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S. HRG. 117–364

ANNUAL OVERSIGHT OF WALL STREET FIRMS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING HOW TO CHANGE THE WALL STREET SYSTEM, TO MAKE OUR ECONOMY WORK FOR EVERYONE

MAY 26, 2021

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ANNUAL OVERSIGHT OF WALL STREET FIRMS

WEDNESDAY, MAY 26, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., via Webex, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order.

This hearing is in the virtual format. A few reminders as we begin. Once you start speaking, there will be a slight delay before you are displayed on the screen. To minimize background noise, please click the mute button until it is your turn to speak or ask questions.

You should all have one box on your screens labeled "Clock". For witnesses, you will have 5 minutes for opening statements. For all Senators, the 5-minute clock still applies for questions. At 30 seconds remaining, you will hear a bell ring to remind you your time has almost expired. It rings again 30 seconds later.

If there is a tech issue, we will move to the next witness or Senator until it is resolved. And, finally, to simplify the speaking order process, Senator Toomey and I have agreed to go by seniority for this hearing.

Today is the first time we have ever had the CEOs of the Nation's six largest banks together before the Committee.

Over a century ago, Louis Brandeis wrote about the concentration of corporate power and how it distorts the market. He called his book "Other People's Money and How the Bankers Use It". It is a subject Americans continue to have a stake in: how you, the Nation's largest financial institutions, use other people's money.

You are the six most powerful business leaders in this country. Your decisions affect the lives of millions of Americans—their paychecks, their opportunities, their retirement savings.

And your power is so much greater than that of your predecessors 30, 40, 50 years ago.

Look what has happened to our country during that time.

Profits have gone up, stock prices have soared, your own compensation is stratospheric; but workers are getting a smaller and smaller share of the wealth they create, and they are working harder than ever.

We have a racial wealth and income gap that has barely budged since we passed the Civil Rights Act.

In the aftermath of the 2008 Great Recession where millions lost their jobs, Wall Street still made record profits.

In a pandemic where half-a-million Americans died and we had the highest unemployment since the Great Depression, Wall Street still made record profits.

I sense a pattern.

Like most Americans, I want businesses to make money. I do not mind that bankers are rich. Some people are going to be wealthy, and that is fine with me.

Here is the problem, though. Under the current system, Wall Street profits no matter what happens to workers, because those profits now come at the expense of workers.

Your banks are the ones that largely built that system.

We often hear about the "invisible hand." But the economy is not physics. It is not governed by scientific laws outside our control. It is made up of people making choices about our values and about the society we want to live in.

The "invisible hand" does not lay off workers. The "invisible hand" did not invent credit default swaps. The "invisible hand" does not decide to invest in private equity firms that buy up mobile home parks in Iowa and across the country and then jack up the rent.

Your banks—your lobbyists, your fellow CEOs at some of the other largest companies in America—you make those choices that dictate how our economy works.

Wall Street built this system. They did not build it for everyone. They built it for themselves.

When companies lay people off, when they move jobs to low-wage countries, when they cut paychecks, when they bust unions, when they subcontract work to lower-paying companies with fewer benefits, when all that is done, Wall Street analysts yell, Buy, buy, buy."

And what you do sends a signal to every other company. If businesses want investment, they emulate you. They know they will not attract investment unless they repurpose all their funds into short-term profits for shareholders.

As you all know, when you started your businesses, it has not always been like this.

When I was growing up, the CEO-to-median worker pay ratio was 20:1. That was pretty good money and a pretty good lifestyle for management, as it should have been.

Today that ratio is closer to 320:1.

From the mid-20th century through the early 1980s, the financial sector made up 10 to 15 percent of corporate profits. Today it is 25 percent, yet it makes up only 4 percent of jobs.

A few decades ago, a majority of Wall Street capital funded the real economy—wages, machinery, research, new construction. Today much of that capital goes to stock buybacks, dividends, and complex financial instruments. Only about 15 percent goes to the real economy.

Instead of investing in businesses that actually make things or provide useful services and that create real jobs in towns all over the country, companies spend billions buying back stocks and handing out CEO bonuses.

Stock buybacks used to be illegal market manipulation. Today they are routine.

Wall Street's interests and Main Street's interests no longer match up. The current system treats workers as a cost to be minimized instead of the engine behind our success.

Look at what has happened to places like where I grew up, in Mansfield, Ohio.

