

The Economic Club of New York

508<sup>th</sup> Meeting  
112<sup>th</sup> Year

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Brian Moynihan  
Chairman of the Board and CEO, Bank of America

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New York City

Welcome Address: Glenn Hutchins  
Vice Chairman, The Economic Club of New York

Moderator: Maria Bartiromo  
Anchor and Global Markets Editor, FOX Business Network

**WELCOME ADDRESS – GLENN HUTCHINS:**

Good afternoon and welcome to the 508<sup>th</sup> meeting of the Economic Club of New York in our 112<sup>th</sup> year. I am Glenn Hutchins, Vice Chair of the Economic Club and Co-Founder at North Island.

The Economic Club of New York is the nation's leading non-partisan forum for speeches on economic, social and political issues.

More than one thousand prominent guest speakers have appeared before the Club over the last century and have established a strong tradition of excellence.

I would like to take a moment to recognize those of our 287 members of the Centennial Society attending today, as it is through their support that has played a special role in ensuring that the Club remains financially sound and able to offer our wonderful, diverse programming now and in the future.

We would also like to welcome the table of graduate students attending today from the NYU Stern School of Business as well as our attending members of the 2019 Class of ECNY Fellows, a select cohort of next generation thought leaders sponsored by members of the Club for our year-long program. Welcome all.

It is a real pleasure for me to now introduce our speaker this afternoon, Brian Moynihan, Chairman of the Board and CEO of Bank of America.

Brian 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 Military Times.

The company is also listed on Fortune magazine's list of the Best Workplaces for Diversity and the Best Workplaces for Parents. It was also named one of the Best Places to Work for Disability Inclusion by the U.S. Business Leadership Network and the American Association of People with Disabilities. In 2018, Euromoney recognized Bank of America as the World's Best Bank and the World's Best Bank for Diversity and Inclusion, as part of their annual Global Awards for Excellence.

Bank of America was also named the 2019 Catalyst Award winner, honored for supporting the continued development, empowerment and advancement of women in the company and around the world.

Moynihan participates in several organizations that focus on economic and market trends, including the World Economic Forum International Business Council, the Financial Services Forum, the Bank Policy Institute (chair), the Business Roundtable, and the American Heart Association CEO Roundtable (co-chair). He is also a member of the Federal Advisory Council of the Federal Reserve Board.

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.

The format today will begin with a few remarks from Brian, followed by a conversation in which, we are fortunate to have fellow Club member Maria Bartiromo, Anchor and Global Markets Editor for FOX Business Network at FOX News Channel doing the honors.

She has received questions suggested by attending Club members who used the Club portal when registering to share topics they would like covered.

As a reminder, this conversation is on the record and is being carried live.

Brian, the podium is yours...

**OPENING REMARKS – BRIAN MOYNIHAN:**

[crosstalk 00:04:47]. Thanks, Glenn.

I want to first thank Glenn for the nice introduction, and you are my friend. We share the Boston Celtics in common and a few other things. We won't get into baseball. I want to thank the Economic Club for giving me a chance to share some time with you today. We're going to break this up in two pieces. I'll just give about 10 minutes of introductory comments about something I believe is very important, and then Maria will ask me about the questions, as Glenn described, on what's going on in the economy, and also what we're doing in our company, driving responsible growth.

We completed 2018, made \$28 billion after tax. We made \$7 billion plus in the first quarter, and I think, as Glenn referred to, we've done it the right way. And we've done it by having great customer results. Thanks to all of you in the audience, who are customers and clients. And the team continues to deliver for you. And we continue invest heavily in technology, talent, and capabilities.

But before, I want to get started here with Maria, I want to discuss a topic which God knows has received a lot of discussion lately. And that is capitalism. More precisely, the debate about capitalism versus socialism, versus progressivism, or the debate whether capitalism is right for America, for society.

Oddly enough, when I was at the house hearing a few weeks ago with my peers, we were asked if we were a capitalists. So here I am as the person who runs one of the largest profit-making companies in the world. Whose job it is to help people live their financial lives and helping them connect to the world which means to help them participate actively in a capitalist system. So of course, I answered yes but I was a little surprised about the question.

But as I start this discussion. I do acknowledge the concerns that are out there. The concern around equal opportunity to participate in capitalism. The concern of whether companies are sharing profits and paying people equitably.

The concern and debate around priorities of capital return. Discussion of whether the issues of climate change are getting away from our society. And the concern of what will happen to today's workers, as we continue the path of the fourth industrial revolution. The consistent discussion also, of responsible impact or ESG investing and last, the discussion about responsible self-governance by companies.

These discussions are right in the center of the policy debates are going on in legislatures and executive branches throughout the world. They're concerned for all of us here today, they're concerned for our clients our communities and our shareholders.

And our teammates discuss these at the proverbial water cooler every day. Let me start with siting a few people who I've had the pleasure of having in depth discussions about capitalism. I'll call them the killer "B's" for the day. Bono, Buffett and Bloomberg. They're three different people who all get to a similar spot. An entrepreneur, a rock star, and a legendary investor.

Each has benefited greatly from the capitalist system and they freely admit that. Each has outlined pluses and minuses, but all are committed to capitalism as a way forward. In 2012, Bono made an appearance that we hosted at Georgetown University. He told the citizen students about capitalism, and how it's done more for society than developmental or government aid. However, as he's said recently, capitalism needs to be tamed.

