidly changing needs of our clients during the crisis. For example, Erica, our AI-based financial assistant located in our mobile app, learned 60,000 new pandemic-related intents—for example, "Erica, tell me about coronavirus relief options"–in a matter of days to support our clients and connect them with the information and resources they needed. And our CashPro platform allowed our commercial clients—including those pivoting to remote work—to continue managing payments and cash flow uninterrupted.

Supporting underserved communities
We are committed to ensuring everyone has access to the products and services they need to achieve their financial goals, regardless of where they live and what they earn.

Throughout 2020, we continued to use our network of financial centers—including financial centers in LMI communities and our designated community financial centers, which I describe in greater detail later in this testimony—as well as our digital capabilities, to support financial needs within underserved communities. To complement these channels and to ensure these communities have access to capital, we continue to invest heavily in alternative channels of funding, including CDFIs.

Bank of America is the nation's largest lender to CDFIs, which provide affordable, responsible lending and support to low-income and other disadvantaged clients and communities. By funding CDFIs, including our support for PPP lending described above, we help make it possible for credit to flow to needs we might otherwise be unable to serve through direct lending.

Currently, we provide $1.8 billion to finance affordable housing, community facilities and small businesses through 256 CDFIs in all 50 U.S. states and the District of Columbia. More than $510 million of that total has been focused on small businesses.

In addition to funding CDFIs directly, Bank of America connects CDFIs with other sources of flexible capital. For example, Bank of America has facilitated CDFIs accessing more than $750 million in loan capital under the Federal Reserve's PPP Liquidity Facility.

Sustained outreach and engagement
Throughout the health crisis, our teams have continued to reach out to clients across all businesses in order to support their financial needs and help them navigate the current environment.

- We sent tens of millions of emails and placed outbound phone calls to Consumer & Small Business clients;

- We held thousands of calls, meeting and broadcasts to actively advise and connect with our Wealth Management clients; and
- We issued guidance and market insight from our BofA Global Research and Investment Insights teams through multiple channels, including virtual investor conferences.

While each outreach to clients varied in content, the overarching message was always the same: Bank of America is here to support you.

Taking care of our teammates and their families

Our teammates' health and safety is always our top priority. Since the beginning of the health crisis, we have taken many broad ranging steps to protect our more than 200,000 teammates and to support their families.

First, we transitioned about 85% of our employees, including any teammate who identified as high-risk, to work from home. Many high-risk employees have been redeployed to roles they can perform remotely.

We also expanded many of our benefits and resources, including additional support for mental health, free virtual medical consultations and no-cost coronavirus testing. And we delivered face coverings to all employees and contractors to help them stay safe, in line with guidance of medical experts, health officials, and the U.S. Centers for Disease Control and Prevention.

As the pandemic hit, we knew our teammates were going to be under pressure at home. For most of them, their home became their workplace. For our 40,000 teammates with children, home was often also a school or daycare. For many teammates with aging parents, home became an assisted living space as well. Our teammates needed help. We offered them $100 per day to hire that help and, to date, we've funded more than 4 million days of care. And we continue to expand our childcare benefit programs to support our teammates with children. Beginning in July, we will provide childcare reimbursement up to $275 per month, per child, for U.S. employees earning up to $100,000 in cash compensation.

We took additional actions to support the health of teammates working daily in our offices, and to recognize their efforts to serve our clients and help the economy move forward. In our financial centers, we implemented on-site coronavirus testing, temperature checks, daily health screenings, physical distancing markings and wellness barriers to keep teammates and clients safe. And we provided these teammates with special compensation programs, including supplemental pay and enhanced overtime pay, as well as transportation and meal subsidies.

We expanded our dedicated team of Life Event Services specialists—which was established in 2014 to assist teammates through disasters and other times of crisis—to provide personalized support to teammates impacted by the coronavirus. And we continue to offer 24/7 confidential counseling through our Employee Assistance Program for teammates and their immediate family members.

More than one year into this health crisis, we recognize that COVID-19 vaccines are key to returning to a more normal way of life—for our company and for the world. We continue to share extensive information and resources, including local tip sheets, to help our teammates learn more about vaccines and find out where they can get one. And we are providing all employees up to two half-days of paid time off to complete vaccination appointments in 2021.

Helping our communities move forward

Last year, as we confronted overlapping crises, we invested heavily to support the communities in which we work and live and, at the same time, help deliver progress on important issues impacting us all.

Promoting local health and safety
In response to the health and humanitarian crisis, our teams immediately set to work providing important resources to our local communities—including those hardest hit by the impacts of the coronavirus. We pledged $100 million toward medical supplies, food security and other vital support, and an additional $250 million to CDFIs to provide more companies and not-for-profits access to important capital.

Our support also included the donation of personal protective equipment (PPE) to communities across the country. To date, we have delivered roughly 29 million face coverings, more than 5 million gloves and more than 28,000 cases of sanitizer to communities in need.

In May of 2020, we also launched a $1 billion corporate social bond, the first issued by a U.S. commercial bank to focus exclusively on fighting the pandemic.

Racial equality and economic opportunity
Last year, we saw intensified passion to address the obstacles to true racial equality in the United States and around the world. In June of 2020, we accelerated our longstanding work to promote racial equality and economic opportunity for all under-represented groups with a $1 billion, four-year commitment. We recently expanded that to $1.25 billion over five-years.

We are delivering our commitment in our local communities through targeted investments in four key areas: jobs, small businesses, housing, and healthcare. Since June 2020, we have already deployed more than $350 million of the money into our communities, including:

- <u>MDIs and CDFIs</u> – We have completed equity capital investments in 17 minority depository institutions (MDIs) and CDFIs as part of a $50 million commitment made in 2020. As part of this commitment, we have acquired up to 4.9% of common equity in MDIs and CDFI banks facilitating benefits in the communities that these institutions serve through lending, housing, neighborhood revitalization, and other banking services. These equity investments are in addition to approximately $100 million in deposits from Bank of America in MDIs as well as our $1.8 billion CDFI portfolio, discussed earlier in this testimony.