Jobs shipped overseas to countries where companies can pay workers less. Declining union membership—by design. Crumbling roads, shuttered storefronts, and workers forced to choose between a hometown they love, and leaving in search of opportunity.

And that was before 2008. You know what happened to Americans then.

And Congress and too many in Washington have been willing accomplices—tax break after tax break. Gutting consumer protections. Trade deals written by corporate lobbyists.

So I come back to this. There is a reason towns across the country like Mansfield look the way they do. It is because our economy is no longer about workers and communities and real investment in both of these.

The six of you before us today are the most powerful economic titans in our country.

Your banks, and the systems they built and uphold, bear some responsibility.

At the end of last month, we held our first-ever worker listening session. We heard from workers from all kinds of backgrounds, working all kinds of jobs—including as a former teller at one of your banks.

They talked about wage theft, about being laid off during a pandemic with no severance, about how dangerous their workplaces could be, about how companies busted their unions.

There was a common thread through their stories. Their hard work simply does not pay off—certainly not the way yours does.

Pamela Garrison, a worker from West Virginia, said something that stuck with me. "'Working poor," she said, "are two words that should not go together."

I know you cannot snap your fingers and fix all these workers' problems. But you also cannot tell me the decisions you make have no effect on the factors that determine their job opportunities and their wages.

And yes, I know you work hard, too. We all do. Work is something that unites all of us. We are all trying to do something productive for our families, for our businesses, and, yes, for our communities and our country.

Here is the difference, though. For most people, no matter how hard they work, if one thing goes wrong in their life—they get in a car accident, the plant where they work shuts down, their spouse gets sick—they are on their own.

They do not get a taxpayer bailout. They all remember that Wall Street did.

And it has not only been the bailouts. No one can deny that this Nation has been good to the financial industry—deposit insurance, the Federal payments system, the whole financial infrastructure you all rely on.

But your banks have not held up your end of the deal.

As far as I can tell, you have not at all rethought this Wall Street system built on short-term profits at the expense of long-term growth for everyone.

In fact, you continue to perpetuate it.

Wall Street gets second chance, after second chance, after second chance. Most workers do not even get one.

It is past time for the financial industry to be as good to the American people as the Nation has been to you, the financial industry.

The purpose of today's hearing is to show Americans their Government is finally looking out for them, that we understand this economic system has betrayed millions of workers, that it holds our country back.

Here is what we want to hear from you today: What are you and the companies you run going to do—not just say, but actually do—to change?

We want to hear what concrete actions you will take to change the incentives on Wall Street, to reward work instead of just rewarding wealth.

To pay for and work to undo the damage that Wall Street has done, and continues to do, to communities of color.

To stop investing in corporations that fuel climate change, threatening people's communities and livelihoods.

To channel your vast resources into businesses that employ actual people in cities and towns, from my father's hometown of Mansfield, Ohio, to my mother's hometown of Mansfield, Georgia.

To invest in our country's greatest asset: the American people.

I have heard many of you argue that you do not need Government rules forcing you to make changes to your business model.

So today start, show us some proof. Prove to us that you are going to use your positions to change the Wall Street system, to make our economy work for everyone—not just for CEOs and the wealthy.

Senator Toomey.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman.

Today's hearing is about the U.S. financial system, and this financial system proved to be remarkably resilient during COVID, but I am concerned about increasing pressure on banks to embrace "wokeism" and appease the far left's attacks on capitalism. And I worry that continuing down this path could lead to distorted credit allocation, activists seeking to make political change through the financial system instead of through the democratic process, and ultimately diminished prosperity for Americans.

So, first, let us observe that the banking system did, in fact, prove to be very resilient. Last year, we had the worst pandemic in more than 100 years, the Government shut down almost the entire economy. We had the most severe recession since the Great Depression. And despite all that, banks remained stable, responded to their customers' needs for credit. Because they were so well capitalized, they were able to do so.

In fact, one of the best decisions we made during COVID probably was administering the Paycheck Protection Program through the banking system because there was no other system that had the scale or agility to run this program, and banks leveraged their relationships to deliver hundreds of billions of PPP dollars to millions of small businesses so they could keep their workers employed.

So the financial system's contributions to America's economic growth—before and during the pandemic—are really part of the larger success story of our capitalist system. No economic system has lifted more people out of poverty, created more opportunity, and produced a higher standard of living than democratic capitalism.