The following year, we hosted Warren Buffett at the same symposium at Georgetown for discussion. As only Warren could he held the students, completely spellbound. Young millennials who are thinking about their role in society and Warren talking about what it meant to do all the things he's done. And he explained to them carefully that

capitalism is the successful system in the world. It may leave some people behind, and therefore we have to have ways to deal with that. Take care of that other side of capitalism, but we can't question capitalism.

And recently Michael Bloomberg wrote an editorial in the Boston Globe when occasion was addressed at the Harvard Business School's commencement. He announced an annual conference regarding investing in their era of climate change. In that editorial that day, he again said simply what Mike can do better than anybody else, capitalism works.

However, he also said that capitalists can't stay stuck in the past. He said capitalist can't forget that progress on its own is an economic stimulus. In his conferences starting to harness the power of the market to protect the environment. These wise leaders raised an important question. How do we drive capitalism ahead to solve society's concerns?

So what I believe strongly here, is that these issues can only be solved with the great companies represented in this room and other countries around the world are involved, in fact drive this. Capitalism is a system to solve the concerns, but it has to be done the right way.

But first we have to agree, what are the concerns? What is the task we've been assigned? Well, Bank of America, you know we've launched a new ad campaign that talks about how we approach our customers, our teammates and our communities.

We asked a simple question. What would you like the power to do? The rules that answer that question is summed up in what the world leaders agreed to in the global summit in 2015 at the UN. When they set forth the SDGs, or the Sustainable Development Goals. 17 areas and address equality of opportunity, access to clean water, renewable energy, affordable housing, and other priorities. All the specific goals to be met by society. 193 countries agreed that this was what society needed. So we do

have the goals that are set. And while we assume that the world desires us to make consistent measurable progress on those goals every year.

But let's deal with the fiscal reality of those goals. The SDGs are estimated cost to cost \$6 trillion annually in investment capital. Loans, equity, in-kind contributions, charity, money in whatever form, but \$6 trillion a year. Now many in society have spoken that they believe charitable efforts can accomplish the task, but they simply cannot. Why? There just isn't enough money.

Total charitable contributions worldwide last year estimated to be about 800 billion dollars. We as Americans, made half of that, the generous history of America. But all 800 billion isn't close. Then other advocates say, for the great universities and foundations, drain them all and give all the money away instantaneous to solve the world's problems. Well that doesn't work either.

Global nonprofit foundation assets are about a trillion and a half. So, if we emptied them all in one year, we'd have about a quarter of the demand and what do we do for the next year? And other people say governments can solve this issue. The US operating budgets are probably the largest in the world at \$4 trillion per year. If we took all that, put it towards the six, we'd cover two thirds of it. But no federal offices open, no post office, no social security, nothing. No debt payments, everything would have to go to it. And if you start a debt to finance it, we already know the fiscal issues that we face quickly in that regard. So how do we drive it? Well the private sector is the answer.

The default private sector can't fall in the trap to try to accomplish progress with corporate charity loan also. Since 2010 our company has delivered \$2 billion in charitable giving. That's a lot. If the whole S&P 500 gave at the same rate, that still would fall far short.

So what do we have to do? We the private sector companies have to align our ordinary business activities, the things we do every day, to help solve these challenges. For

Bank of America, that means we have to bring our \$2.4 trillion balance sheet to bear to the task. We have to bring our \$53 billion expenses and how we spend them to the task. We have to bring our \$245 billion in equity to the task. We have to bring the trillions of dollars a year we raise for you, our clients, to the task. And we have to bring a \$2.8 trillion invested assets for wealth management business to the task. That is how capitalism can solve these challenges, if all the companies align themselves to deliver on the relevant part of the SDGs and we measure their success.

Capitalism has the money, the creativity and the expertise. And that's a lot of money. But now how does a company do it? How do you do in your company, how do we do it in our company? First, we do it with our corporations, will be carbon neutral by 2020. Second, we drive our charity and our philanthropy and our volunteer and our community development investing. Over the last 10 years, \$45 billion lent to lower moderate income housing predominantly in communities. Third, we do it with our employment practices that Glen reference some. We employ teammates, 200,000 plus. We support their families, their economic growth, the development of providing funding for them to do many things outside work including education for their kids, etc.

We also have to have strong and progressive health and wellness benefits, family leave of 16 weeks for everyone, bereavement benefits. Minimum starting salary Bank of America as of May is \$35,000 a year for any employee, and it's going to \$40,000 in the next 24 months.

We have to give our teammates the ability to re-skill, as the fourth industrial revolution takes hold. We have to hire those who are, need the help. 10,000 veterans in the last five years, 10,000 new teammates, which were halfway through from lower moderate income neighborhoods. We have to then do with our core client financing activities. For example, just in green bonds alone, we've under written \$40 billion. That's not money we got, that's money that our clients to do the kinds of things that will push their environmental change. And that's very important.

Then we have to help investors think about how they invest. Where there's opportunities impact investing, blended finance, however they're going to finance the SDG transformation. In the end we have to drive the whole business. The whole operations, the effort, but the same time we have to remember one thing. We have to produce the profit. We have to drive progress and we have to produce good returns and great returns for our shareholders.

We have to drive profit and we have to invest in future. We have to do both, otherwise, simply, I won't be here because the next management team will be here to drive that profit. Companies have to conquer the “genius of the and,” as Jim Collins calls it, we have to produce great profit and deliver on our purpose. We have to produce great returns and answer the world's response to the question, what would they like the power to do? If private companies focused on delivering both through the individual business routines, operations and practices, then we can channel the world's capital to the progress and the SDGs.