- <u>Private equity funds</u> – We recently increased our target for equity investment in minority-focused funds to $350 million, and have already committed more than $250 million to 90 private equity funds across the U.S. These funds provide capital to Black, Hispanic-Latino, Asian, Native American, other under-represented minority and women entrepreneurs to help them establish and grow their businesses. These investments help advance racial equality and economic opportunity on several levels. The investments we make in the funds themselves provide capital to under-represented minority and women investors who own and manage the funds. These investors, in turn, are helping fund minority-owned businesses, and we anticipate the private equity funds investments we have already made will lead to more than 2,000 minority-owned operating companies getting the investments they need to hire employees, including, of course, under-represented minorities and women.

- Higher education institutions – Through our partnerships with 21 historically Black colleges and universities (HBCU) and Hispanic-serving institutions (HSI), we have worked to enhance up-skilling and re-skilling for Black and Hispanic-Latino students and create pathways to long-term career success.

- For example, in February, we partnered with the Black Economic Alliance Foundation, Morehouse College and Spelman College to launch the Center for Black Entrepreneurship (CBE), the first-ever academic center of its kind. Our $10 million anchor funding will support the development of an academic curriculum, faculty recruitment, co-curricular programming, modernization of existing facilities and the development of new physical space. The CBE will be located on the campuses of Spelman College and Morehouse College in southwest Atlanta.

In 2020, we also issued an industry-first $2 billion equality progress sustainability bond designed to advance racial equality, economic opportunity and environmental sustainability.

Affordable housing
During 2020, we continued to address the affordable housing shortage for individuals, families, students, veterans, the formerly homeless, those with special needs, and other at-risk groups.

We recently tripled our affordable homeownership commitment to $15 billion by 2025. By providing grants for down payments and closing costs through this program, we aim to help more than 60,000 individuals and families in low- and moderate-income communities purchase homes and, importantly, build wealth through the power of homeownership. And we have expanded our funding and long standing partnerships with non-profits like Neighborhood Assistance Corporation of America (NACA) for the same reasons.

Additionally, in 2020, we provided a record $5.87 billion in loans, tax credit equity investments and other real estate development solutions, and deployed $3.62 billion in debt commitments and $2.25 billion in investments to help build strong, sustainable communities by financing affordable housing and economic development across the country. Between 2005 and 2020, we financed more than 215,000 affordable housing units.

In April 2021, we committed $60 million—$30 million in loans and $30 million in equity financing—to support Enterprise Community Partners' Equitable Path Forward, a five-year initiative to help facilitate racial equality in housing. The investment will increase access to capital and career opportunities for diverse leaders developing multi-family, affordable and supportive housing across the country. Through this initiative, we will help provide much-needed Low Income Housing Tax Credit capital and debt financing to directly source, structure and close deals with diverse developers, especially emerging developers seeking both flexible capital and technical assistance.

III. Responsible Growth

Our company's purpose is to make financial lives better. Responsible Growth is how we deliver on that purpose. By driving Responsible Growth, we create value for our shareholders as well as our clients, our teammates, our communities and, at the same time, help deliver progress on important issues facing society.

Our decade-long focus on Responsible Growth prepared us well for the current health crisis. It positioned us to continue serving our clients through the worst economic shock in recent history, while at the same time increasing investments to support the needs of our teammates and our communities.

To reiterate what I described at the beginning of my statement, there are four tenets to Responsible Growth. First, like every business, we must grow to be successful. Second, we must grow with a customer focus. Third, we must grow within our risk framework. Fourth, we must grow in a sustainable manner.

1. Grow in the market

To be successful, we have to grow in the market—and that growth has to be consistent with our principles and risk framework, and beneficial for our stakeholders.

In 2020, we saw a surge in client activity due to the health crisis. As a result of our planning and investments over the past decade, and the tireless efforts of our global team, we were there to support our clients' evolving needs—including those consumers and small businesses hardest hit by the impacts of the coronavirus.

We supported our clients with our various customer assistance programs. We supported small businesses with PPP loans. We supported wealth management clients with advice, expertise and execution in volatile markets. We supported commercial clients with our strong balance sheet: providing more than $70 billion in loans in a few-week period, and raising $772 billion in capital for clients over the course of 2020. We supported institutional investors by providing market expertise and insights, trading capabilities and access to help them navigate through the uncertainty.

And we leveraged our digital capabilities to help all of our clients—from retail clients to CFOs to institutional investors—manage their finances wherever and whenever they needed.

All of this, and more, allowed us to continue to serve clients through the pandemic, even as volumes surged. We played our part, with our industry colleagues, in helping ensure economies around the world, and here in the U.S., recover more quickly. In the end, that is the role of the bank.

Our diverse set of businesses allowed us to respond to and support the financial needs of all clients, and our results for 2020 reflected the trust clients placed in us to do so.

In 2020, average deposits at our bank increased 18% year-over-year to approximately $1.6 trillion.

In Consumer Banking, we added $115 billion in average deposits during the year.

During 2020, we added roughly 22,000 Merrill and 1,800 Private Bank relationships, and ended the year with client balances at all-time highs of $3.3 trillion.

Apart from the role we played as one of the largest PPP lenders, we remained the largest small business lender in the country overall, ending 2020 with more than $32 billion in small business loan balances.

We supported our commercial clients in their rush to borrow as they sought liquidity in February, March and April of 2020—reaching a high of $585 billion in commercial loans during the year. As conditions stabilized, we helped provide market access for these clients to raise needed and permanent capital.

Through a dynamic market environment, we remained a source of strength and stability for our clients. And we grew as a result.

2. Grow with a customer focus

To drive Responsible Growth, we must grow with a customer focus. And by focusing on the needs of our customers and clients in 2020—through the extraordinary pandemic-related efforts described above and across the full range of our *high-touch* and *high-tech* capabilities—we made a meaningful difference in their lives. How do we know? In 2020, our client satisfaction scores were the highest in company history.

