THE ECONOMIC CLUB OF WASHINGTON, D.C.

Brian Moynihan, Chairman of the Board and Chief Executive Officer, Bank of America, offers insight on the company's role in the economy as the one of the nation's largest financial institutions.

Brian Moynihan
Chairman of the Board & CEO
Bank of America
Thursday, February 15, 2018

MR. RUBENSTEIN: So, we're very pleased to have Brian Moynihan here today as our special guest. Brian, as I mentioned earlier, is the chairman and CEO of Bank of America. This is a(n) organization that I think most people know. It now is an organization with a market capitalization of about $329 billion, which is the 10-highest market capitalization of any company in the world; a company which now has revenues of about $88 billion, last year had operating earnings of about $21 billion, now has about 208,000 employees. And it's a company which has about $1.3 trillion in deposits, $2.3 trillion in net assets. Pretty impressive numbers.

And Brian came to the bank through a number of mergers, and let me describe his background. Brian is a native of Ohio. He went to college at Brown, where he was co-captain of the rugby team. Majored in American history, not in finance or economics. He then went to Notre Dame Law School and came back to Providence to practice law. And then he joined Fleet Bank, and then worked his way up. When Fleet merged with BankBoston, he became the head of global wealth management. And then, when BankBoston was acquired by or merged with Bank of America, he ultimately became the head of commercial banking, investment banking, and among other things wealth management; and ultimately became general counsel, and in 2010 became the CEO of the – of the bank.

So, he is involved in a lot of philanthropic activities. He's on the Brown board and also been involved for the last 30 years with a school in Haiti. And he is somebody that I think has done a spectacular job in turning around the bank, because we'll talk through the problems you had at the bottom of the Great Recession.

So, let me ask you if you could explain how a bank that was started in 1904 known as the Bank of Italy in San Francisco – [laughter] – became the Bank of America. How did that actually happen?

BRIAN MOYNIHAN: Well, the – so the bank that is the legal entity that is the headquarters and – you know, was the bank in North Carolina, which started about 130 years ago. And it was known as different names, but finally became known as NationsBank. And then it did the deal with Bank of America, and they took the name, and it was sort of a merger vehicle. The headquarters are in Charlotte, they took the name Bank of America, and the board was sort of mixed between the two companies. And that became the company that is now known as Bank of America, so we're headquartered in Charlotte. But as I always say, that's – if you think about the company as being a river, you know, the North Carolina company is the main river, but all of these companies have flowed into it – hundreds and hundreds and hundreds, including the oldest one being the Massachusetts Bank, which was from 1784, which is the oldest charter we have.

MR. RUBENSTEIN: So today your headquarters is in Charlotte, which some people would say is not the center of the financial world. So, is there is an advantage to being in Charlotte?

MR. MOYNIHAN: Well, there's an advantage because that's where our headquarters is and we have 16,000 employees. And so, frankly, from certain businesses, you know, people say you have to be in a – in a money center, and those businesses are headquartered. So, our global markets business, our investment banks in New York. We have 6,000 people alone and 12,000 people on the island of Manhattan. And so – but for the consumer business, you want to be in other places. So, the consumer business or the commercial banking business and things like that, where you are is not – in middle-market banking, business banking, is not as important. And so, it's good.

And Charlotte has a tremendous pool of talent in North Carolina, because if you think about the heritage of, you know, the First Union-Wachovia and the NationsBank, you had a lot of talented people. And we've been able to take advantage.

MR. RUBENSTEIN: All right. But the headquarters in Charlotte; some people would say you have to spend a lot of time in New York, the financial headquarters, some people would say, in the United States; and you live in Wellesley, Massachusetts. How do you – you spent a lot of time traveling?

MR. MOYNIHAN: Yeah. Basically, you know, I always say you spend half your time doing this, half your time doing this, half your time doing this, half your time doing this, and it – [laughter] – it ends up more than one. But I'd say in my office time it's sort of half between New York and Charlotte, but where I am is not as important. It's actually where the people who actually do the work are, so.

MR. RUBENSTEIN: OK. So, let's talk about the Great Recession. Now, when the Great Recession began, let's say 2007, where were you? What part of the bank were you involved with?

MR. MOYNIHAN: At the first start of it I was in wealth management, and then I ended up taking over the corporate investment bank in the fall of '07 because we had a – they reshuffled the management and I took it over.

MR. RUBENSTEIN: So, Bank of America, like all American banks, had lots of problems, and your stock went as low as five. Now it's about six times as high, so I hope you have a lot of stock options and so forth. But –

MR. MOYNIHAN: No options, just ownership.

MR. RUBENSTEIN: No options?

MR. MOYNIHAN: Yeah.

MR. RUBENSTEIN: OK. So, when – did you ever think that Bank of America could go under? Was there ever a chance that a bank like that could go under?

MR. MOYNIHAN: No. And so, if you think about it most broadly, what happened? Between 2003 and 2009, our company had done six or seven major acquisitions: FleetBoston, U.S. Trust, Merrill, MBNA, Countrywide. And so, you put all that together, 300,000 people came into the company, you know, through those acquisitions. And then you hit the recession, and you can't think of a worse time to hit a recession when you're still putting all that together. And so – but what was behind all that was number one or two, three market positions in all the businesses had tremendous earnings power.

MR. RUBENSTEIN: OK. All right. During that period of time, two acquisitions remain. Let me ask you about those. One was Merrill Lynch. It was said that Merrill was about to file for bankruptcy, some people said, yet you paid $50 billion for something that was about to go bankrupt. So, was that a wise decision? [Laughter.]