But to ensure we make progress we also need one other thing, a framework, or a series of simple frameworks to measure success. But we have to agree that progress is progress, to let the companies continue to work on it at a good pace. We need this so we can demonstrate that both, we can generate returns and deliver progress. And we can reward the companies that can achieve both. Our expert research at Bank of America demonstrates that companies that don't follow these priorities are riskier and less predictable. In fact, if he didn't invest in the companies that didn't follow the ESG type of priorities in the last five years, you would've voided 90% of the bankruptcies. So, they're not yet proving that is our performance but we are proving it's under performance.

These measurement systems will ensure capital flows towards cap companies that focus on addressing society's priorities and providing great returns to shareholders. In the end, this is how we tame capitalism as Bono mentioned. This is how we deal with the fallout that Warren Buffett mentioned. And this is how capitalists make progress

which Mike Bloomberg mentioned. The genius of the “and.” The genius of capitalism. That's the best way forward. Thank you.

**VICE-CHAIR GLENN HUTCHINS:**

Thank you Brian, I would like to now invite Maria to come up on the stage and let the conversation begin.

**FIRESIDE CHAT WITH MARIA BARTIROMO:**

Maria Bartiromo: Thank you. Great comments and I'm glad you addressed capitalism, because it certainly has become a real debate. Amazingly, by some capitalists. So great comments there. Hi everybody, great to see you and happy to join you this afternoon. Brian, you talked a lot about capitalism versus socialism. I want to get your take on the broad economy for a bit before we go back to that because I do want to get your sense on why you think younger people think maybe socialism is better than capitalism and we could go back to that.

We're seeing some signals recently that things may slow down. We got a GDP of 3.1% in the first quarter. We know just a week and a half ago, but we've seen Purchasing Managers index calm down the global purchasing managers showing that manufacturing may be coming in. How do you see the broad economy right now?

Brian Moynihan: Let we start by the debate that's been going on since last fall, which is the debate between what it will feel like to go through a slow-down that levels off, one and a half 2% versus a line it just keeps going down. And that's the bit that goes on every day and some

days, some people win, and some days the other people win and so. But what do we see today?

When we think about Bank of America, we have our experts, we have one of the best research platforms in the world, Candace Browning Platt, that runs it and the team does a fantastic job. Their prediction for 2019 GDP growth in the United States, they just moved from 2.5 down to 2.4.

But they've followed this travel. 2.6, 2.2, 2.5, 2.4, are all across the last six months and that's largely bouncing around some of the topics within two and a belief of what the trade issues or solve or whatever.

On the worldwide basis it's low threes, so they believe that the economy is still growing. Well, we then have the different insight is what our customers are doing. You think about the US economy, it's two thirds consumers. The size of that economy is basically equivalent to China's economy. And so when we think about what's going to happen economy, I focus a lot on what consumers are doing. In Bank of America, so far this year through May, we've had a trillion dollars in payments made by consumers. A check written, a credit/debit card payment, cash from the ATM, ACH wires, that is up 5% plus from last year.

17/18 was eight and a half and it was like four to five the year before that. So what you saw is the economy grew faster, one update now it's come back down. But it's very strong and it's actually picked up during the year a little bit. And so we feel very good about the consumer and when you talk to our business clients, they're borrowing money, they're making things, they're

worried about all the things that we're all worried about in this room and the ebbs and flows and like you talked about every morning. In terms of trade and what that resolved and those types of things, that worry about getting employees. But overall, they're making money and they're happy and they're borrowing at the highest rate on the middle market lines of credit that they borrowed at in 10/15 years. That makes they're putting the money to work somehow. They stored a lot of cash which means they have more money to invest. And I think it's just gonna take a little bit of clearance away some of these potential bumps that will then kick them back in.

Maria Bartiromo: Yeah, it's interesting that you see an economy that is still strong, despite all of the uncertainty around trade and tariffs. So that's really what I wanted to get your take on because cap x numbers is something we look at very closely in terms of an indication for the economy. And while cap X was up about a year ago, I believe the Journal reported it was up 20%, now it's something about 3%. Are you seeing uncertainty sent in, in corporate America as a result of the uncertainty around trade and tariffs?

Brian Moynihan: We'd have different numbers but the same trend which was that last year you saw about twice the rate of this year a little higher this year the new numbers you gave. But it is slowing down again because there was a rush to get things done. You got to think about late 17, nobody believed tax reform could get done. There had been a plan in place for the entire administration, and to administration Obama that was agreed to tax reform, never got through the group of six or gang or whatever they called themselves and everything. And all sudden, it happened. And so the enthusiasm out of that took off. And so people went and spent the money and did the things, then of course, you only need to buy

so much. Soon there's a slow down your side that's what we're feeling.

But it's still consistent with a healthy economy. The economy probably 2% ish versus 3%. And that's what's playing out. So we feel, if you look at the businesses and even capital spending stuff is slowing down it was predicted to slow down. That was the. That was what everybody said early 18 about 19 and our second year. The question is will it slow down or slow down and keep going. [crosstalk 00:21:08] That's the debate.

Maria Bartiromo: It's interesting, we are in year 10 of an economic expansion about to break the record of the longest economic expansion-

Brian Moynihan: By definition, we have to break it now must be revised backwards. We're in the quarter that would break it.

Maria Bartiromo: Exactly. And people are saying, well, maybe it's just the age of this expansion that could turn it around, I don't know but so far it sounds like you're not seeing all that much change even though yes things have come in a bit, you're not seeing all that much change from the consumer or business. As a result of this uncertainty.

Brian Moynihan: Access to credits good.