Thanks to capitalism, life is better for the vast majority of Americans today than it has ever been. In fact, before COVID, just before COVID, we had the best economy of my lifetime—as measured by the very metrics that my Democratic colleagues believe are very important. We had the lowest unemployment rate in 50 years for all Americans. We had all-time record low unemployment rates for African Americans and Hispanics. We had more jobs than people looking for work, and we had a record low poverty rate.

And contrary to the characterizations we sometimes see, we had across-the-board wage growth, and the wage growth was growing fastest for the lowest income earners, so we were narrowing the income gap. In fact, the very system of economic freedom that my colleagues sometimes criticize was actually creating unprecedented and shared prosperity across America.

That is why I am surprised and troubled to see some leaders of some banks taking actions that I think undermine the property rights that are at the very heart of our system and can lead to politicized lending. Some bank leaders have embraced so-called stakeholder capitalism, which really diminishes the primacy of shareholders in our economy and enables or encourages corporations to pursue a social agenda rather than prioritize its responsibilities to its owners.

Now, it is a fact that a well-run business always benefit their stakeholders. That is the nature of business. But management's responsibility is to do so in service to shareholders, because they own the company. The people who own a company—whether it is through shares in their retirement accounts, pension plans, college savings accounts, or anything else—they rely on a firm's officers to look out for their financial interests.

Making decisions based on social policy objectives—rather than profit maximization—deprives these shareholders of their rightful property. And worse yet, once shareholders' rights are reduced to the level of all other stakeholders, how does a company's management decide whose interest to prioritize?

Now, some believe the Government should step in and make those decisions. For example, there are people who would favor a prohibition on stock buybacks. After all, if the shareholders' interest is no longer paramount, then the Government can determine that that capital would be more appropriately allocated to employees or the environment or some other special interest group.

It is a fallacy to think that if you are seeking profits, you are not serving people. In fact, it is the exact opposite. A business can only profit when it satisfies its customers, and that can only be achieved with a satisfied workforce and good relationships with the community.

Finally, let me close with just a suggested word of unsolicited advice. If there is an issue in the political realm that affects your bank, like taxes or regulatory policy, I would hope you would articulate your views on behalf of your shareholders. But if there is a highly charged social or political issue that involves balancing competing values, such as balancing access to voting with election security, both of which are important, sometimes competing values, that ought to be left to elected lawmakers. Those are the folks who were elected to make these difficult policy decisions, and most importantly, they are the people who are directly accountable to the American people who hire and fire them: the voters in their jurisdictions.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

We have six witnesses today. I will introduce each now, then call on them in the order in which they have been introduced.

Our witnesses are Mr. Charles Scharf, who worked for Salomon Smith Barney, Citigroup, Bank One, Visa, and Bank of New York Mellon before being named CEO of Wells Fargo in October 2019. Welcome, Mr. Scharf.

Mr. David Solomon worked at Irving Trust Bank of New York Mellon, Drexel Burnham, and Bear Stearns before joining Goldman Sachs, where he has served as CEO since October of 2018. Welcome, Mr. Solomon.

Ms. Jane Fraser worked in mergers and acquisitions at Goldman Sachs before joining Citi in 2004. She took over as CEO of Citigroup in March 2021. Welcome, Ms. Fraser.

Mr. Jamie Dimon began his career at the stock brokerage Shearson, Hammill & Company and interned at Goldman Sachs before working in American Express and Citigroup. He served as CEO of Bank One until it merged with JPMorgan Chase where he has served as CEO since 2005. Welcome, Mr. Dimon.

Mr. Brian Moynihan served at Fleet Boston Bank and as CEO of Merrill Lynch until it merged with Bank of America where he was named CEO in 2010. Welcome, Mr. Moynihan.

And, finally, Mr. James Gorman worked as a bank consultant for McKinsey before joining Merrill Lynch. He went on to work for Morgan Stanley where he was named copresident in 2007. He has served as CEO since 2010. Welcome, Mr. Gorman.

Mr. Scharf, you are recognized for 5 minutes. Thank you for joining us.

STATEMENT OF CHARLES W. SCHARF, CHIEF EXECUTIVE OFFICER AND PRESIDENT, WELLS FARGO & COMPANY

Mr. SCHARF. Chairman Brown, Ranking Member Toomey, Members of the Committee, good morning, and thank you for the opportunity to be here today.