MR. MOYNIHAN: If you knew exactly what was going to happen the next day, you would have probably done a lot of things different in life. That would make our lives easier, right?

MR. RUBENSTEIN: All right.

MR. MOYNIHAN: But the reality was is what it – if you think about it, from an operating base it was a tremendous transaction for our company. And from the putting together the businesses, it gave us – the combination of corporate and investment banking combination we have is really one or two or three in the world, depending on which attribute you're looking at. The ability to have a capital markets – a big, fixed-income capital markets within equity capital markets. The financial advisory team with U.S. trust gives the number-one position. So, an operating basis.

From a share issuance, it was about 25 percent of the company at the time. And so, the issue was, is it was originally about at 50. By the time we got there, the company's share price had come down. So, it caused some dilution. And the fact that it lost so much money in its last quarter, we had to issue shares to cover that up. We had to take two pieces of TARP[1]. The first one everybody had to take. And then we took theirs, plus ours, plus we took an extra one in order to be able to complete the deal. That converted into a billion of shares – 5-600 million shares. And we end up – we're still getting out of that. And we're back to where we were from the start.

MR. RUBENSTEIN: OK. So Countrywide, some people would say, was among the worst acquisitions in the history of American finance. Would you agree? [Laughter.]

MR. MOYNIHAN: OK. This is – is this supposed to be entertaining for you or me? [Laughter, applause.]

MR. RUBENSTEIN: OK. Well, I just wanted to get out the bad news before we get some of the good news.

MR. MOYNIHAN: OK. OK.

MR. RUBENSTEIN: So, you didn't make that acquisition.

[1] The Troubled Asset Relief Program (TARP) is a program of the United States government to purchase toxic assets and equity from financial institutions to strengthen its financial sector. TARP was signed into law by President George W. Bush on October 3, 2008.

MR. MOYNIHAN: I guess it's Lent. I'm going through my 40 days here, one day at a time! [Laughter.]

MR. RUBENSTEIN: But Countrywide, you spent a couple billion dollars buying it, and it wound up costing maybe $100 billion or something?

MR. MOYNIHAN: Well, you know, one of the things that – and you've done a tremendous amount of deals in your life – you always have to remember, the purchase price is only part of the issue. The question is, what's the run rate? What can it do on the other side? And so, what happened with Countrywide is, you know, the whole idea of put-backs and mortgages and rep and warranty and all this stuff that people didn't – you know, only know about now because it happened, it was still sort of a theoretical debate. The risk had passed. Well, when it came back at you, you know, it was really three aspects.

One was the pure cost of paying off the lawsuits and everything. The second was the brand damage. And the third was the operational cost. And people forget, we went from 10,000 people to 58,000, plus 20,000 contractors working for us, all the way back down to 9,000 from 2010 to now. And just think about going through all those people, because we needed all the people to help people remodify 2 million mortgage loans. You know, it was a lot of work.

And so, when people look at it, they say the put-backs, the lawsuits, that was really only about a third of the cost. The rest of it was all the other stuff, and the brand damage done. So, it was – it was not a good deal for any of those things. We fixed it and life goes on.

MR. RUBENSTEIN: All right. So, at the time that we went through the Great Recession –

MR. MOYNIHAN: Quite honestly, from the standpoint of the country, it was lucky that they ended up in the hands of somebody who could actually take the pounding we did and got through it, because if we had gone into bankruptcy that had, I don't know, 10, 12, probably 6 or 7 million mortgage holders involved in the bankruptcy, it just would have been a disaster. And that was what it would have come to.

MR. RUBENSTEIN: So, the Dodd-Frank legislation[2] was passed during that time. Do you support any changes in the Dodd-Frank legislation? You think it should be modified?

MR. MOYNIHAN: Well, 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 this thing back in the middle a little bit. And so, 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-

[2] The Dodd–Frank Wall Street Reform and Consumer Protection Act, commonly referred to as Dodd–Frank, was passed as a response to the financial crisis of 2007–2008. It was signed into U.S. federal law by President Barack Obama on July 21, 2010 and brought the most significant changes to financial regulation in the United States since the regulatory reform that followed the Great Depression.

understood in American society is the FDIC[3] 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. And so, the idea is, but do we – you know, do you 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.

MR. RUBENSTEIN: You're not trying to change it?

MR. MOYNIHAN: What we're trying to say is –

MR. RUBENSTEIN: The Volcker Rule?[4] What about the Volcker Rule?

MR. MOYNIHAN: The Volcker Rule –

MR. RUBENSTEIN: Would you be upset if it was changed, or?

MR. MOYNIHAN: 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. Now and 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 get it – figure it all out. But the reality is, the principal trading that went on in the, you know, Lehmans and the Bear Sterns and the people that really got in trouble can't go on anymore. And that's a good thing.

MR. RUBENSTEIN: So, let's talk about the bank itself now. There are four major banks in the United States. The largest right now is JPMorgan. You're the second largest, second most profitable. There's Wells Fargo and Citi.

MR. MOYNIHAN: Right.

MR. RUBENSTEIN: Do you think the United States should have more than four big banks? I mean, it's a big country. Is four banks enough? And is that too much power just in four banks?

MR. MOYNIHAN: I think a couple things. One is the technical – the top five banks have about 30 percent of the retail share, which is actually less consolidated than most other countries in the world, by a lot. And so, the reality is we have a big economy. So, at 10, 12 percent market share in retail banking, you know, we're big because our economy's big. It's not because we're

---

[3] The Federal Deposit Insurance Corporation is a U.S. government corporation providing deposit insurance to depositors in U.S. banks.
[4] The Volcker Rule refers to § 619[1] (12 U.S.C. § 1851) part of the Dodd–Frank Wall Street Reform and Consumer Protection Act, originally proposed by American economist and former U.S. Federal Reserve Chairman Paul Volcker to restrict U.S. banks from making certain kinds of speculative investments that do not benefit their customers.

outsized relative to our economy. What other countries found out is when their banks become much bigger than their economy, then you have a problem if things go wrong. And so, our country's in good shape. That's the first point.