Maria Bartiromo: You're expecting it but-

Brian Moynihan: Access to credit is good. The people's wages are growing, unemployment is at levels that are impressive, 50/60 years. So when we think about all the stuff going on in society, when was the

last time that new claims from unemployment ran 200,000? Raw number. 1968, 1969.

Maria Bartiromo: Wow.

Brian Moynihan: Society was in pretty rough shape then. You think about from 1968/9 to 70 2,3,4, think about what happened. Nixon, Vietnam was raging, Kent State, Martin Luther King, Bobby Kennedy, the DNC, think about all that, that went on. And then ultimately, a oil shock in a world war and then the shock. You think about all that. And yet here we are on the other side, know how many people employed in 1968, in America? 70 million. Know many people are employed today? 150 million.

So the ingenuity, that capitalist engine we're talking about solve the problem. By the way technology was going to take away our jobs if you were around in 68 and stuff like that, the computers and stuff like that.

Maria Bartiromo: Yeah.

Brian Moynihan: We made it through. Now how we're going to make it through, I don't know but I think people get too worried about some of this stuff when you really think about it long term, it's a very powerful engine this economy we have is. And it will ebb and flow and that's the point. 10 years in, everybody says it's gotta flow. Or whatever the right analogy is. And they're saying, why does it have to? And that's going to be the interesting debate every quarter now and that's why you're seeing this boom, boom, boom.

Maria Bartiromo: We have to talk about interest rates and the federal reserve of course, I'm gonna get your take there. But you just said something that I want to stay on for a moment and that is about your employees and wages. You made the conscious decision to actually raise wages at BofA, you've gone from, well you're now at \$17, and you're going up to \$20, tell me about this. What was behind this decision because you have been also very prudent and conservative in terms of your expenses, and yet you're raising wages in a significant way.

Brian Moynihan: What the team's done a great job of is figure out how to transform the company. A lot of you are thinking about all the stuff you've talked about us in 2000, 12, 13, 14 it was going on. And he said the team was doing a fabulous job so we had 280,000 people and I became CEO we have 205,000. The company's bigger. That was by applying technology, improving process and changing stuff. But that's also given the ability to go from \$90,000 average comp in our company to 115 at a time frame. For people in a lower to quintile of wages, they've had, if they were since 2010, every year, every year, 6 to 7% wages and salaries, every single year. At the same time we dropped for the people paid, we dropped the health care costs contribution half and have not raised it since 2011.

All that was to have teammates and felt better and better about the company and could do a better and better job for customers, and to keep the turnover against the 3.5% unemployment, 3.6. It's hard.

Maria Bartiromo: Yeah [crosstalk 00:24:43]

Brian Moynihan: So we bought a turnover down by half but it's still high. And so we need very talented people. And the last thing we did is we as a

company have profit margin ability or money and ability to do business the right way that we would not let employees, employees will always be above, way above the poverty for family even if they're individual-

Maria Bartiromo: Above minimum wage?

Brian Moynihan: We said way above minimum wage, way above that, we set a 25% buff for that now we're running 50%. That was a conscious decision that we didn't believe our teammates should ever be in a position that they don't earn significantly more than the very standard of living.

Maria Bartiromo: Now that was a big deal and I thought you did it right before you were testifying in front of Maxine Waters, Financial Services Committee, so that was quite clever of you as well.

Brian Moynihan: It was a natural progression. We crossed 15 and 2017, which was a great debate, I think I talked to you about that in Davos.

Maria Bartiromo: Yes.

Brian Moynihan: And we were going to cross 16 and change but just for the merit and I said let's just end the date and go to 20 which is 40 some thousand bucks a year. So let's just add it and let people know the course. And again, so our teammates will feel good, rest of our teammates feel good about it. But importantly, it would shut down the turnover little bit and it's not. It's the lowest it's ever been. But if we can get a couple hundred basis points out of that turnover rate that's a big deal.

Maria Bartiromo: Are you getting the feeling that we could be walking into a tougher regulatory environment for the banks? I mean obviously this administration has lowered regulations but the big banks haven't really felt it. I mean it's been the small and mid cap companies that have really gotten the relief on the regulatory side, where are you on that issue? Are we walking into period with the democrats in control in the Congress, ready to put further pressure on you as a large SIFI bank or do you feel the opposite given Trump's new regulatory environment?

Brian Moynihan: I think the key was to get in place between capital liquidity resolution to resolve a major company, get everybody under the tent, change the activity scope and that was all put in place, but they're still fine tuning that, and if we can just stop and make sure we got that right. And so we talked a lot about is, if you are 15% of the FDIC insured deposits and whenever the failure basically the fund pays for it and we build the fund back up. We have a higher interest in making sure people are safe and sound than anybody else. And so, I want capital liquidity and bass equality and all the things. The problem is when you swing the pendulum too far you gotta make sure you swing it back and so I think we're advocating to get the pendulum a little bit back to middle but not change the scheme. Stress testing is a very strong and we'll find out this year's tests here in a bit.

And what that says is these banks should not, these banks meaning not just the big SIFI but everybody, shouldn't be the problem. And by putting more stuff under the tent and in the event stuff creeping out, you shouldn't have the same problem because people sort of rewrite history from the back, from where we are today, but most people failed weren't under the tent. And the issue

was what Jim [Vernack 00:27:46] and others were doing at the time, they had to figure out ways to solve problems that weren't really the banking industries regulatory framework. So he fixed a lot of that and that's good. But we got to be careful because there's a real cost benefit analysis here which is, if the simple numbers we have 10% capital requirements. 3% of that is for the SIFI buffer and it's only two and a half, let's just make it three or 3% of that for the SIFI buffer, 7% of the base capital so the regional has seven, we have 10. If you think about that, it doesn't sound like a lot, 3%, that difference is \$50 billion dollars in capital we can take no risk on. So if you said, let's say the two verses 3%, so you take 100 basis points, we can make 100 billion dollars more loans that we can't make today. So the calibrations a key and that's what we're working for. And we believe by the way that our pot should not be visited on other people's houses, that you need to have less regulation of smaller banks. We were clear on that the SIFIs were and because if they fail, they don't create the same problems, we clean them up and go on.