Just over a year ago, when I last appeared before Congress upon assuming my role as CEO, we were on the verge of a global pan-

demic. I cannot help but look back and think how little we understood then of what 2020 would bring. When the pandemic struck, we all came together to stand up unprecedented assistance at a scale and speed that had never been done before. Though the process was not perfect, we, the Government, and others rallied to do what needed to be done, and now we must continue to work together to ensure a fair and equitable recovery.

As we begin taking steps toward recovery, I am proud of Wells Fargo's efforts to support our customers, our employees, and the communities we serve—all while continuing to transform our organization. I believe our country and communities benefit from a strong Wells Fargo, and I am proud that we have been a source of strength for our customers and communities during the toughest of times. They are our core and must remain our priority in all we do.

To support our customers during the pandemic, we deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people to make ends meet. We provided over 1 million mortgage forbearances and suspended residential property foreclosures and evictions to keep Americans in their homes. And we acted as a leading lender in the Paycheck Protection Program, funding more than $13.7 billion in aid to small businesses. Over 40 percent of our loans were made to businesses located in low- to moderate-income or majority–minority census tracts.

Recognizing that the goal of the PPP was to provide a lifeline to struggling small businesses, we also took the more than $400 million in fees generated by the program in 2020 and are donating them to our Open for Business Fund, which is allowing us to engage CDFIs, not-for-profits, and others to help businesses manage the economic effects of COVID–19. And we will continue to do our part by working on solutions to tackle the problem of unbanked and underbanked individuals and other efforts to foster an inclusive recovery.

We look forward to defeating the impact of the pandemic together and believe Wells Fargo will play an important role in helping rebuild a stronger America.

To our employees, I am proud of the work you have done over the past year to support our customers and communities during these uncertain times. We prioritize safety and well-being, and my deepest gratitude goes out to our frontline workers who made it possible to keep branches open safely.

We transitioned more than 200,000 employees to remote work last March, and we understood the tremendous strain the pandemic would place on all of our employees and their families. We made special cash awards to approximately 165,000 employees, offered enhanced support for employees who are parents or caregivers, provided free, voluntary COVID–19 testing for all employees working in a Wells Fargo location, and offered paid time off to employees for vaccination appointments.

For the communities we serve, we have continued to invest in the institutions critical to their success. While we are very encouraged to be seeing signs of improvement, we realize that not all of our communities are benefiting equally in the recovery. This is why

Wells Fargo has been working to support a more inclusive economic recovery, with a focus on racial and social equity, economic mobility, and investments in low- and moderate-income communities.

For example, we are investing in Black-owned minority deposit institutions across the country as part of our $50 million commitment to support MDIs, and we have given more than $150 million to CDFIs around the country who are providing grants to hard-hit small businesses.

Additionally, just last week, we announced our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and helped unbanked communities have easier access to low-cost banking.

We are also committed to helping transition to a low-carbon economy and have set a goal of achieving net-zero greenhouse gas emissions, including our financed emissions, by 2050. And, finally, for our company, while we still have significant work to do, we are committed to devoting the resources necessary to operate with strong business practices and controls and maintain the highest level of integrity and have an appropriate culture in place.

Thank you again for having me, and I look forward to answering your questions.

Chairman BROWN. Thank you, Mr. Scharf.

Mr. Solomon, you are recognized for 5 minutes.

STATEMENT OF DAVID M. SOLOMON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, GOLDMAN SACHS

Mr. SOLOMON. Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for giving me the opportunity to speak today.

These last 14 months have been an incredibly challenging time as the pandemic has swept across the world, killing almost 600,000 Americans, and plunging us into a steep economic retraction. Even today our hearts go out to the people of India and others around the world who continue to suffer from this virus. However, because of the swift actions taken by Congress, the Federal Reserve, and others to combat this health and economic crisis, I am very optimistic about our future. As more people are vaccinated, the U.S. is poised for a strong recovery. I would be remiss if I did not thank Moderna, Pfizer, Johnson & Johnson, and AstraZeneca for the amazing work they have done on life-saving vaccines.

The banking industry performed well during the crisis, as the Fed's two stress tests in 2020 confirmed. This is due in part to the Dodd–Frank Act and other financial regulations put in place since the 2008 crisis. Goldman Sachs remained well capitalized both leading up to and throughout the pandemic. Goldman Sachs has more than 40,000 employees, and I continue to be in awe of their resilience. To help them through the pandemic, we gave our people an additional 10 days of paid family leave, expanded access to child and adult care, offered free telemedicine, and rolled out a global COVID testing regime.

In addition, we have continued to pay our onsite vendor staff whether they worked or not. That includes our mailroom staff, cafeteria workers, security guards, and janitorial staff.