The second point is we'll always have all kinds of banks, just like we have Home Depot and the local hardware store, Walgreens, CVS, the local drug store. Marriott, Arne's right there, and a local hotel chain or even a local hotel. You always have different ways to attack—major hospital chains and individual doctors and everything in between. And so, it'll be a very diverse market. We think that big banks can provide service and capabilities that a company like yours needs, or to go around the world and do things that can't be done with trying to string together a bunch of small banks. And, on the other hand, small banks have some attributes that people like. And that's fine too.

MR. RUBENSTEIN: And let's talk about consumer banking, which is basically people depositing money. You have, I think, if I recall, roughly 4,500 branches in the United States, and about 16,000 ATMs. So, is that a very profitable business, having branches? I mean, all that physical plant, you still need that?

MR. MOYNIHAN: Yeah, we do, because as much as people talk about digital and mobile and everything else, at the same time a million people – about 800,000 people come into our branches every day. And the teammates there have to do a spectacular job with them. And it's 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. And so, 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.

So, we have 34 million digital customers, of which 25 million are mobile customers, which do – 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 out of the 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. And so, you start to think about it. You need all things. And that's – so you needed all – you need all things. So, branches are critically important. But on the other hand, you had to disrupt yourself at the same time.

MR. RUBENSTEIN: Well, I got some of it right here. I go some of the cash right here. I took it out today. [Laughter.]

MR. MOYNIHAN: There you go.

MR. RUBENSTEIN: And so right now –

MR. MOYNIHAN: This going to turn into the – you going to do the Oprah Winfrey? Everybody's going to get $100 here or something? [Laughter, applause.]

MR. RUBENSTEIN: Maybe. So, tell me this, right now you have about $665 billion of consumer deposits. You pay about roughly 0.4 percent on that. And you lend it out at roughly 4 percent, 5 percent ultimately. So that's a pretty good business, right?

MR. MOYNIHAN: Except we – half of that is not interest bearing because it's checking accounts. And people write 20 checks and come in the branches and do all this stuff. So, there's an operating business between those two calculations that takes some out of it. [Laughter]

MR. RUBENSTEIN: But do a lot of people keep money and get no interest? Do they – is that your best business, that people give you money and they don't want any interest?

MR. MOYNIHAN: Well, it depends on – all our businesses actually perform pretty well and the team does a great job. And so, what we try to do is provide – you know, we're one of the few companies that goes from, you know, every – a consumer that's 10 years old and is opening their first bank account, through the wealthiest people. And so, the idea is you have products and services designed against them. And, you know, we make a fair return for the shareholders. But we do a hell of a lot for the consumers and the communities we serve, too.

MR. RUBENSTEIN: All right. So, I'd like to talk about the ATMs for a moment. People use those a lot. And do you make a lot of money charging fees to people on ATMs? Is that a big business?

MR. MOYNIHAN: Not really. I mean, we – it's – you know, it's a part of what we do, but it's really – so why do we have the ATMs? A, our customers need access to their cash, what I said before. B, it's a more effective way for people to deposit. So, half the checks are deposited at Bank of America on a given day are deposited at the ATM. It's just simpler for them than to have to go to a teller that can go, and the machines are all over the place, and there's more of them obviously than we have branches.

MR. RUBENSTEIN: Well, your branches, though. The average person using the branches there – probably closer to my age than 25-year-old people.

MR. MOYNIHAN: Yes, there's – to cohort would skew a little bit like that, but not as much as you think. If – the reason why people go to branches is they have a difficult – they have a more difficult issue. So, yes, there's an age cohort that might feel more comfortable. But there's a different cohort. If you need a power of attorney because your mother's sick, because you need to do something, you need to go talk to somebody to do that. And that's – or, if you want to get a mortgage loan for your first one, you tend to go talk to people to do that. Or if you want to get your first credit card, you tend to talk to people to do that. So, it has less to do with age. It has more to do with purpose of the interaction.

MR. RUBENSTEIN: So, on credit cards, so that's a big business for you, I assume. So, do you ever use your credit card and it doesn't work, where they deny you? [Laughter.]

MR. MOYNIHAN: It happens – it hasn't happened in a while. But the only time this ever happens to me is when I'm traveling someplace and forgot to tell people I was going there, and then –

MR. RUBENSTEIN: And you don't call up and say you're a CEO of a bank, and that doesn't work? [Laughter.]

MR. MOYNIHAN: They wouldn't – they wouldn't behave any differently than they should behave for all our customers, so.

MR. RUBENSTEIN: Really? OK. So, let's talk about your own background for a moment.

MR. MOYNIHAN: Because nobody knows it's me. You got to remember, there's a lot of people out there – if you ever get an email from me that I'm going to give you $10 million, it probably isn't right. [Laughter.] But there's a lot of them go on every day.

MR. RUBENSTEIN: So, your background. You grew up in a family where you – there were eight children.

MR. MOYNIHAN: Yep.

MR. RUBENSTEIN: And so, you were the sixth of eight. So, when you came along, your parents were still very interested in raising you and paying attention to you, right? [Laughter.] So how did you happen to go to Brown? You were in Ohio, you – Brown's a great school. But was there a reason you went there?