**Maria Bartiromo:** Let me go to another gap which a lot of people are talking about and is the gap and interest rates. We're seeing the 10 year drop like drop down to 2.2, broke 2.07% actually. The yield curve has now inverted where you've got the 10 year actually lower than the three month at 2.3%. Important conference going on in Chicago in terms of Fed policy, Jade Powell this morning said he's ready to act. What does the inversion tell you for starters? Is this indicating that the recession is on the horizon?

**Brian Moynihan:** There's a common view that there's a correlation between inverted yield curves and a recession, and it proves to be true. A number of times it also improves not to be true. And so, I think you've really

got to focus on the real underlying economic data and what you're seeing come out and so business conference is strong, not as strong as it was but strong consumer confidence is strong. Not as strong as it was at it's highest point, spending, etc. So I think you got to concentrate on that. I think the thing about the yield curve which is different this time, I read an article today, said this in 2006 and so get ready.

The German 10 year rate, I think in 2006, at the same time was 3% positive. It's now, 30 basis points negative. So the question is how much the capital flows around the world are creating the massive rally in the American bond market because we're positive me. So you got one side that... people say it's recession indicator and they can prove that, and you got another side proving, no, it has nothing to do with it and there's other factors that they can to prove that out. What I try to use avoid the debate other than to watch people argue that other, which is kind of fun, and really just sit there and say what do we see in day to day activity? And the activity consumer America has gotten incrementally stronger during the year. And so, unless people don't have jobs and aren't getting paid more, I think what will slow them down will be that and we don't see that. And by the way when you talk to our clients, I've asked a question here number one issue of most the people here, I can't get enough employees. And so they're all higher and are trying to in replacing people in last year, 27,000 people in our company. 27,000 people. Now the people that left us went some place, they have jobs, some retired but most of them had jobs, they left it was... so we have 27,000-

Maria Bartiromo: And you want to see that you want to see that, you want to see that kind of... that tells you that the economy is strong. [crosstalk 00:31:20]

Brian Moynihan: Very healthy for economic... very healthy, 200,000 jobs, 197,000 jobs and so I wouldn't... I think people are over looking at that market indicator I can, but I cannot fully understand why. It is a trading question and people making money but you know the real questions what's going to go on the in line data and I think Chair Powell, this morning in many cases has been in a whole group of people, have been clear that if they need to help the economy, they will, but they're not going to help it unless they need to, and that's what being in a neutral range means. Until they got to that, they had to get... they got in the neutral range and that now it's really going to be, as one of the former chairs told me, it's like climbing a mountain. It's a hand hold the next meeting and the a hand hold... everything, so there's a pattern to it but it's really literally just where's the next place to put my hand so I can hold up and they're trying to figure that out.

Maria Bartiromo: What you're saying is number one, the backdrop still feels very strong to you, the consumer when you look at what the consumer is doing in terms of spending habits, it remains quite robust and on the other hand, what you're saying is, rates have dropped and treasuries have gone up, but that's because there aren't a lot of alternatives across the world.

Brian Moynihan: And now the market has, and our economist Michelle Maher put out this morning, I think three cuts between now and next year and or something like that. We'll see if that holds. If these trades fall into place and you see from com down, it'll be interesting to see how

fast that comes back on the mark. By the way, it was in the market, came out of the market, was in the market, literally everything flowing based on the debate.

And so it's not really there. I think for this fundamental reasons yet, now we'll see the data and if data starts getting weaker than it does more fundamental.

Maria Bartiromo: What a change in conversation, a year ago we were talking about the Federal Reserve raising rates three times, whining down the balance sheet, so that it could get the balance sheet way down from the four plus trillion dollars. And now we're talking about a cut in interest rates. Is that largely because the Federal Reserve wants to get to its inflation target? Maybe that's it?

Brian Moynihan: When you gets this debate about monetary policy, I've always said my debating with the Fed about how they're going to set monetary policy is not a high value task for me. Because I'm not sure they are concerned that the inflation is stayed in ranges its stayed, they've been clear if that. I don't think anybody, you don't need to have some divine whisperer here, you could just go read the minutes, they're worried that inflation thought... they're worried a job... wage growth is not as strong as they'd expected at this point. So there's a flow curve work, what's happening is the phillip curve is getting back in sync now as each, the wages have been rising at 3% as opposed to two. We see much more wage inflation. I'm sure the business owners and operators here do too. The idea that wages are on the ground 3% ,I'd like to find one cohort in our company that's close that just... not I'd like to, it just isn't true. And so I think they're debating the inflation issue. But it is interesting that it wasn't last year, this, last November, we're debating-

Maria Bartiromo: Thank you.