Our company has developed over many decades to one which now serves cities and towns across America. Our nationwide coverage, combined with our industry leading digital platforms, gives us the scale and breadth to address the individual financial needs of our roughly 66 million clients—with whom we interact tens of millions of times each day.

Our branch network

Our network of financial centers is an important *high-touch* way we connect with our clients, work with them to achieve their financial goals, and support the economic wellbeing of our communities.

Today, Bank of America's nationwide network consists of approximately 4,300 financial centers and 17,000 ATMs across 38 states and the District of Columbia. Over the past two decades, the size and footprint of our network has evolved to help us more effectively serve clients where they are. In 1999, we had had approximately 4,500 banking centers. Over the following years, the number of financial centers increased during a period of acquisitions to a high of 6,149 at the end of 2007.

Since 2008, we have opened approximately 650 financial centers to help provide local access to more clients and communities. During this period, we expanded our physical footprint into 5 new states (Colorado, Minnesota, Ohio, Utah and Kentucky). And we've continued to invest in renovations across our financial center network to help us more effectively support the financial needs of our clients. We completed more than 1,500 renovations in the past 3 years alone.

We continuously monitor client behavior, including digital engagement, and traffic patterns and make adjustments to our financial center footprint to most effectively serve them. This includes selectively consolidating financial centers, primarily in areas in which we have overlapping coverage.

In 2010, 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 while preserving access to those branches for the people they serve.

Supporting LMI communities
As our network has evolved, we have made significant investments in LMI communities to ensure that they have better access to the full range of high-quality financial services and products that we offer. Since 2008, the portion of our financial centers in LMI communities has remained steady at approximately one-third. At the same time, the portion of centers in majority-minority communities has increased from 33% to 36%.

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. At the same time, 72% of our financial centers are multi-lingual, reflecting the communities we serve.

Seven hundred of our financial centers are designated community financial centers focused on meeting clients' and communities' unique needs by connecting them to products and services, jobs and capital that will increase financial resilience and help our local communities thrive. 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. Many clients have appreciated the additional resources and support our community financial centers provide, and client satisfaction rates in these centers is at an all-time high.

Our efforts to lend, invest and provide services in LMI communities are subject to the Community Reinvestment Act (CRA) and are currently rated outstanding.

Digital banking

Complementing our *high-touch* offerings, our *high-tech* digital capabilities help us serve clients when and where they need us. Today, we have more than 40 million digital customers. In the first quarter of 2021 alone, these clients made 2.6 billion digital logins. In the first quarter, approximately 70% of Consumer & Small Business households actively used digital platforms and roughly half of all Consumer Banking sales came through digital channels. Of those clients, 61% are now fully paperless.

Digital is transforming how our clients send and receive money. Our 13.5 million Zelle active users, including Small Businesses, sent and received 170 million transfers worth $49 billion in the first quarter alone, that's up 66% and 83%, respectively, over 2019 levels.

On the commercial side, our CashPro platform continues to enable businesses and corporations to efficiently manage their finances from the office, home or somewhere in between. CashPro sign-ins were up 37% in the first quarter of 2021 compared to one year earlier.

Our wealth management advisors also used our digital capabilities to support the needs of our Merrill Lynch and Private Bank clients in a virtual setting. Digital engagement for both businesses hit records highs in the first quarter of 2021.

We deliver a wealth of services through our digital platforms for all customers and clients, across all lines of business. These benefits are equally accessible and applicable across all demographics. And we are constantly exploring ways to expand and interconnect these tools to deliver a more seamless, personalized experience for each client that spans and supports their entire relationship with us.

Emerging technologies

Artificial Intelligence
One of the ways we improve the overall client experience and better serve their financial needs across our platforms is by the thoughtful and responsible application of artificial intelligence (AI).

In evaluating the potential uses of AI, we first we look at the customer needs and how our potential AI-driven solution might benefit them and fit into our overall business process. We treat AI like every other technology: If it can improve the client experience, we will consider including it. If it does not, we won't.

While there are many new applications of AI available today, the building blocks of this technology—data science, predictive modeling, testing and training—have been around for over half a century. As with all technologies we use, we have rigorous policies and procedures in place for how we develop capabilities using AI.

Importantly, we take measures to ensure we have a diverse team in place to build, test and refine our AI capabilities. This helps remove the potential bias in algorithms. Ultimately, we understand that members of our team must be held accountable for the output of our AI. Human oversight is a critical factor in AI success.

We do not utilize the type of AI commonly associated with explainability challenges to decision outcomes for lending or hiring.

One of our most prominent applications of AI is Erica, our AI-based virtual financial assistant located in our mobile app. More than 20 million of our digital clients use Erica to do everything from checking their balances to paying their bills, and 99% of our clients who engage with Erica are able to find the information they need without calling a contact center. Additionally, Erica's personalized, proactive insights and guidance can help clients manage cash flow and optimize savings. For example, even if a client has not directly engaged the Erica financial assistant, Erica will reach out to help if a client's balance is at risk of going below $0 in the next week, or if a merchant charges them twice.

Erica continues to gain new capabilities and learn new ways to support our clients. This, in turn, has driven increased client engagement. In the first three months of 2021, clients interacted with Erica 100 million times, whereas it took 18 months for Erica to reach the first 100 million interactions.

Distributed Ledger Technology and blockchain
We continue to evaluate applications of new technologies that have the potential to deliver value to our customer and clients, including distributed ledger technology (DLT) and blockchain. While Bank of America holds more than 60 blockchain patents, we still have not found a use case at scale.

In 2019, we joined the Marco Polo trade finance network that leverages Corda DLT to provide transformative solutions to global trade participants. Through the network, we will be able to offer clients access to innovative risk mitigation solutions such as receivables discounting, payment commitment and payables finance programs, providing them greater transparency and making traditionally paper-based processes more efficient.

Cryptocurrency

We continue to evaluate the opportunities, risks and client demand for products and services related to cryptocurrency. Currently, we do not lend against cryptocurrencies and do not bank companies whose primary business is cryptocurrency or the facilitation of cryptocurrency trading and investment.