MR. MOYNIHAN: Well, my older brother had gone there. And he was – he was interested in biology and Brown had a tremendous biology program. And so, he went there. And then I – you know, I applied to four or five schools. I got – it was the best one I got into. I went there. I'd never seen it before I got there. It was not – it was just because it was a good school. And I went there. And I was lucky that, you know, it really – for a kid growing up in southern Ohio in a small town of 18,000 people, but with – you know, that had an interesting – it had a little college there called Marietta College. And it was a very sort of interesting town for a little town in the middle of Ohio, in the southern part of Ohio. But Brown opened your eyes. And that's why I give it my time now. I met my wife there. My two kids have gone there. My brother went there, my other brother went there. None of us had touched the school before that, but it's become important just because I really appreciate what they did.

MR. RUBENSTEIN: Of the schools that you didn't get into, do you ever remind these people that they could have the CEO of Bank of America as one of their alums? [Laughter.]

MR. MOYNIHAN: Well, if I was – sitting maybe with the former chair of the Duke board, I might be able to remind him of that, so. [Laughter, applause.] By the way, my lead independent director is the current chair, so.

MR. RUBENSTEIN: Well, if we didn't admit you, it was our big mistake.

MR. MOYNIHAN: Anyway.

MR. RUBENSTEIN: So – all right, so you went to –

MR. MOYNIHAN: I think they waitlisted me, actually. I don't really remember, but that's – [laughter] –

MR. RUBENSTEIN: But you – so let's – you say you were playing Rugby.

MR. MOYNIHAN: Yeah.

MR. RUBENSTEIN: And Rugby is a tough sport. And you were a star at that. You were the captain of the team, co-captain. So, did you ever consider professional rugby, or you weren't –

MR. MOYNIHAN: Oh, God, no. I played till I was 31, so I played for club teams after. So, I played at Brown, I played at Notre Dame. I played for a number of years after. And it was a tremendous experience. The game is so much more professional in the United States now than it was then, because most of the clubs started sort of in the late '50s, early '60s. So, think about when I played in, you know, the late '70s, they were, you know, not as advanced.

MR. RUBENSTEIN: So, did you break a lot of bones playing that game?

MR. MOYNIHAN: I never got hurt that badly. And that's why I quit. When I got to the point where my skills – because I was working and I just couldn't keep up with the kids that were bigger, stronger, faster, and had more time to think about that, then –

MR. RUBENSTEIN: All right. So, there are not a lot of Rubensteins playing rugby, probably. You didn't run into a lot of Rubensteins. [Laughter.]

MR. MOYNIHAN: We had – we had a very –

MR. RUBENSTEIN: You had some? Really?

MR. MOYNIHAN: I was with the mayor of Orlando, a guy named Buddy Dyer, the other day. We were on a rugby team together. And so, I showed a picture of us winning a championship in the ivies in '79. And there's – it reflected the Brown community. And as you know, Brown –

MR. RUBENSTEIN: All right. So, you went to law school at Notre Dame.

MR. MOYNIHAN: Yeah.

MR. RUBENSTEIN: And you wanted to practice law. So why did you go back to – why did you decide to go back to Providence? You just fell in love with Providence when you were at Brown?

MR. MOYNIHAN: Well, as I said, I met my wife at Brown. And she was on the East Coast. So, I was trying to get back there. And nobody in Boston had ever hired anybody from Notre Dame at that point. And so, I went to the Boston firms and couldn't get in. And I do remind, because the captain of the rugby team two years before me is a partner at Goodwin Proctor. I remind him of that a lot. [Laughter.] And he reminds me of other stuff. But I could get hired in Providence. I was the first person that was ever hired from Notre Dame law school at this firm.

MR. RUBENSTEIN: And so, you're practicing law. And, like me, you came to the conclusion that it's not maybe as good a thing as being on the other side, being a business person, maybe. So how did you actually get out of the practice of law?

MR. MOYNIHAN: In 1991 or something Fleet did a deal where they bought the Bank of New England out of the FDIC in the late real estate crisis in the late '80s and early '90s. And a fellow named Terry Murray, who was running Fleet at the time, went to the general counsel and said – I helped structure that transaction. It was kind of a wild transaction. It had dual convertible – had stuff that – and he said – he said that – Bill Mattepuro, who is one of my mentors, and Duncan Johnson was the other lawyer was very important to me.

He said to Bill: This guy is too smart to be a lawyer. Why don't you get him in here? Which I also thought was an interesting thing to say to the general counsel. And I'm not sure it was true, because Bill is very smart. But I never really practiced law at Fleet. I went on a project where we reengineered the company. And then we came ahead of M&A. And so, it was really – I was lucky, because Terry saw something and said: Come do it. And I could take the risk, because I – you know, I didn't have to go out there and see if I could get a job. I could take the risk of moving over with someone who knew me, knew my skills, and was going to be flexible figuring out what I could do.

Because I had practiced law and done it well, I think, but what I hadn't done is ever managed people or managed a company or driven people through an integration or reengineered the company. And so, they quickly started throwing me on this stuff. And it was pretty great.

MR. RUBENSTEIN: OK. So, do you ever pinch yourself and say one day you're a lawyer in Providence, and the next day you're the – or a couple days later, you're the CEO of Bank of America?

MR. MOYNIHAN: That's why you have kids. They remind you that you're not what you think you are. [Laughter.] And they're pretty good at it, so.

MR. RUBENSTEIN: So, what do your siblings say? You wind up as CEO of Bank of America. They're pretty impressed, or they don't treat you differently?