Brian Moynihan: ...whether they're gonna raise rates and stuff. And it was predicted, if you look at our financial plans that were developed late last year, it had rate increases this year in them, and by the way, we don't make it up, we just take the markets blue chip consensus. So you have to go back that far. So what's happening six months, trade war, Brexit isn't getting solved, people worried about the impact, and China's slowing down the impact on Europe, which is much more into that. And then you're worried about even Brazil, which was come along a little bit. So the world estimates have come down and Europe's estimates have come down. And so it's been six months now. Half Empty, says oh, my gosh, people are revising down half full, it's only been six months or what would be the condition to put us back in different mode. Six months time, I don't think in November, we thought, in October/ November we thought we'd have some crazy environment was over... it wasn't real estate prices grown 15% a year, it was real estate prices around 3% a year. So all we gotta do is sort of get people back into that mode. Get the thought process back in that mode and that's going to come down. I think solving some of these core issues which the next co governance up here today trying to figure out this situation. I was down there last Thursday and Friday, it was interesting time to be there. President, as he's announced, spoke at an event we had down there for our teammates from around the world. Some were before the situation changed for him that afternoon and talking to his cabinet stuff. They need to solve this. They're trying to figure out a solution and they're up there doing it right now-

Maria Bartiromo: DO you feel like its actually worsening the trade worries, because now the President is looking at Mexico or do you feel that this is just bluster? The President is playing poker in a sense?  
You're right Mexico officials in Washington this week meeting with Secretary Pompeo. He's got to get USMCA passed. And you've got this political dysfunction in Washington where you're not seeing a lot get done because the two sides hate each other so much. If they don't get USMCA passed, does that blow what you're talking about? Does that disrupt this strength in the economy?

Brian Moynihan: So I think the economist have already... just because of the delay and the perceived delay in resolution in China... because even going to few weeks ago when the negotiations broke down of why every sale by the G20 and now it's a little more debate, we'll see what happens.

Maria Bartiromo: Right.

Brian Moynihan: And then USMCA, you have Canada and Mexico started the process so... and then change. I think the clarity around that would add back. What will it add back, I think until it was past tense, I think it's going to be harder to add it back. So they went from year two, six, which assumed it was all going to get done. And like last fall, to when it wasn't gonna get done back up to about two five, this GEP for 19 in the US and then back down to two four. So I think what you're seeing is a delay now. If it stopped cold and it was clear nothing was gonna get done I think it would come down further. I still don't think the US economy... they don't believe, by what they publish this morning, the US economy will go in recession.

Maria Bartiromo: And you don't see it in your... when you see it [crosstalk 00:37:21]  
You're seeing raw data about the consumer.

Brian Moynihan: We won't see it till it happens but right now you don't see the impacts. You see some companies are starting to feel the affect of tariffs taking equipment out of China. It's gotten expensive so an example of client, they that I got relayed to me was, they were going to buy two pieces of equipment, they bought one. That level of uncertainty isn't healthy for...  
When you discount future cash flows, which is what every business assessment does. Anything that puts a variability around those cash flows, you as a senior executive are going to ask people what's the range of outcomes here? And if that range gets wider you're going to be more reluctant to do it and that's, that's what you're feeling right now. People are saying, wait a second, if this trade goes really wrong, what happens to me and do I need to buckle down, do I need to horde some cash, do I need to slow down a little bit? So I think the relief might be more than we expect that was 3% in the first quarter when a lot of this was going on. And there's some technical reasons that and happy stuff. So I think it would be better, I think it would impact... but I think they took part of that into consideration, especially the lay in a way, or experts looked at it today. They were clear. This is starting to reflect trade disruption.

Maria Bartiromo: Actually I was surprised that the GDP wasn't revised downward more, from 3/2 to 3/1 in the most recent reading. You just mentioned, real estate, what can you tell us about housing right now? Because mortgage rates have also come down. And I'm wondering if that has been a bit of a spark in an area that we were seeing some signs of weakness within real estate.

Brian Moynihan: This is again will be glass half full, half empty. Real estate prices going up about 3% year over year three to 4%. Almost every city seeing, rises in the hottest cities faster.

Maria Bartiromo: Every city, wow.

Brian Moynihan: Yeah 20 cities are up 3%. That's a top 20 cities. The long term trend, if you looked at the curve coming up to 4,5,6 and then saw it shoot up and then come back down and get back on, it's basically on the same trend at 3%. It's just it found some ways way up from the way down.

This is healthy for a million change units the populations only growing half a percent, household formation about a million a year, a million units is healthy. Car sales at 16 million versus 17 million people can wring their hands but 16 million is higher than all but a couple years in the history, other than the last four or five. 40 million used cars sold a year so the underlying activity, if people are employed at this arena, it's going to be fine.

We don't want housing to go up at 6,7,8% a year. That's what we had and that's fueled by... it's the biggest leverage that all Americans can make, 5% down 95% credit, you can't make that. You buy securities, it's 50/50 at most. A lot of the things, it's less so the idea is... we don't want that, so 3% is fine. Now when it gets out ahead of that, that's usually due to San Francisco and places, Boston, places like that. They're just hot for jobs and that'll settle back down. There's housing shortages in those environments, that's a different question but you know so housing very constructive probably has more room to run honestly, but I...

The thing that we have to forget, we take that trade, but you also have to solve immigration because at the end of day, the population in the United States and those statistics and I gave you went from 200 million to 300 million people. Workers went from 70 to 150. The big chunk of that was when participation changed dramatically from the late 60s to now. We need people from outside the United States.

It takes 21 years to create a 21 year old, so population growth rates just don't... I'm one of eight kids so I can... population growth rates don't change fast. If you study the economies that struggle... China, Russia, places where population declines you're always fighting a shrinking pie and we need population growth and it's going to come. So we have to have some resolution that because we need the people I think that, to help fuel the economy but housing in that regard is actually very healthy right now, and I believe personally has some room to run I think mortgage rates, being down at always help that.