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.

Consumer-focused products and services

Early in the financial crisis, it became clear to us that customers in all income groups wanted clarity, consistency, transparency and simplicity in their financial products and services. As part of our transformation over the past decade, we've embedded these principles into our existing portfolio of products and services.

For example, we have cut the number of credit cards we offer from 25 to six today, and condensed 22 checking accounts into one operating account.

We also continue to add to our series of fair and affordable banking solutions to help clients budget, save, spend and borrow with confidence as well as attract the unbanked into the mainstream of available financial services.

In 2020, we added Balance Assist, a short-term, low-cost, and digital-only lending solution. An alternative to payday lenders, Balance Assist allows clients to borrow up to $500 (in $100 increments) for a $5 flat fee, regardless of the amount advanced to their account. Clients repay the loan in three equal monthly installments over a 90-day period.

In 2014, we introduced Advantage SafeBalance Banking, a full-featured bank account with no overdraft or non-sufficient fund fees. The low monthly fees for the account are waived for students under 24 and members of our Preferred Rewards program. Today, about 2.5 million clients use SafeBalance accounts to manage their everyday finances.

For clients who want to establish, strengthen or rebuild their credit, we offer Bank of America Secured Card. Clients can apply for an account with a security deposit of $300. With responsible credit behavior, clients can improve their credit score and, over time, may qualify for credit without the security deposit. More than 830,000 households currently use a Bank of America Secured credit card.

Our digital platforms help us deliver these products and services to our clients, and extend our reach further into our communities. Today, 64% of underserved clients use our mobile app to actively manage their accounts as well as to access information and resources to help them achieve their financial goals.

In September 2020, we launched LifePlan, which gives clients the power to select what's most important to them, selecting from items like "improve credit," "pay off student loans," and "budget and start saving." Clients then receive personalized insights to help them achieve their goals, through both *high-tech* and *high-touch* interactions. By the end of the first quarter of 2021, our clients had created more than 3 million plans, one of the fastest product rollouts in our history.

In 2013, we launched Better Money Habits, a free financial education program that helps people build financial know-how, with tools and resources in English and Spanish. For Bank of America customers, the platform is embedded in our online and mobile offerings—including LifePlan—and is enhanced by our Spending and Budgeting Tool, which puts timely information at clients' fingertips to help them improve their financial outcomes. Last year, consumers accessed financial education information on the Better Money Habits website 7 million times, reflecting a 12% year-over-year increase in traffic to our English site and a 133% increase in traffic to our Spanish site.

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.

Non-sufficient funds and overdraft fees

In 2020, we saw net consumer fees from non-sufficient funds and overdrafts decline 29% from 2019 levels. In 2020, these fees represented 3.3% of Consumer Banking revenue, down from 4.1% in 2019 and 7.7% in 2009. As a percentage of Bank of America's total revenue, consumer non-sufficient funds and overdraft fees represented 1.3% in 2020, down from 1.7% in 2019 and 3.9% in 2009. As a percentage of average Consumer Checking balances, these fees represented .38% in 2020, down from .64% in 2019 and 4.36% in 2009.

Mandatory arbitration

Bank of America avoids relying on mandatory arbitration clauses in nearly all cases. Since 2009, Bank of America has not used mandatory arbitration in banking disputes with individual customers regarding consumer credit cards; auto, recreational vehicle and marine loans; and deposit accounts. Bank of America eliminated mandatory arbitration in its mortgage and home equity agreements several years before that, other than in a limited number of jurisdictions, where we have customized loan agreements with high net worth borrowers that contain mandatory arbitration provisions.

Bank of America, along with other securities industry firms, also uses arbitration clauses in our client agreements when establishing a brokerage or investment advisory account relationship. FINRA provides the forum and sets the rules for these arbitrations, subject to oversight and approval of the Securities and Exchange Commission.

Additionally, Bank of America does not include mandatory arbitration clauses in our offer letters to employees and thus, employees we hire are not required to arbitrate discrimination and harassment claims (though employees registered with FINRA are required to arbitrate non-discrimination employment claims as result of industry requirements and we have a mutual arbitration clause with a managed service provider for contract employees).

Supporting Small Businesses

Small businesses are the backbone of the U.S. economy and key to the economic wellbeing of our communities. Bank of America serves 13 million business owner clients nationwide who rely on us for their financial needs, both business and personal. More than 3 million of those business owners have their business banking relationship with us, and our team of more than 2,000 dedicated small business bankers work within our communities to help address their everyday needs.

According to the FDIC, Bank of America maintained its position as the nation's top small business lender at the end of 2020, with $50.3 billion in total outstanding small business loans (defined as business loans in original amounts of $1 million and under).

The success of the small businesses we serve helps support the wellbeing of their communities through economic growth, development and job creation. Currently, 60% of our small business lending is to LMI clients or communities. Approximately 40% of our small business clients are women and 13% of our small business clients are Hispanic, in-line with the nationwide averages for small business ownership. We serve over 1 million Hispanic business owners, making us a market share leader according to Deloitte.

Capital markets activity

Our capital markets businesses include Global Banking and Global Markets.

Global Banking, which includes Global Corporate Banking, Global Commercial Banking, Business Banking and Global Investment Banking, serves middle-market and large corporate clients. 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.

In 2020, we were the number three investment banking firm in the world with total investment banking fees of $7.2 billion, up 27% from the prior year primarily driven by higher equity issuance and underwriting fees as we provided clients access to markets.

Our Global Markets business offers sales and trading services and research services to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets' product coverage includes securities and derivative products in both the primary and secondary markets.

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 $15.2 billion. The average over that period was $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.

Our Global Markets business generated a 22% return on capital in the first quarter of 2021. This helped offset other segments that were more negatively impacted by the health crisis, reflecting the value of our diverse and complementary lines of business.

Our goal for our Global Markets business is to be large enough to serve customers and clients in every major market around the world but not so large, risky or volatile as to ever—even in the worst of times—hamper our ability to serve all our customers across every line of business.