MR. MOYNIHAN: So, when people ask me sort of how you did this, and you get a – I often get, and you probably get this too, David, you get a young lawyer who says: I want to do what you did. And I always say, so what do I have – 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. So, I had to make the leap from, you know, I was a partner in a law firm. You know, I was making decent money. I had, at that point, one, almost two, kids. 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 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. And then you can go on. But you can't plan your career. So, I do pinch myself saying, how did you get from here to there? You always say that. And I've been very, very lucky. But you have to – Jim Collins writes the books, and he always talks about the return on luck. At some point you had to get the return on luck.

MR. RUBENSTEIN: OK. So, let me ask you, now we're in Washington. When you're in Washington, presumably you're going to see legislators or regulators. Do you meet President Trump very much, or have you met him?

MR. MOYNIHAN: I've met him before he was in office. I haven't spent – we work with the administration a lot with the – whether it's Treasury, whether it's – whether Gary Cohn[5] and others, and all the agencies. We work very well with them.

MR. RUBENSTEIN: So, did Bank of America ever bank Donald Trump before?

MR. MOYNIHAN: We don't talk about clients.

MR. RUBENSTEIN: You don't talk about it? OK. [Laughter.] All right. So, would you have any interest in ever going into government when you're done with what you're doing now?

MR. MOYNIHAN: You know, if you practice law, if you've done things, you always think about it. But what I love about our company is we can have an impact on communities through the work we do on the teammates – because, you know, employ 209,000 people, but we also provide health insurance for 4-500,000 directly and almost a million indirectly, with the retirees and stuff. 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, you know, working on that stuff, because the frustration of government, when you talk to people, is it's just hard to get things done.

MR. RUBENSTEIN: So, the tax law that is now the law of the land that passed recently, is that helpful to the bank?

MR. MOYNIHAN: Sure. You have to step back and say: What did we need out of the tax law? And it got convoluted with all the stuff that's going on, as everything does. But the 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. And so, it'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, except

[5] Gary Cohn is an American investment banker who is serving as the Director of the National Economic Council and chief economic advisor to President Donald Trump.

we're going through 10 – our tax rate would be 31 to 21 type of numbers. Now, that's because we pay a lot of taxes. We get a benefit.

So, we were one of the largest taxpayers in the United States. And so, the benefit we get is a portion of that back. But that then causes us to invest. So, 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. We have – we're going to step up our investment and the speed of opening these branches in the cities we aren't in, which, you know –

MR. RUBENSTEIN: So, you're happy with it?

MR. MOYNIHAN: We're happy with it. But it was the right thing for the United States because what surprised me is – and you and I were in Davos[6] together and we did the thing – a couple things together, saw each other at various things. But if you talk to the CEOs of the companies outside the United States, that was a surprising thing to me, because you could see why the U.S. companies were excited by it, because the statutory rate went down. But when you went to the companies outside the United States, they always believe the United States was a great place to do things because – great final demand. The U.S. consumer spends a ton of money and buys stuff. The best work rules and rule of law to operate in. Energy, plentiful, uninterruptable, low cost. And so all that was a great thing.

But the problem was, if you came here – if you took your motorcycle manufacturing, you moved it here and sold it in the U.S. and captured that at 31, and you're capturing someplace else at 12, that was a negative arbitrage. They tend to try to make them and put them into the country. That's changed. And so – because now they're saying, if I get this income trapped in the United States, it's not trapped anymore, because it's territorial, and it's not trapped because it's a lower rate. And I think that's going to be a different feeling.

MR. RUBENSTEIN: Now, banks like when people borrow money. That's how you make money. But are you better off when interest rates go up, so you can charge more, or are you more concerned when interest rates go up because it might lead to higher inflation and other problems?

MR. MOYNIHAN: Two things. From a standpoint of interest rates, the issue was when the rates fell, there's a zero floor. So, we can't charge people interest. So, we basically – we ran into the zero floor. So, the traditional spread between, say, treasury rates and the rates you paid on deposits went to nothing. And so, we had to take our cost structure way down to get underneath that. So, when that comes up a bit that helps us out. And that's what a lot of talk about is rising interest rates help banks. And it has to do with your assets reprice. But the more important thing is your free deposits now are worth more because there's not a zero floor.

That being aside, it's all a question of why is the rate structure moving? So, people – right now, the 10-year is right around 293, 290 or so. I had somebody look at it again, because I hadn't looked at it in a while. But if you look at the 10-years since 1950s, which is the earliest

[6] Site of the annual meeting of the World Economic Forum.

you can get on Bloomberg and stuff, there's only – it starts at around three percent. It goes up, stays up there and kind of bounces around all over the place, then comes down. And the only two times it's ever been at this level was right in the early '50s and now, and for the last six or seven years. So, these rate structures, it's tremendously low. So, the Fed's trying to normalize it. And so, if they normalize it and it all works right, it's –

MR. RUBENSTEIN: So, if the Fed were to increase interest rates a few times this year, you're OK?

MR. MOYNIHAN: If it's done – if we don't lose control of inflation, if we don't have –

MR. RUBENSTEIN: And do you go to the Fed and give them your advice about what they should do on interest rates?

MR. MOYNIHAN: They – I'm not sure they need it. But, yes, we – they ask us about what the economy, and what we see. And what we see in the economy right now, if you think about it from our research team of Candace Browning-Platt and team, is one of the best research teams in the world, you know, 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. And so, our view is the Fed should normalize rates into that growth – late-cycle growth. But on the other hand, you know, you haven't seen a lot of inflation and everybody's debating about it. But, you know, and our team thinks the U.S. is going to grow, and so the Fed should normalize.

What they are doing, it's been clear to people, I think it's – 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.

