THE ECONOMIC CLUB

OF WASHINGTON, D.C.

Excerpts from the Signature Event featuring Brian Moynihan, Chairman of the Board and Chief Executive Officer, Bank of America

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"[I]f you think about it, from an operating base *[acquiring Merrill Lynch]* was a tremendous transaction for our company. … The combination of corporate and investment banking . . . we have is really one or two or three in the world, depending on which attribute you're looking at. . . . The financial advisory team with U.S. trust gives *[the combined company]* the number-one position."

"I think with anything that happens you swing a pendulum, and the idea is to get it back to the middle. So, most of us – the large banks and the industry groups we have working on it – are trying to say: Let's get *[the Dodd-Frank financial regulation]* back in the middle a little bit. But we need liquidity, capital, stress testing, resolution regimes – all these things are very important things that came out of it that we don't want touched. Because what is not well-understood in American society is the FDIC is a government guarantee for deposits. But the FDIC gets filled up by the banking system. So, the large banks have the highest interest in getting the regime right… [B]ut do we need 10 ½ percent capital or 9 ½? And you say, well, that doesn't sound like a lot – 100 basis points, 1 percent. For us, we could make $160 billion more loans if you said 9 ½ versus 10 ½. And so, the question is, how do you balance it? So, Dodd-Frank is fine. None of us are trying to touch it."

"The Volcker Rule, the problem is I don't think it does what we were after. It does what we're after, but the amount of work that goes into proving that you didn't do proprietary trading is probably overwork. The regulators agree with that. And they're trying to figure out how to fix it. But the jurisdiction's in the hands of six different agencies. It's hard to figure it all out. The reality is, the principal trading that went on in Lehmans and Bear Sterns and the people that really got in trouble can't go on anymore. And that's a good thing."

"[We do still need our physical branches], because as much as people talk about digital and mobile and everything else, at the same time about 800,000 people come into our branches every day. And the teammates there have to do a spectacular job with them. And still, 70 percent of the sales go on face to face, 30 percent go on digitally. Up from zero 10, 15 years ago, but still you've got 70 percent. The idea is you have to be expert at both – what we call high touch, high tech. You have to be an expert at both. So, what you couldn't do is deny the trend of digitization. You had to disrupt your own company.

We have 34 million digital customers, of which 25 million are mobile customers, *[and]* half our payments are digital today. But on the other hand, we have 4,500 branches. As I was telling you earlier, about $450 million in cash goes out every day *[from]* ATMs or the teller hands it to people taking out deposits of cash. And everybody says, I don't carry cash. Well, $450 million goes out of our company every day to the retail client. . . . Think about it. You need all things... Branches are critically important. But on the other hand, you had to disrupt yourself at the same time."

“[W]hen people ask me *[how I became CEO]* - I often get, and you probably get this too, David, you get a young lawyer who says: I want to do what you did. … What steps do I have to take? How do I plan that out? And I say, well, if you start trying to plan it out, it’s never going to happen. So, you just have to take the opportunities that exist … I was a partner in a law firm… And I had to make the leap that I could be successful. And that’s what I always tell kids. Just take the leap. But make sure you understand the people you’re doing it with, because at the end of the day that’s what’s going to make you successful, is if the people have an interest in you and you like them. You don’t have to be their most social friend. But you have to like them well enough and you have to understand them… But you can’t plan your career. I do pinch myself saying, how did you get from here to there? … And I’ve been very, very lucky.”

“[W]hat I love about our company is we can have an impact on communities through the work we do *[with our]* teammates – because *[not only do we]* employ 209,000 people, but we also provide health insurance for 4-500,000 directly and almost a million indirectly, with the retirees. And how we work on wellness or how we work on gender equality or how we work on diversity – to me, in some ways, you can almost have more impact working on that stuff, because the frustration of government, when you talk to people, is it’s just hard to get things done.”

“What did we need out of the tax law? … [T]he core thing you needed in corporate America was you needed a territorial system and you needed a lower tax rate. And both those things are in there. [I]t’s good for everybody. It’s good for us. We took a $300 billion charge in the fourth quarter for it. But it’ll provide good earnings, *[and]* our tax rate would be *[in the]* 31 to 21 *[percent range]*… [W]e were one of the largest taxpayers in the United States. The benefit we get is a portion of that back. But that then causes us to invest. So far 90 percent of our teammates, all but the top 10 percent, have received a direct benefit to the tune of about $400 million across all the teammates. We did a stock plan. We did a $1,000 bonus before year end. We just did it outside nine states… But it was the right thing for the United States.”

“[W]hat we see in the economy right now, if you think about it from our research team … they basically have the United States at a 2.7 percent GDP growth for ’18. But you got to think about that – we went from 1.6 to 2.1, 2.2 to 2.7. It’s that increase that’s causing economic activity. [O]ur view is the Fed should normalize rates into that growth – late-cycle growth. But on the other hand, you haven’t seen a lot of inflation and everybody’s debating about it. But our team thinks the U.S. is going to grow, and so the Fed should normalize. … I think between Chairman Yellen and all the way back to Chairman Bernanke and now Chairman Powell, they’re telling you what they’re going to do. It’s not a big mystery. They’re telling you exactly what they’re going to do.”

“The number of checks in the United States continues to be relatively flat-ish right now in terms of checks written. Again, it’s hard to believe, but we probably have eight or nine million go through the system every day… I still write occasional checks. It's down a lot. But I pay most of my bills online. But there's still certain things you write a check for."

"[Bank of America has] the best products, the best capability, and the best people delivering it… [T]he way we come at the business is to figure out all aspects of what you need from us. And we integrate them well. *[For example, o]*ur credit card rewards you because you're a customer across your checking account, your savings account, your auto loan. It's a rewarding relationship I think *[is]* better than everybody else offers. The products are tremendous. The people are tremendous. But I think it's also the way we think about integrating the business for people. So, you give us more, we give you more. And that's how we built the business across the last 10 years."

"[I'm] always *[most worried about the]* economy. At the end of the day, banks reflect economy. Our job is to transmit our consumers and our companies to the markets or to transmit them into the economy and help them engage in the economy. So, if the economy is growing, we're going to be OK. If it's not growing, it's not so fun, because credit goes down when the unemployment goes up. Largely that's the thing we worry most about. Since you can't control it, you just sort of say how do you be resilient if it happens."

"[W]e have to drive what we call responsible growth. We have to grow, no excuses, but do it with the right risk and the right customer focus and the right sustainability to it. If you think about that, the trick is to get people to realize you got to grow, but we got to stay within our risk appetite. And that is tough, because in good times, the markets get a little overheated, the terms get a little too beneficial. And you got to tell people, we can turn away business. And that sounds like you're telling them not to grow, but you're really telling them to grow responsibly. And that's a focus."

"The question of a societal view of our industry is still shaped by what happened in '06, '07, '08, '09 – because people forget, the crisis really started in the fall of '06 – and it really dealt with people over-borrowing and the industry over-lending, and then the ramifications of that. And the way to get through that is to get through another crisis where we aren't the actors, we're helping. I think that that will take good, sound regulation, which we have, and good behavior on the part of ourselves, to keep ourselves out of this."