Through our focus on Responsible Growth, we manage our Global Markets business through a well-established risk framework and oversight. This naturally limits activities that are highly leveraged and concentrated. As one example of the impact of these strategies, Bank of America did not have any exposure to recent events involving Archegos Capital Management.

3. Grow within our risk framework

Growing within our established risk framework is integral to how we drive Responsible Growth. Our principled approach to risk management allowed us to continue supporting our customers and clients against the backdrop of one of the worst economic declines in U.S. history, driven by the global pandemic.

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. The 7,000-plus teammates in the Risk & Compliance group report 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 1,100 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 Global General Counsel, and the Chief Technology and Operations Officer.

We drive a culture of compliance and risk management deep into our company. To ensure that all employees across all levels are managing risk effectively, we conduct educational sessions and mandatory training on key risk types facing our company, including strategic risk, credit risk, market risk, liquidity risk, operational risk, compliance risk and reputational risk. We also sustain an open environment in which employees are encouraged to identify, escalate and debate potential issues.

As a global systemically important bank, Bank of America's business operations, resiliency and financial strength have the potential to both bolster and affect the stability of the financial system and the economy as whole, as the current health crisis demonstrated. Managing systemic risk is a priority for Bank of America, as it is for our regulators. It important to both external stakeholders and the company's core business strategy. To avoid passing these risks onto the government and taxpayers, Bank of America maintains billions of dollars in additional capital; plans extensively for the possibility of economic, financial or market stress; and expends substantial resources to meet heightened supervisory expectations for risk governance. As our balance sheet and external testing reflects, we are much stronger than we were ten years ago, having transformed the company in the wake of the financial crisis: We reduced scope and complexity, improved risk management, and are fully committed to growing responsibly.

Cybersecurity
Cyber threats are evolving and pervasive, and we continue to invest heavily in our cybersecurity capabilities to protect our clients and our company. That begins with the strength of our team, and over the past decade, we have doubled the size of our Global Information Security (GIS) team to nearly 3,000 teammates.

Our cybersecurity framework is designed to prepare, prevent, detect, mitigate, respond to and recover from cyber threats. 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 today's cyber challenges. We continue to invest in partnerships to build a trusted community for cyber threat information sharing, and are 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 Analysis and Resilience Center for Systemic Risk (ARC, formerly the 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 ARC, FS-ISAC, FSSCC, and Sheltered Harbor.

We also participate in industry-wide exercises, along with government partners, to test the resilience of our crisis management plans and response to threats and incidents. We are leveraging our leadership role to help 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.

Compliance commitment
Since 2019, Bank of America has continued to take steps to improve compliance and prevent violations of laws and regulations. We have made important progress, and our work continues. Based on readily accessible public information, we entered into three settlements with government regulators valued at greater than $1 million since the last hearing: (1) in June 2019 Merrill Lynch Commodities Inc. agreed to pay $36.5 million to the U.S. Department of Justice and the Commodity Futures Trading Commission to resolve allegations that former precious metals traders misled the market for precious metals futures contracts; (2) in September 2019, Bank of America agreed to pay $4.2 million in back wages and interest to resolve allegations of hiring discrimination violations between 2008 and 2013 at six branches, as identified by the U.S. Department of Labor's Office of Federal Contract Compliance Programs; and (3) in December 2020, Merrill Lynch paid $2 million to the New Hampshire Bureau of Securities Regulation, and $24.3 million to an affected investor to resolve claims of unauthorized and excessive trading by a former financial advisor. To the extent a settlement included restitution to investors or consumers, the relevant terms are set forth in the respective settlement agreement. Two Foreign Exchange Consent Orders, one issued by the Office of the Comptroller of the Currency (OCC) and one by the Federal Reserve Board (FRB), were terminated in April and December of 2019, respectively.

4. Grow in a sustainable manner

To drive Responsible Growth, we must ensure that our growth is sustainable. There are three complementary and interdependent tenets to how we approach sustainable growth: driving operational excellence, being a great place for teammates to work and sharing our success with our communities.

Driving operational excellence

Operational excellence is key to ensuring our growth is sustainable and instrumental to our success. It describes the ways in which we drive continuous improvement, reduce operational risk and seek to find faster, simpler and more efficient ways of working and serving our clients. We then reinvest savings back into our team, our capabilities, our client experience, our communities and our shareholders.

In 2015, we had $57 billion in expenses. In 2020, we had $55 billion, including roughly $1.5 billion in net coronavirus-related costs. Compared with 2015, we have more customers and clients and more transactions—so more work. Yet compared with 2015, costs are down and client satisfaction is up. And over the same period, we invested about $18 billion in technology initiatives, provided companywide supplemental bonuses, increased our minimum hourly rate of pay for U.S. employees, opened 300 financial centers and refurbished 2,000 more. That's the power of operational excellence.

This work is fueled by the ingenuity and creativity of our teammates, who continuously look for ways we can do things better. In total, we've approved nearly 8,600 of their ideas, which commit to delivering billions in expense savings. In 2020 alone, our team generated more than 1,700 ideas that helped us define commitments to save nearly $1 billion.

Being a great place to work

Attracting and retaining the best talent is key to driving Responsible Growth and one of our top priorities. It helps us manage our operations, provide the best service for our clients and support our communities.

We strive to make Bank of America a great place to work for all teammates. And we fulfill this commitment by being a diverse and inclusive workplace, attracting and developing talent, recognizing and rewarding performance and supporting teammates' physical, emotional and financial wellness. *For additional information on these topics, including detailed metrics on workforce diversity, please see our 2020 Human Capital Management Report, which is included with this testimony.*

In 2020, one of the most important ways we made our company a great place to work was by supporting the health and safety of our teammates during the health crisis, described earlier in this testimony.