MR. RUBENSTEIN: OK, now talk about cryptocurrencies. Is that something that you're worried about, or you're happy about it?

MR. MOYNIHAN: Well, if you think about cryptocurrencies, there's two or three different concepts embedded in it. One of them is the concept of a distributed ledger, so-called, which is the idea of verified ownership interest in something that can be verified by anybody by one ownership interest. It sounds really sexy, but that's what the registry of deeds is and the registry of motor vehicles is. It's a concept that's existed forever. The question is, when you do cross-border transactions, you know, it's harder to figure out who owns stuff deep in the supply chain. So, the way you do it is you rely on local banks to put LCs behind, you know, pieces going into the supply chain.

If you get the blockchain technology, which is the first part of the question on what supports cryptocurrencies, that's tremendously interesting to change the amount of work it takes to verify ownership. So, we have 40 patents on that already, and more than most people. The second thing is digitalization of money. We believe in that. So, 53 percent of all the payments made in January '17 by Bank of America customers – or, January '18, excuse me, by Bank of

America customers, were made in digital form. And that doesn't include swiping your credit card at a Starbucks. That includes – you know, it includes bill payment and wires and things. And so that's important.

Anonymous currencies, that's a policy question that is very difficult.

MR. RUBENSTEIN: Now, in your case, do you write checks still, or everything is digital?

MR. MOYNIHAN: Everybody does everything. We still –

MR. RUBENSTEIN: So, you still write checks?

MR. MOYNIHAN: The number of checks in the United States continues to be relatively – is 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, if I remember right. And so, I still write occasional checks. It's down a lot. But I pay most of my bills online. But you still – there's still certain things you still write a check for. That's why we brought out Zelle[7] in the banking industry to eliminate the need, you know, for – if I want to pay you for lunch, do I give you a check? I can basically Zelle it to you now. And that – we had 15 million Zelle transactions at Bank of America in the fourth quarter, growing at 100 percent per year. And it'll become meaningful. It'll just take a while.

MR. RUBENSTEIN: Let's talk about the job you have. So how much of your time do you have to spend with government regulators, legislators, how much with employees, how much with customers?

MR. MOYNIHAN: It's a little bit, like I said before, half-half-half-half. And I'd say that you try to balance it. And you do it more sort of programmatically. But I'd say, it's probably half with external and half with internal. And with a board and a management team and figuring out what to do, and then also talking to internal teams. So, we just had our senior leader's meeting. And you try to – you try to have an impact on the customer's side. But you always have to remember that at the end of the day, you know, it's Jeff Wood[8] and his talented teammates here in Washington, it's Miceal Chamberlain[9] in Boston, it's Charles Bowman[10] in Charlotte. It's the teammates in the field that actually drive our company. And so, the idea that I'm going to make an impact on customers when you have 50 million consumers and 30,000 middle market companies, people would be waiting for – you know, you have to get everybody –

MR. RUBENSTEIN: So, do you ever go to a branch?

MR. MOYNIHAN: Oh, yeah.

---

[7] Zelle is a U.S.-based digital payments network owned by Early Warning Services, a private financial services company owned by the banks Bank of America, BB&T, Capital One, JPMorgan Chase, PNC Bank, US Bank, and Wells Fargo.
[8] Jeff Wood is Bank of America's Greater Washington, D.C. Market president.
[9] Miceal Chamberlain is Bank of America's Massachusetts president.
[10] Charles Bowman is Bank of America's North Carolina and Charlotte president.

MR. RUBENSTEIN: And when you – do you wait in line or do you get right to the front of the line, or? [Laughter.] When you show up at a branch, they know who you are, I assume?

MR. MOYNIHAN: They do now mostly.

MR. RUBENSTEIN: Mostly? OK.

MR. MOYNIHAN: There was a couple times early on where you'd walk in and you'd get – I remember walking in a branch once in a place that we no longer have branches, where the person was reading a book. And I said, how are you doing? I'm Brian Moynihan. And they said, hi, how are you doing? And went back to reading a book. And it was kind of interesting.

MR. RUBENSTEIN: Is she still there? Or is that person still there?

MR. MOYNIHAN: We don't own that – we sold those branches to another place a long time ago. [Laughter.] It had nothing to do with that. It just happened to be where they were.

MR. RUBENSTEIN: So today, if I had some money and I wanted to go into a banking relationship with Bank of America, JPMorgan, Wells Fargo, or Citi, why would I want to go with you? Why are you better than the other three?

MR. MOYNIHAN: Oh, we have the best – we have –

MR. RUBENSTEIN: Other than the best CEO.

MR. MOYNIHAN: The best products, the best capability, best people delivering it. And I think we have – the way we come at the business is to figure out all aspects of what you need from us. And so – and we integrate them well. So instead of – our credit card rewards reward you because you're a customer across, you know, your checking account, your savings account, your auto loan. It's a rewarding relationship I think better than everybody else off the Bank of America relationship.

And so, 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.

MR. RUBENSTEIN: So, when you're in Washington, you're dealing with legislators, members of Congress. Do they seem to understand your issues very much, or not so much?

MR. MOYNIHAN: Yeah, it depends. If you get the arcane questions about the supplemental leverage ratio is, I don't think many people should bother to know it. But when you get into consumer banking, or – everybody has a view of it, because they all have bank accounts. So, they all have a view of what you have done right or wrong, and mortgages and other things. But usually – our job with them is to inform – you know, to make sure they understand the ramifications of some of the things that sound like do this, but then you don't understand the second and third-order effects. So, the idea of making credit available is great, until you find out that you end up with an overborrowed base of consumers in America, and an overlent base for the companies – the banks. And then you end up with a problem.