A a lot of people have very low rates. The refinancing people that really get some refinancing is pretty low because you got to remember that there's been a long 10 years of rates being in fairly low environment. It does allow a little more purchase power on the buy and then the new millennials coming in, who had been slower to buy largely because they're urban. And if you think about where they're living... You're not going to buy a house Co-Op in New York City if you come to work for one company, they never did. It's just more and more coming to the cities to work now so that's part of the change that will change over time.

Maria Bartiromo: Is there anything that you're seeing in the credit cycle that has caused you to increase your provisions? How are you competing with some of these easier lenders out there who perhaps don't have the standards? Are you lowering standards in any way right now?

Brian Moynihan: We aren't lowering standards because we tried that and it didn't work so well. We bought a couple companies who really done it and it didn't work so well. And so we have this idea of responsible growth and so if you look at the stress test, we have lower [inaudible 00:42:22] charge offs. We're running the company that way, which means will fare better in a recession and we be able to keep growing the company and driving. That's kind of a basic philosophy and I also think some of the products, as we observed in the past tense we're not the right products for consumers. In terms of credit quality overall in the United States on the consumer side, credit card delinquencies, charge offs are in very good shape. Always the issues more in the subprime category. Auto, very good shape overall. Either people brought back the credit lines... the real debate right now is about leveraged finance markets that's largely financed outside the banking systems balance sheet to be clear. And that's in the hands of the investors who will see marks if they go the wrong way. There's a concern whether that can... Chair Powell talked about it because he... two weeks ago or something. It's not clear how big an impact that has its \$2 trillion asset class. It's an, what you call an NAV holder. IN other words, people whose liabilities float with our assets the duration more matched than a bank would be and stuff. People feel, but I think we should worry about that and then the impact of corporate credit. That's really the thing we don't see anything yet because the economy is good and companies are making money but we think at the margin. If society at large is

going to face this recession would feel more like the 99/ 2000 was driven more on a commercial side than on the consumer side, because a consumer, you've had 12 years of pretty strong underwriting on the consumer side and that you know that is driven the consumer to be in pretty good shape.

Maria Bartiromo: Bank of America, the legacy business was always strong. You go back to the crisis in 2006, 2007 going into 08, and it was the companies that you acquired that we're really having issues, like a Country Wide Financial or while at that time, Merrill Lynch so-

Brian Moynihan: You're gonna ruin my lunch before [crosstalk 00:44:08]

Maria Bartiromo: No, I just want to know where you are seeing the potential fallout in terms of the next crisis? What do you worry about that we ought to be worried about in terms of where to look, which could have the weak spots so that we're not blindsided like we were?

Brian Moynihan: I think the issue that's there is in the leverage financed. Had the terms gotten to favorable to the borrower, numbers of multiples, covenants things like that. It's just a smaller asset class.

Maria Bartiromo: That's good.

Brian Moynihan: That is good, for society at large. It'll be ugly for those companies and ugly if the economy slows down and they can't carry the debt, and they have to be structured and the usual carnage it goes on. And then there's the debate about people who are barely investment grade and what happens if leveraged up and what happens if they go into non investigate grade. But that's people watching, that people think about that and frankly the operators of

those companies are starting to... trying to figure out how deleverage.

If you remember back in the crisis the commercial real estate, they're the walls of refinancing. The walls in this business are a little more spread out and people trying to push them out which then gives you time.

Maria Bartiromo: You've been the leader in terms of digitization and moving the company toward new technologies. Talk to us about the products that are most popular that are most effective, and everybody wants to know what does this mean for workers in terms of replacing so much with technology. Tell us how you use tech and where its most prevalent at the bank.

Brian Moynihan: There's probably four or five trends in technology that everybody has to... every business has become [expertised 00:45:46] in and really understand how they're going to affect their customer base in the change. One is voice recognition and other is data storage retrieval. The third is networks, speed, efficacy, latency and all that stuff. The fourth is machine learning, artificial intelligence, robotics. Now in different industries' robotics will have something different but in our industry its ability to prepare information and do all mechanically. Other industries it's literally picking a raspberry, if you saw the article the other day, and so we think about those five things that Bank of America.

What we've been able to do is to apply more and more technology in digitization. Taking out paper, taking a process and have it traveled to digitally having customers. So about 50% of customers plus are getting a digital statements and things so you've applied

that across all the businesses and that's allowed us to really go from 288,000 people to 205,000 people with a bigger company in terms of more customer activity.

Customer activity, your payments and stuff will grow 5% as I said or 9% in this one, and you're doing with the same amount of people year over year. Trading volumes go up every year and we're doing the same amount of people. That's pipeline technology.

Now, let me give you a few specific examples, Erica, which is a... if you open your Bank of America mobile app, which all of you should have and you talked Erica, you can say to Erica, Erica, find all my recurring payments. Now, you're going to say that you could be in a room that has background noise you could have a connection that's... where I live at home the cell service doesn't work that well so it's choppy, you could have all these things. But Erica will come back and tell you all your recurring payments. Now think about, it's a combination of technology first voice recognition. We had to go out and create a new language for financial services for your 7 million people on this now, 50 million customer interactions.

But we had to create a new language, why did we have to create new language want to create new language? The phrase what's my balance. If you ask a typical voice recognition, it can send you to a yoga class.

Maria Bartiromo: That's cute.

Brian Moynihan: You had to have a financial, so we built that, then we had to then have a... there's 110 systems that go over behind the mobile platform that you're finding information from so do you think of all

the accounts, all the entries and all the systems, and you're not going to wait 10 minutes for an answer. So you had to have an ability to do the artificial intelligence and find it. Then I have to be able to transmit to you.