Diversity and inclusion
Another way we make our company a great place to work is by fostering a diverse and inclusive workplace. We want our workforce to reflect the communities we serve across all dimensions. As highlighted in our 2020 Human Capital Management Report, we have continued to make progress in our goal to ensure diverse representation at all levels of our company. That begins with our board, which is 50% diverse and one of only a handful of S&P 100 boards with six or more women. Looking across our company, 50% percent of our management team is diverse, more than half of our global workforce is

women, and 45% of our U.S.-based teammates are people of color. And over the past decade, the number of people of color we hire in the U.S. from universities has increased by 50%.

In 2018, we made a five-year commitment to hire and train 10,000 employees from LMI communities through our Pathways program, a program designed to provide the opportunity for long-term careers. To date, we've already hired more than 11,000 teammates through the program—well ahead of our commitment to do so by 2023.

We also surpassed our five-year pledge in 2014 to hire 10,000 veterans, National Guard and reservists, and continue to maintain that hiring momentum today by attracting, developing and retaining military talent.

At the same time, we are focused on creating a culture of inclusion in which every employee can be their best. We currently have 11 Employee Networks with over 340 local chapters across the globe. More than 90,000 of our teammates participate in at least one network, and our participation rate grew from 38.2% in 2019 to 42.7% in 2020. Additionally, our Courageous Conversations series helps us break down barriers, while driving greater accountability and action. Last year, we reached more than 165,000 employees through conversations with civil rights, social justice and inclusion leaders focused on racial, social and economic injustices.

A diverse and inclusive supply chain
In addition to our focus on workplace diversity, we recognize the value of having and promoting diversity in our supply chain, and actively seek to do business with certified diverse businesses either directly or indirectly through our Supplier Diversity Program. Examples of diverse vendors include companies owned by minorities, individuals with disabilities, veterans, women and lesbian, gay, bi-sexual or transgender individuals. We also encourage supplier diversity by mentoring and developing certified diverse-owned businesses so that they can become qualified to provide products and services that meet our requirements.

As part of our vendor Code of Conduct, we expect vendors to actively promote a diverse and inclusive environment through specific programs and initiatives to recruit, develop and retain diverse talent of all types. We also expect vendors to measure and report on the success of their workplace diversity programs and initiatives. Additionally, we expect our vendors to have policies and procedures to drive, and report on, inclusion of certified diverse owned businesses in their own supply chains.

We have taken additional steps to promote diversity and inclusion in the policies and practices of those with whom we do business, and throughout the broader economy. For example, our Chief Investment Office (CIO) has introduced initiatives to promote the representation of women and people of color among asset managers on our wealth management platform and across the industry. The CIO is now incorporating diversity analysis into the review and selection of all existing and new asset managers who are available to Merrill and Bank of America Private Bank clients.

In 2020, the CIO Due Diligence team enhanced its investment process to evaluate all asset managers' policies and practices on diversity and inclusion at both their organizational and investment team levels. Going forward, this analysis will be used in the CIO team's overall investment assessments and factor into their level of conviction in investment strategies. In addition, this team will collaborate with asset managers and industry groups who are focused on developing investment solutions that serve to (1) aggregate and direct capital to diverse managers, and (2) provide capital to diverse-owned businesses and populations as part of their underlying investment mandates.

Competitive wages and benefits
We want teammates who are invested in our company and our clients, and want to enjoy long careers with Bank of America.

To do so, we provide competitive starting wage and benefits, and then continue to invest in our teams over time. This includes a progressive compensation model. Each year, teammates with lower salaries, on average, receive higher compensation increases as a percentage of salary when compared to employees with higher salaries, with the highest increases going to those teammates earning less than $50,000. *You can see our average compensation growth rates broken down by salary in Chart 1 in the Appendix. This illustrates, for example, how a teammate who joined our company in 2010 at a salary below $50,000 has, on average, seen a 7% increase in his/her comp each year since.*

In 2020, we moved our minimum hourly rate of pay for U.S. teammates to $20—roughly $42,000 per year—one year earlier than planned. And we recently committed to raising our U.S. minimum hourly wage to $25 by 2025. Additionally, for teammates earning lower salaries, we provide higher company subsidies for medical premiums. For the tenth consecutive year, in 2022 there will be no increase in medical premiums for teammates earning less than $50,000.

The employees of our vendors are also integral to our ability to serve and deliver for our customers. We have been working with vendors to ensure all of their employees within the U.S. who are working exclusively on our account receive competitive wages. All of our U.S. vendors are now required to pay their employees dedicated to the bank at or above $15 per hour. Today, over 99% of our more than 2,000 U.S. vendor firms and 43,000 vendor employees are at or above the $15 per hour rate, as a result of the implementation of this policy.

We offer ongoing training and resources to support our teammates' continuous development. That includes providing up to $7,500 (up to $5,250 tax-free) tuition reimbursement per year for eligible undergraduate or graduate courses and discounts at a number of universities—plus free, unlimited individual academic advisory services. These resources help our teammates grow and thrive within our organization and, in 2020 alone, we helped more than 18,000 employees find new roles within the company.

The many steps we took in 2020 to support our teammates helped them individually, and contributed to an even stronger company culture. In the most recent companywide survey, our employee engagement scores were at an all-time high. At the same time, by increasing our support for our teammates, we enabled them to better serve our clients and deliver for our communities.

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. That includes our move to a minimum hourly rate of pay for U.S. teammates of $20, as described above, and our planned move to $25 per hour by 2025.

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, for 2020, we recognized approximately 97% of our teammates globally with special compensation awards—the fourth year in a row we've done so.

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 2020, CEO base salary was $1.5 million, while from 2010 to 2012 base salary was $950,000. The vast majority of CEO compensation (93.9 percent in 2020) was variable and directly linked to company performance. As has been the case since 2010, all variable compensation was awarded in equity-based awards. Each year, the CEO pay structure is put before shareholders for an advisory Say on Pay vote. In our most recent annual shareholder meeting (2021), 94.4 percent of the 6.4 billion votes cast voted in favor of the structure. Since 2011, the shareholder vote in support of the company's compensation plan has averaged 94.2 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, the Board of Directors' Compensation and Human Capital Committee oversees all compensation plans and practices with periodic input from the Chief Risk Officer. Additionally, compensation plans are reviewed and certified annually by our risk management team and Management Compensation Committee of which the Chief Risk Officer is a member, and all variable pay awards are subject to clawback policies.