The idea of changing the leverage rules for buyouts and push the banks away from anything was good, until you found out the loans were just getting done by somebody you couldn't pay attention to. And who would you rather have doing that? JP, ourselves, and Citi sort of setting the terms? Not the best for you because you have tough negotiations –

MR. RUBENSTEIN: Well, some of your margin business is lending money to buyout firms, I assume, right?

MR. MOYNIHAN: No. We don't get paid at all for that.

MR. RUBENSTEIN: Really? OK. All right. [Laughter.] So, today what is the biggest challenge that Bank of America has? I mean, what are you most worried about?

MR. MOYNIHAN: At the end of the day, if you think about it from sort of the financial side, it's always 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, you know, 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. And so, because credit goes down when the unemployment goes up, and whatever. And so largely that's the thing we worry most about. And so, since you can't control it, you just sort of say how do – how do you be resilient if it happens.

The flipside, from just a management perspective, you know, we have to drive what we call responsible growth. So, we have to grow, no excuses, but do it with the right risk and the right customer focus and the right sustainability to it. And so, 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, you know, the markets get a little overheated, the terms get a little too beneficial. And you got to tell people, we can turn away business. It's OK. 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.

And the third's complacency. We're doing well, we're making money, you know, market cap is up, like you said. So, I show them other people's market caps that used to be that high, including ours, that came down. And you try to just put the fear of God in them so they keep going – they keep pressing.

MR. RUBENSTEIN: But you're doing well. A lot of times when you have a ubiquitous company, like a bank – everybody has to have a banking relationship, probably does have, you know, a relationship. Why is it that banks are not that popular?

MR. MOYNIHAN: Well, I think we are more popular than people say. But the reality is, our customer scores – we test in a way that no one else does, millions of people every month, and they're the highest they've ever been. I want them higher. I want them to go to places we've never gone. And so, the basic brand's in the best condition it's ever been. The consumer scores are strong. The wealth management scores are strong. The commercial banking scores are strong. And so, the brand's in the best condition it's ever been.

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, you know, the industry – people overborrowing and the industry over-lending, and then the ramifications of that. And they way to get through that is to get through another crisis where we aren't the actors, we're – you know, we're helping. And, you know, I think that that will take good, sound regulation, which we have, and good behavior on the part of, you know, ourselves, to keep ourselves out of this.

MR. RUBENSTEIN: So, if you're a young person graduating from college or a business school, why should somebody want to go work in a big bank? What's the appeal of working at a big bank compared to so many other options that young employees have?

MR. MOYNIHAN: I don't – the appeal is strong. We have record applications. We have 30-odd-thousand people come in for the jobs in the summer and stuff. The appeal is – I always tell people, if you want to do this to make money, please go somewhere else. You have to do it to help people live their lives – financial lives. And if you come for that, it's a very good thing. And the industry only really gets in trouble when they make it about our profit and how we make money, as opposed to how we help your company successfully buy a company and do four bolt-on acquisitions, or that consumers successfully, you know, learn how to buy their first home or go to college, or whatever it is. And that's what we say to people. So, we're very popular.

The second part of it is, the way we run the company – from sustainability to our firm – means three things: Best place for our teammates to work, which is, you know, our wellness, our diversity, our lead practices, you know, giving back practices at the consumer level. Volunteer – 2 million volunteer hours, $200 million in philanthropy. You know, a diverse board, management team, you can do anything – we make it simple. We want everybody to come to work in a company with one simple statement: I can be anything I want to be and I don't have to leave myself at the door. And so, that's the teammates.

Then you have the – what we call the SG side, which is our environmental programs or our – like, today we just announced that our community development bank last year did $4.5 billion of financing, 12,000 housing units in low- and moderate-income neighborhoods, $3.5 billion of debt – $3.25 billion of debt, $1.25 billion of equity. And so that's why kids want to come here, you know, because they have those things going on that are interesting. And then you get to do really fun stuff, I mean.

MR. RUBENSTEIN: Talk about Europe for a moment. Now, you have announced that you're going to set up your corporate headquarters in Europe, post-Brexit,[11] in Dublin. Now, is that because you're Irish, you had a predisposition to Dublin? [Laughter.] Or what was the reason?

[11] Brexit is the prospective withdrawal of the United Kingdom from the European Union. In a 2016 referendum, 51.9% of the participating UK electorate voted to leave the EU. The UK is scheduled to leave the EU on March 29, 2019.

MR. MOYNIHAN: The question was the path of least resistance. And the Irish government's been supportive of trying to get people to locate there – we had a bank in Dublin and we had a bank in the U.K. And so, we can merge the U.K. bank into Dublin and we don't have to go out and get a new charter. And so, for the broker-dealer – which is called a financial company there, something like that, we have to get that charter set up. And so, it was sort of the quickest path.

And we didn't have anything close – we had 1,000 – you know, 800, 900, 1,000 people in Dublin. We had a charter. We had been the biggest bank before the crisis in Ireland. And they remembered that. Or, Merrill was, and we had to fix that for them. And so it was natural. They have talented people. They're very accommodating to us getting set up there. We had 1,000 people to start – well, there were nearly 1,000 people. And we had a charter. And so, we did it. And so, I moved a fellow named Bruce Thompson over to run it and make sure it happens.

But Brexit, and this is – we're spending hundreds of millions of dollars, and the customers are not going to get anything out of it. This is just array legal entities around. It's really tedious, tedious stuff, driven by the decision – which it's the decision, so we got to do it.

MR. RUBENSTEIN: So, you have a foundation that gives away a fair amount of money. How much money does the Bank of America foundation give away a year?