Over the last year, we experienced historically elevated levels of client demand, and because we were well capitalized, we were able to help our corporate clients weather the impact of COVID–19 and position themselves for a postpandemic recovery.

For our digital bank customers, we launched a COVID Customer Assistance Program which allowed customers to defer loan payments for 4 months and credit card payments for 6 months at no extra cost. We also found innovative ways to support small businesses. We are not an SBA lender, so we did not participate directly in the Paycheck Protection Program. Instead, we committed $1.25 billion in capital to community development financial institutions and mission-driven lenders who facilitated PPP loans across the country.

The capital we deployed with our CDFI partners reached very small businesses, nearly half of which are in minority communities. The average loan size is around $43,000, and the median employee count is two.

In addition, last week we committed another $1 billion in partnership with the SBA and our CDFI partner Lendistry to fund approximately 40,000 PPP loans, over half of which will benefit minority-owned businesses. we did this to ensure these applicants were able to have their loans processed and approved before the PPP funds are exhausted.

We also continue to support small businesses through our 10,000 Small Businesses Program, launched in 2010. Through this program we provide education by partnering with community colleges and greater access to capital to thousands of small businesses. Last year, we committed an additional $250 million to serve another 10,000 small business owners. We have also committed an additional $500 million to our program for diverse entrepreneurs and investors, Launch With GS.

I now want to focus on three other initiatives that are incredibly important to us.

First, we have already achieved more than a fifth of our 10-year target of $750 billion in financing, investing, and advisory activity focused on climate transition and inclusive growth. We have been carbon neutral across our own operations since 2015, and we recently set a goal of net-zero carbon emissions in our supply chain by 2030.

Second, we commissioned extensive research on how to mitigate income inequality which showed that Black women are one of the most marginalized groups in this country. It found that if we can reduce the earnings gap for Black women, we could see U.S. GDP increase by $300 billion a year. In response, we developed a new initiative called "One Million Black Women," where we will invest $10 billion over the next 10 years to narrow opportunity gaps for at least 1 million Black women in the United States.

The final initiative relates to improving our diversity and inclusion. When I became CEO 2½ years ago, I said this would be one of my top priorities. Since I last testified before Congress, we have made progress. Our board will now have 6 out of 13 directors who are women and will be 62 percent diverse by race, gender, or sexual orientation. Our newest partner class includes the highest percentage of women and Black partners in our history. In addition,

our 2020 campus analyst class in the Americas was 55 percent women and Black talent, our highest ever. However, I am not satisfied with this, and we continue to work to address this.

Thank you. I would be happy to answer any questions that you have.

Chairman BROWN. Thank you, Mr. Solomon.

Ms. Fraser, you are recognized for 5 minutes. Welcome.

STATEMENT OF JANE FRASER, CHIEF EXECUTIVE OFFICER, CITIGROUP

Ms. FRASER. Thank you very much, Chairman Brown, Ranking Member Toomey, and Members of the Committee, and thank you for the opportunity to represent Citi today. By way of introduction, my name is Jane Fraser. I joined the bank 17 years ago, and I became CEO in March.

I grew up in a small village in Scotland, but first came to the U.S. in 1987, and I proudly became a U.S. citizen in 2001. My husband immigrated to the U.S. from Cuba when he was a young boy, and he is also a proud citizen of our country. So we feel very fortunate about the opportunities the U.S. has created for our family, and we believe we have an obligation to ensure that everyone can participate in the American dream.

At Citi, we also recognize this has been a very challenging time for Americans, millions of whom we are very proud to call our customers.

The origins of this global crisis are unlike the last one. This is a public health crisis with severe economic consequences, and through this pandemic, Citi has shown we are a very different bank than the one that entered the financial crisis more than a decade ago. We are smaller, we are safer, we are stronger, and we are far less complex. And we have had the financial resources to support our clients and communities through this crisis, and we are laser-focused on driving a sustainable and equitable recovery from the pandemic.

I will always be proud that we were the first bank to provide relief programs for retail and small business customers in the United States. We are also proud to be a reliable conduit for the extraordinary consumer and business aid that Congress and the Federal Reserve have provided. We also helped deliver this aid across many Government-sponsored programs, including the Paycheck Protection Program. And as a result of the tremendous need from small businesses, we went from being a pretty small SBA lender to so far funding more than $5 billion in PPP loans to the hardest-hit small businesses, with nearly 80 percent of the loans going to businesses with ten or fewer employees. And we are donating all of the net profits that we have made from the program to further support vulnerable small businesses and communities in the United States.