In 2009, we made equity-based 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 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 of our common stock. The Guidelines also require that (i) our CEO retain at least 50 percent of the net after-tax shares from future equity awards until one year after retirement and (ii) our other executive officers retain at least 50 percent of the net after-tax shares until retirement. 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). Our performance-based awards continue to use a re-earn approach, meaning 100% of the award is the maximum that can be earned, and vest only if performance standards are met over a three-year period. Future performance below these standards will decrease the amount paid, and no PRSUs will be re-earned if results are below the minimum standards. As has been consistent practice, the Committee does not exercise discretion to change payouts.

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 equal pay for equal work through our pay-for-performance philosophy. We maintain robust policies and practices that reinforce equal pay for equal work, including reviews with oversight from our Board and senior leaders. We have a standard U.S. practice that restricts the solicitation of compensation information from candidates during our hiring process. This helps ensure that we consider new hires for their individual qualifications and roles, rather than how they may have been previously compensated. For over 15 years, we have conducted rigorous analysis with outside experts to examine individual employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate. 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% of that received by men, and compensation received by people of color is on average greater than 99% of non-people of color teammates, as validated by third-party analysis.

In 2020, the CEO to median employee pay ratio was 274:1.

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.

Sharing our success with our communities

One of the ways we ensure our growth is sustainable is by sharing our success with the communities in which we work and live and, at the same time, doing our part to deliver progress against society's biggest challenges. Last year, we significantly increased investments to do both.

Our support for our communities begins with $250 million in annual corporate philanthropy. In 2020, as discussed previously, we added another $100 million to increase access to food and medical supplies. Individual giving by my teammates, combined with matching gifts from Bank of America, amounted to more than $65 million in additional philanthropic support in 2020. To maximize the impact of each employee gift, we lowered the employee matching gift minimum to $1 and doubled our match for employee donations to 17 organizations whose work aligns to our commitment to racial equality and economic opportunity, through 2020.

Beyond corporate philanthropy, as important as that is, we commit all of our resources and capabilities to help create positive change. We commit our operations, our human resources practices, our client financing capabilities and the guidance we provide to investor clients. We bring our $2.8 trillion balance sheet, our $55 billion expense base and the trillions of dollars we raise each year for our clients to the task. And we leverage the considerable ingenuity, innovation and passion of our team.

Our work to promote racial equality and economic opportunity, discussed earlier in this testimony, demonstrates how we align all of our resources to help drive tangible progress on major societal issues—and we take a similar approach in addressing the issue of climate change.

The path to a low-carbon, sustainable economy
We are committed to achieving net zero greenhouse gas emissions in our financing activities, operations and supply chain before 2050. This is a focus that began many years ago at Bank of America. To accelerate the transition to a low-carbon, sustainable economy, we aim to deploy and mobilize $1 trillion by 2030 through our recently-expanded Environmental Business Initiative to help our clients make a just transition. This opportunity is made possible by commitments that clients themselves are making, and our ability to help finance their commitments. This is part of a broader $1.5 trillion sustainable finance goal aligned to addressing the United Nation's Sustainable Development Goals (SDGs).

To achieve our environmental targets and drive progress on this important issue, we take a "whole of bank" approach.

First, we drive environmental sustainability in our own operations. We are carbon neutral today and continuously look for opportunities to reduce emissions across our global footprint.

Second, we provide financing and our team's wealth of expertise to help small- and medium-sized companies refit their own operations to become more sustainable.

Third, we help our larger corporate clients raise capital to fund the restructuring of their operations, new facilities and clean energy. That includes helping fossil fuel companies—and others with business activities related to "brown energy"—make their own transition. We are a top underwriter in Environmental, Social and Governance (ESG) capital markets globally and a leading underwriter of green bonds. We have supported the sustainable business needs of more than 225 clients by raising in excess of $300 billion through more than 400 ESG-themed bond offerings—including green, social and sustainability bonds. We also raise equity for innovative new companies to fund their technologies and growth.

Fourth, our Global Research team helps show investors the path toward companies that prioritize sustainability and other ESG priorities in their operations, supporting the flow of capital to those companies driving progress. And through our investment platform of over $3 trillion in customer assets, we bring capital from individual investors, from whom demand for ESG funds or similar investments is growing.

All of these steps will help society's transition to a low-carbon economy, and we firmly believe the private sector is key to driving that transition. As more and our more of our customers and clients make their own environmental commitments, we are committed to helping them make this important change.

Driving profits and purpose
The principles of stakeholder capitalism—a concept created by the World Economic Forum (WEF) half a century ago, and discussed anew today by groups like the U.S. Business Roundtable—are embedded in Responsible Growth. We must deliver for our shareholders, our clients, our teammates, our communities and, at the same time, help deliver progress on important issues facing society. *More*

details about our company's commitment to the principles of stakeholder capitalism are available in my 2020 Letter to Shareholders, which is included with this testimony.

As a financial institution, our success has always been tied to the success of the communities and markets we serve. And we know from our own research that companies that focus on ESG issues tend to perform better over time than companies that do not. Our commitments to society's priorities are therefore complementary to the commitments we have to our shareholders.

We know what society's priorities are: The countries of the world identified them in 2015, when nearly 200 countries agreed to the SDGs. The SDGs reflect 17 categories of societal priorities that address equality of opportunity, affordable housing, prosperity, access to clean water, renewable energy, and other priorities, with specific goals to be met. Leaders in each country agreed these goals are the ones we need to address to build a sustainable future and create opportunity and prosperity for all.