And I always said about Erica, I said it's nice and quiet room but what are some is driving in a car 6/70 miles an hour 60 miles an hour, can you hear? Will this thing be able to[inaudible 00:48:16] and we've been able to do that with that pace of network because the networks have picked up. And then, what it does is it saves you a lot of time because at the end of the day, if you're worried about cutting off the gym membership you haven't gone to in six months and stuff, if you can scroll through and figure it out and call the people they want to answer the phone or something. Or you can just say, Erica, you know, what am I recurring payments and I'll tell you, boom right there.

That's a massive convenience to the customer and so what does it really do. There's a thing called a routing number on your check, and most of looking at the age of the crowd they probably know what a routing number is because they had wrote checks notice on the bottom and every check. There's a different cohort of age that has no idea. And so we get 6 million calls a year asking what's my routing number. So now if you've ever asked that question, Erica comes up and says you need to know your routing number, and that cuts off hundreds of thousands of calls. Now that means somebody isn't doing it, not a high value tasks to answer the phone and tell so that's how you do it now.

Now you go the commercial side you have the same things we have your mobile... we have 27 and a half million mobile customers

as of the last Friday. We have 37 Digital customers on the commercial side we have about 500,000 commercial customers a fully on cash Pro. One of them sent a billion dollar payment on a mobile device last year.

Maria Bartiromo: Wow.

Brian Moynihan: You say holy crap but the end of the day it's just as secure as it might not be what I would, what you would do, but it's just a secure it's pretty fantastic.

Maria Bartiromo: Real quick before we end, bottom line-

Brian Moynihan: We got to retrain all the people that's one thing.

Maria Bartiromo: Well that's important.

Brian Moynihan: We had 40,000 people go through the academy every year whether it's in tech ops, whether its in technology, period, operations or consumer to keep retraining for the jobs of the future, and into me go to my earlier discussion, that is something you can do in your own company. How do you retrain your workers so they can make the transition and have a full career, knowing that activity A, activity B, activity C, activity D may go away? So how do we have people who are in audit that we can now do automated robotics come over to some other business. That is the duty. That is the duty of companies and CEOs and executives in the companies. And if we do that, we can deal with the fourth industrial revolution. that's the point I'm trying to make.

Maria Bartiromo: This is important because that's what worries people obviously that their jobs are going to go away. Where does the growth come from at BofA? You're not a celebrity CEO, you're unassuming, low key, you're grinding at growth. Seriously, I mean you're grinding at growth here and you've done a great job since taking over the bank. Congratulations. But where do you see growth coming specifically from the company, let's call it the next five years?

Brian Moynihan: We have lots of markets in the US, that we haven't been in, traditionally, and we're opening up in Denver, Salt Lake City, Minneapolis, etc. We have lots of markets we're under penetrated. So our market share in Los Angeles is one half of market share in Washington DC area and wealth managers so we got a lot of work to do there. Then we have trillions of dollars in assets and deposits and loans that are with other companies that our clients have relationships with us and don't have it, and likewise in the commercial business. We got about... we're growing fast but we have low double digit market shares and middle market investment banking.

We have relationships with all those companies, we should own that space and so all that's just hard work and so to come around Wealth Management, come around applying technology but will come around oh good old fashioned [inaudible 00:51:22] 200,010 teammates going out and helping a client solve their problems and miss the consistency apply more and more teammates to.

Maria Bartiromo: You keep up lending and those lending numbers go up and you keep gathering assets in terms of AUM for wealth management. Do you want to get to a place where some of your competitors are in

terms of dividend payouts? Some of the banks are paying 35 to 40% of earnings out and dividends. What are you 21%?

Brian Moynihan: We'll keep pushing it up, our earnings are growing faster than other people's that's one of the reasons why we're a little behind so you can, you can take that for what you want. We believe the stock is so cheap so we'll spend six and a quarter billion dollars buying stock this quarter and we'd rather take the share count down because those companies that we bought created the delusion that we got to get out of the system. 12 billion shares nearly peaked 11 seven down to now 9.6 and coming down about 150 or so a quarter least, maybe 200 million a quarter. And we'll keep raising the dividend, it went from a penny, a nickel, 7 and a half, 12, 15, keep going up but on the other hand, there's a person who owns that was in the stock, and the job is to have the people who want on a company long term home more of it every year.

Maria Bartiromo: Right, we will leave it there. The final question Brian, because I know this audience wants to know your gut. Will defend cut rates this year? What is your gut tell you, don't tell me what your economist says.

Brian Moynihan: I don't think they will.

Maria Bartiromo: You don't think they will?

Brian Moynihan: Unless something goes really wrong in a trade, I think the economy is stronger than people think. And that's personal belief so you can take that with a grain of salt but I'm telling you that unless something goes really wrong and [inaudible 00:52:57] breaks,

unemployment breaks, this economy is going to move along in that 2% plus growth rate, they're raising rates were at this growth rate.

Maria Bartiromo: Brian, Thank you.

**VICE-CHAIR GLENN HUTCHINS:**

Thank you Brian for these great insights. You have given us much to think about...and Maria, many thanks for facilitating a terrific interview.

I am pleased to report that we have a couple more prominent speakers as we prepare to close out our season here at the Club including:

- June 19, Luncheon- General David H. Petraeus, Former Director of the CIA
- June 24, Luncheon- David Malpass – World Bank Group President

Thank you again for joining us and please enjoy your lunch.