At the same time, we made our own people and their safety a priority and provided special compensation awards and many benefits to our many colleagues to help ease their financial burden and concerns.

As the world's most global bank, we will continue to support many of the most iconic American businesses as they navigate the uncertainty of operating in markets abroad. Working in concert

with Federal assistance programs, we will also continue to serve as a source of strength for our customers and communities here at home.

We have a smaller branch footprint than many of our peers, but we will harness the full power of our bank's capabilities to extend our reach and help make sure the recovery leaves no one behind. We are proud of our record of enabling opportunity in communities. For 11 straight years, we have been the number one lender for affordable housing in the United States.

In 2020 alone, we worked with State and local governments to finance over $27 billion in vital capital projects such as roads and schools, hospitals, and utilities. And through low-cost and no-fee products, we continue expanding financial services in underbanked neighborhoods.

Almost exactly a year ago, as calls for social justice rang out in the wake of George Floyd's murder, Citi answered those calls with action. We launched a firmwide effort, including $1 billion in strategic initiatives, to help close the racial wealth gap in the United States. We are not alone in our commitment to equity, but what distinguishes us is in how we hold ourselves accountable for results, and where we have more work to do, we are very up front about it. This transparency has defined our representation goals and our efforts to close our gender pay gap.

It is also part of our sustainability agenda and our commitment to net-zero emissions by 2050, which I announced on my first day as CEO. Helping our clients transition to a low-carbon economy is going to be central to this work.

I am determined for Citi to continue leading on these issues. They are central to our mission of enabling growth and progress. I want us to build a reputation for excellence in everything we do.

I want to say thank you again for the opportunity to talk about Citi's efforts to be part of the solution and recovery to the pandemic.

Chairman BROWN. Thank you, Ms. Fraser.

Mr. Dimon is recognized for 5 minutes. Mr. Dimon, you are recognized for 5 minutes.

STATEMENT OF JAMIE DIMON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, JPMORGAN CHASE & CO.

Mr. DIMON. Chairman Brown, Ranking Member Toomey, and distinguished Members of the Committee, I appreciate the invitation to appear before you to talk about JPMorgan Chase, the people, the businesses, and the communities we serve.

We are living through unprecedented times, which history will judge leaders of Government and industry by the actions we take to address the health and economic crises and longstanding structural inequities.

At JPMorgan Chase, we entered this crisis from a position of strength and leveraged our size and scale to contribute to stability in our country and ongoing support for the "real economy": our customers, employees, and communities impacted by the global crisis.

In 2020, we extended credit and raised capital totaling $2.3 trillion for consumers and businesses of all sizes, helping them meet payrolls, avoid layoffs, and support operations.

We delayed payments for 2 million mortgage, auto, and credit card accounts and refunded $120 million in fees for more than 1 million customers—no questions asked.

We funded over 400,000 Paycheck Protection Program loans to small businesses supporting over 3 million jobs, for more than $40 billion in total funding. About 90 percent went to businesses with fewer than 20 employees, and around one-third went to businesses in communities of color.

Outside of PPP, we provided an additional $18 billion in new and renewed credit for small businesses.

We committed $250 million in business and philanthropic initiatives with a particular focus on helping underserved small businesses and not-for-profits.

And we supported our employees, especially our frontline workers who continued to show up to their jobs in branches, call centers, lock boxes, and for other roles that could not be performed at home. We gave special payments, provided additional paid time off, and continued to pay for their regularly scheduled hours, even if hours were reduced or zero.

There is no doubt that the bold and swift actions taken by Congress, the Federal Reserve, and the Administrations over the past 15 months was instrumental in reversing the financial panic and avoiding a deep and lasting economic crisis. But the last year exacerbated longstanding inequality, particularly among Black and Latinx families, increasing barriers to wealth creation and holding us back as a country. That is why JPMorgan Chase recently committed an additional $30 billion over 5 years to address racial economic inequality, focusing on expanding affordable housing and ownership, growing Black and Latinx owned businesses, and improving access to banking.

These are new business commitments that will help to drive real change. We have made solid progress since our announcement late last year and are on track for our 5-year commitment. We have already refinanced $2 billion in mortgages for Black and Latinx households and have funded investments and loans for an incremental 5,500 multifamily affordable housing units. We have funded over $60 million in investments in nine minority depository institutions, and we are building the foundation that will help us grow new relationships in communities of color to meet our mortgage and small business commitments.