Last year, the WEF's International Business Council, which I have the privilege to chair—working with the accounting firms Deloitte, EY, KPMG and PwC—developed a set of Stakeholder Capitalism Metrics (SCM) aligned to the SDGs. These metrics create a consistent way of measuring companies' long-term value, across industries. This, in turn, helps direct investment toward high performers and align capital to progress on the SDG and ultimately defines stakeholder capitalism. It also aligns capitalism's innovation, its entrepreneurship and its massive resources to the progress, which won't be made without the private sector.

To date, nearly 80 global corporations have agreed to implement reporting on the SCMs. Bank of America is one of those companies, and we published select SCMs in our 2020 Annual Report for the first time. We believe disclosing our progress against the SDGs creates public transparency and accountability in how we deliver for society.

We embrace our dual responsibility to drive both profits and purpose.

IV. Appendix

Table 1 – Year-end capital and leverage ratios and capital distributions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Capital and leverage ratios at year end[1]											
Tier 1 common capital ratio	9.7%	10.8%	10.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Common equity tier 1 capital ratio	n/a	n/a	n/a	12.3%	10.2%	11.0%	11.8%	11.6%	11.2%	11.9%	
Tier 1 leverage ratio	7.4%	7.2%	7.7%	8.2%	8.6%	8.9%	8.6%	8.4%	7.9%	7.4%	
Tangible common equity[2]	6.6%	6.7%	7.2%	7.5%	7.8%	8.0%	7.9%	7.6%	7.3%	6.5%	
Capital distribution (millions)											**Total (2011 - 2020)**
Dividends	$ 413	$ 437	$ 428	$ 1,262	$ 2,091	$ 2,573	$ 4,027	$ 5,424	$ 6,146	$ 6,289	$ 29,090
Repurchases	-	-	$ 3,220	$ 1,675	$ 2,374	$ 5,112	$ 12,814	$ 20,094	$ 28,144	$ 7,025	80,458
Total	**$ 413**	**$ 437**	**$ 3,648**	**$ 2,937**	**$ 4,465**	**$ 7,685**	**$ 16,841**	**$ 25,518**	**$ 34,290**	**$ 13,314**	**$ 109,548**

[1]We reported regulatory capital ratios under both the Standardized and Advanced approaches from 2015 to 2020. The approach that yields the lower ratio is used to assess capital adequacy, which was the Advanced approaches at December 31, 2015, 2016, and 2017; and the Standardized approach at December 2018, 2019, and 2020. We reported under Basel 3 Standardized - Transition at December 31, 2014, and under the general risk-based approach at December 31, 2011, 2012, and 2013.

[2]The tangible common equity ratio is a non-GAAP financial measure and represents adjusted ending shareholders' equity divided by total tangible assets. For a reconciliation to GAAP see Table 2 of the Appendix.

Table 2

Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity and year-end tangible common shareholders' equity		2020		2019		2018
Shareholders' equity	$	272,924	$	264,810	$	265,325
Goodwill		(68,951)		(68,951)		(68,951)
Intangible assets (excluding MSRs)		(2,151)		(1,661)		(1,774)
Related deferred tax liabilities		920		713		858
Tangible shareholders' equity		**202,742**		**194,911**		**195,458**
Preferred stock		(24,510)		(23,401)		(22,326)
Tangible common shareholders' equity	**$**	**178,232**	**$**	**171,510**	**$**	**173,132**

Reconciliation of year-end assets to year-end tangible assets						
Assets	$	2,819,627	$	2,434,079	$	2,354,507
Goodwill		(68,951)		(68,951)		(68,951)
Intangible assets (excluding MSRs)		(2,151)		(1,661)		(1,774)
Related deferred tax liabilities		920		713		858
Tangible assets	**$**	**2,749,445**	**$**	**2,364,180**	**$**	**2,284,640**

Table 2 (continued)

Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity and year-end tangible common shareholders' equity		2017		2016		2015
Shareholders' equity	$	267,146	$	266,195	$	255,615
Goodwill		(68,951)		(69,744)		(69,761)
Intangible assets (excluding MSRs)		(2,312)		(2,989)		(3,768)
Related deferred tax liabilities		943		1,545		1,716
Tangible shareholders' equity		**196,826**		**195,007**		**183,802**
Preferred stock		(22,323)		(25,220)		(22,272)
Tangible common shareholders' equity	**$**	**174,503**	**$**	**169,787**	**$**	**161,530**

Reconciliation of year-end assets to year-end tangible assets						
Assets	$	2,281,234	$	2,188,067	$	2,144,606
Goodwill		(68,951)		(69,744)		(69,761)
Intangible assets (excluding MSRs)		(2,312)		(2,989)		(3,768)
Related deferred tax liabilities		943		1,545		1,716
Tangible assets	**$**	**2,210,914**	**$**	**2,116,879**	**$**	**2,072,793**

Table 2 (continued)

Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity and year-end tangible common shareholders' equity	2014	2013	2012	2011
Shareholders' equity	$ 243,476	$ 232,475	$ 236,962	$ 230,101
Goodwill	(69,777)	(69,844)	(69,976)	(69,967)
Intangible assets (excluding MSRs)	(4,612)	(5,574)	(6,684)	(8,021)
Related deferred tax liabilities	1,960	2,166	2,428	2,702
Tangible shareholders' equity	**171,047**	**159,223**	**162,730**	**154,815**
Preferred stock	(19,309)	(13,351)	(18,768)	(18,397)
Tangible common shareholders' equity	**$ 151,738**	**$ 145,872**	**$ 143,962**	**$ 136,418**

Reconciliation of year-end assets to year-end tangible assets				
Assets	$ 2,104,539	$ 2,102,064	$ 2,209,981	$ 2,129,046
Goodwill	(69,777)	(69,844)	(69,976)	(69,967)
Intangible assets (excluding MSRs)	(4,612)	(5,574)	(6,684)	(8,021)
Related deferred tax liabilities	1,960	2,166	2,428	2,702
Tangible assets	**$ 2,032,110**	**$ 2,028,812**	**$ 2,135,749**	**$ 2,053,760**

Chart 1 - Total compensation growth (including special awards) for global employees
Data as of compensation year-end 2020