MR. MOYNIHAN: About $200 million of direct philanthropic work. And about two million volunteer hours. And on top of that, you know, the stuff we do in our development work is not direct charity, but it actually helps.

MR. RUBENSTEIN: And what's the best way to get some of that money? [Laughter.]

MR. MOYNIHAN: Everybody knows, believe me.

MR. RUBENSTEIN: Just apply? Call you?

MR. MOYNIHAN: Yeah, just apply. We have a, you know, formal, you know, charitable group that looks at all the applications coming in under a fellow named Andrew Plepler and Anne Finucane and Kerry Sullivan. And they look at all the things. And we have certain programs, like I was talking to the person earlier. They have neighborhood excellence programs, the neighborhood builders' programs. We do grants for smaller nonprofits to grow their administrative side, which nobody likes to give to. They like to get some program or building. But we do that. We do art restoration, as you know. We worked heavily with the new museum for African-American history and culture.

But it's – you know, it's Boys and Girls Clubs, it's YouthBuild, it's City Year, it's Year Up, it's all the programs. And so, we spread it pretty wide. We largely focus on education, art for the – democratizing art. Great program, Museums on Us, 200 museums around the country, free entry if you show them your card. A tremendous program. The curators of those museums and the executives love it because it brings people in. And then we sponsor some of the great exhibits, and then we get the people to go see them. So, it's fun stuff.

MR. RUBENSTEIN: Now, are you worried about being – not marginalized – but some of your business being taken away by technology companies, fintech and other things? Like, Google and Apple, they're doing a lot of things where's they're kind of replacing banks in some of the things. Is that a problem for you?

MR. MOYNIHAN: It can't be a problem for us, because we got to face it down and own it and drive it. And so, like I said earlier, we have 34-35 million digital customers today, 24 ½ million going to 25 million mobile customers today. They did 1.3 billion digital interactions in the last quarter, up from 900 million a year ago fourth quarter. So, 1.3 billion digital interactions. And so, we have to be as competent. We spent a billion dollars in the mobile platform probably the last three or four years. And so, am I fearful of them? No. Do I learn from what they've done – oh, I – the team does. Does, the team learn from what they've done? Yes. Do we review it constantly, say what are we missing?

So, a simple example is in the small business spaces you saw these online ledgers come up. We realized we were taking 20 days to do the underwriting. We're not going to do it in 20 minutes, because we don't think that's wise. But what if we did it in two days? So, we were able to rearrange our processes for the smaller loans to do it faster. And that – you know, our loans have been growing fine. And, you know, we do – and we have more small business loans than I think anybody else does. And – but it took – it took us recognizing what was the appeal of those disruptors or fintech companies? And so, we drive it. And so, the idea is we're not afraid of them, but on the other hand you got to learn from them and drive it.

And then you can't forget that the three or four major technology trends are going to shape a lot of what happens. And none of us know exactly what's going to happen. Voice recognition, artificial intelligence, data transmission, network power – the ability of networks to actually connect to you – and data storage accuracy and transmission, and artificial intelligence to manipulate it and voice recognition to access it. You start thinking about this stuff. Our Erica[12] platform and our mobile is out, and 40,000 teammates are using it now, it'll come out to the public soon, where you can basically say, you know, transfer money to David, and it'll transfer to the money to David. That's all you have to say.

MR. RUBENSTEIN: Now, let's suppose you wanted to buy a house, and you wanted to put a mortgage on it. Who reviews your credit application at Bank of America? Does somebody review your –

MR. MOYNIHAN: There's rules on that, called Reg O. So, it's pretty heavily – but –

MR. RUBENSTEIN: So, you wouldn't borrow money from another bank, though?

MR. MOYNIHAN: I wouldn't borrow money from another bank, because we have the best products. But you know – some people forget, there's been a lot of regulation around this industry for years. So, every credit extension to any officer or director has to go through an external one.

[12] Erica is Bank of America's artificial intelligence-enabled "digital assistant" or "chatbot."

MR. RUBENSTEIN: So, now, you're relatively young – 58 years old. So, you could do this for quite a long time. But do you intend to say for five years, 10 years? And if you eventually leave, what will you like to do next?

MR. MOYNIHAN: I always say I – you know, as long as they'll have me, I'm having a great time doing this. I had a chance to sit with Mr. Buffett in an interview the other day. He looks like he's having the time of his life at 87. So, what the hell. We can keep going. [Laughs.]

MR. RUBENSTEIN: Well, I want to thank you for coming today, and thank you for what you're doing.

MR. MOYNIHAN: Thank you.

MR. RUBENSTEIN: And I have a gift for you. [Applause.]

Brian Moynihan
Chairman of the Board & CEO
Bank of America

Brian Moynihan leads a team of more than 200,000 employees dedicated to making financial lives better for people, companies of every size, and institutional investors across the United States and around the world.

Bank of America is recognized as a top employer by Working Mother magazine and G.I. Jobs magazine. The company also received the U.S. Department of Defense Freedom Award for support of employees serving in the National Guard and Reserve.

Moynihan participates in several organizations that focus on economic and market trends, including the World Economic Forum International Business Council, The Clearing House, the Financial Services Forum and the Financial Services Roundtable (chair of both), the Business Roundtable, and the Bi-Partisan Policy Center CEO Council on Health and Innovation. He is also a member of the Federal Advisory Council of the Federal Reserve Bank.

Moynihan leads the company’s Global Diversity and Inclusion Council and is a member of the museum council for the Smithsonian’s National Museum of African American History and Culture. Moynihan is also a member of the Brown University Corporation's Board of Fellows and the Congressional Medal of Honor Foundation Board.