We opened Community Center branches in areas like Crenshaw, Chicago, Minneapolis, and Harlem, with many more coming in the next year.

At JPMorgan Chase we consider our global workforce a competitive advantage and our people our greatest strength. Our 160,000 U.S. employees work in offices and branches located in 38, soon to be 48 States this summer. Thirty percent of the new branches opening in new markets are located in low- to moderate-income neighborhoods, and nearly one-third of all branches are minority census tracts.

For the third time in 5 years, this year we increased entry-level wages to $16 to $20 an hour, and we provide annual benefit packages including medical and retirement of $13,000 per person. Nearly 70 percent of the employees who started before 2017 with a sal-

ary of less than $40,000 are still at the company and have experienced an average increase of 40 percent.

We have made progress in recruiting, retaining, and promoting ethnically diverse employees. Over the past 5 years, for example, we have increased the number of Black senior leaders by more than 50 percent and established a new program that holds management accountable for their diversity and inclusion priorities through compensation and performance evaluations.

Our country is poised for a strong economic rebound. But we must ensure that the economic recovery benefits all and that we address longstanding inequities that threaten the promise of America. Access to affordable health care, an education system failing too many of our children, crumbling infrastructure, climate change, and racial inequality are just some of the problems facing our great Nation. All of us—Government, business, and civic society—must work with a common purpose to address these challenges. The actions we take together will determine the future of our country for generations.

I want to close by thanking our employees for their tireless work and singular focus on doing right by our customers. They have performed their jobs with integrity and commitment, often remotely, while navigating personal challenges.

I look forward to working with all of you and look forward to helping our country. Thank you.

Chairman BROWN. Thank you, Mr. Dimon.

Mr. Moynihan, you are recognized for 5 minutes. Thank you.

STATEMENT OF BRIAN MOYNIHAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BANK OF AMERICA

Mr. MOYNIHAN. Thank you, Chairman Brown, Ranking Member Toomey, and distinguished Committee Members.

Coming out of the financial crisis, my 200,000-plus teammates helped transform Bank of America into a strong, straightforward, client-centric company. We focus on what we call "responsible growth." That positioned us well to be a source of strength when the health care crisis hit. We were able to help our clients and ultimately the U.S. economy through the worst economic shock in recent history, while at the same time increasing investments in support of our teammates and our communities.

For our clients, that included financial assistance through our business as usual work and also helping deliver the timely Federal relief programs across the board. We helped nearly 2 million consumers and small businesses defer payments on credit cards, vehicle loans, and home loans. Even with a deferral, the vast majority of those clients remained current on their payments, which is a good thing. We provided nearly half-a-million PPP loans to small businesses; 83 percent of those loans have gone to businesses with ten or less employees, and nearly 40 percent have gone to businesses in majority–minority communities. We sent millions of emails to help clients understand the program and encourage them to apply, including targeted outreach to drive awareness to all communities.

Apart from PPP, we remain the largest lender to small businesses, according to the FDIC. We have $35 billion in small busi-

ness loan balances, and 60 percent of our small business lending is in LMI communities. We also processed more than $73 billion in stimulus payments and took additional actions to help overdrawn clients access their full payment without offset. We deliver through our nationwide branch network, one-third of which are in LMI neighborhoods, and also through our digital capabilities. In 2020, as a complement to our successful SafeBalance checking account, we launched Balance Assist, a low-cost, digital-only alternative to payday type loans, allowing clients to borrow up to $500 for a $5 flat fee.

We also increased investments in our team during the pandemic. We expanded many of the benefits, including support for mental health, free virtual medical consultations, and no-cost coronavirus testing. We offered teammates $100 per day to hire someone to come into their home and take care of their children or their adult dependents during the crisis. We have funded more than 4 million days for our teammates.

We implemented coronavirus testing and daily health screenings and installed more than 44,000 wellness barriers in our branches. We provided special compensation programs for teammates, including supplemental pay, enhanced overtime pay, as well as transportation and meal subsidies, and we had no layoffs in 2020.

We ensured that all employees are compensated well. Last year, we increased our minimum hourly wage to $20, a year earlier than we had planned, and we will raise this to $25 an hour by 2025. Vendors within the U.S. also are required to provide wages at or about $15 per hour. To date, thousands of vendor employees have also benefited by this.

Since 2012, we have not increased medical premiums for teammates earning less than $50,000. For 2020, we provided special compensation awards to 97 percent of our talented team globally, the fourth year we have done so in a row.

Maintaining our diverse and inclusive workplace continues to be a priority. Fifty percent of our management team and 50 percent of our board is diverse. More than half our global workforce is women, and 45 percent of our U.S.-based teammates are people of color.

We hired and trained more than 10,000 employees from LMI communities in the last 3 years alone. And, finally, over the last year, we increased our investment to support our communities in a time of stress. In June 2020, we accelerated our longstanding work to promote racial equality and economic opportunity to drive investments in jobs, small business, housing, and health care in local communities.

We have committed $1.25 billion over 5 years and have already deployed $350 million of that, including equity capital investments in 17 MDIs and CDFIs, investments in 90 private equity funds run by majority–minority and women entrepreneurs, and focused on minority- and women-owned businesses, and donated 29 million masks and other PPE to underserved community centers.

We increased our home ownership program to help more than 60,000 Americans get into their homes in LMI neighborhoods. We raised that goal from $5 billion to $15 billion this year.

We are also helping to accelerated the transition to a low-carbon economy. We are committed at Bank of America to achieve net-zero greenhouse gas emissions before 2050. We are working alongside and supporting our clients in every industry to help them make that transition.

We at Bank of America believe in capitalism, and it is the best way to solve the challenges that are facing society. We operate by delivering great returns for our shareholders and delivering for society. We call that responsible growth. Thank you.

Chairman BROWN. Thank you, Mr. Moynihan.

Mr. Gorman, you are recognized for 5 minutes. Thank you for joining us.

STATEMENT OF JAMES P. GORMAN. CHAIRMAN AND CHIEF EXECUTIVE OFFICER, MORGAN STANLEY

Mr. GORMAN. Thank you, Chairman Brown, Ranking Member Toomey, Members of the Committee. Thank you for having me here.

Last year, none of us could have predicted the extraordinary public health crisis that would unfold around the world.

We remain in the midst of this crisis, and it has caused incredible humanitarian and economic issues, leaving an indelible mark on many of us. Our hearts go out to all of those directly and indirectly impacted by the crisis.

In response to these extraordinary and challenging times, we were focused on serving our clients and our communities, and taking care of our employees.

We helped our corporate and institutional clients raise additional liquidity and obtain financing for their stability. We raised over $50 billion of capital for the industry sectors most affected by the COVID crisis: the airline, the cruise, the travel industries. Our team also helped raise health care capital for both Moderna and Pfizer, including a sustainable bond issuance by Pfizer to support patient access to medicines and vaccines, especially among underserved populations.

For our retail clients, we guided them to manage their investment portfolios amidst extreme volatility.

Today Morgan Stanley, through its three businesses, provides a stable foundation of support in any market environment.

In the institutional business, we are a financial advisor to companies. We help them raise equity and debt capital—from taking them public to helping them issue bonds so they can grow and create jobs. We help public sector entities raise municipal financing. We also help pension funds, mutual funds, and other financial institutions trade and manage their assets.

In our other two businesses—wealth and asset management—we are managing over $5.6 trillion of assets for households and institutions, including endowments and pension funds that manage the retirements of our teachers, our firefighters, and our public employees. For millions of U.S. households, our services help families save money—whether it is for college, retirement, or to put a downpayment down on their mortgage.

Beyond our day-to-day core businesses, we also support the more vulnerable in our communities through philanthropy and employee engagement.

A number of well-publicized events last year led to a heightened and necessary focus on racial and social justice and a recognition that explicit support and purposeful collective action will be required. Some of our efforts over the past year include:

Providing grants to minority depository institutions to bolster their loan loss reserves in the wake of the pandemic, and to assist minority- and women-owned businesses to ensure an equitable recovery.

Most recently we started a program to provide 60 students with 4-year full-time scholarships to Howard University, Morehouse College, and Spelman College—three of America's leading historically Black colleges and universities.

In addition, we are concerned that how we deal with climate risk over the next decades will have a profound socioeconomic effect on our communities. Morgan Stanley recognizes the threat that climate change poses, and we are working with all of our clients to find ways to mitigate its effect.

Finally, early in the pandemic, we committed to making no reductions in our workforce through all of 2020, and we stuck with it. We thereby provided reassurance to our over 70,000 employees in this most extraordinarily difficult time. I am proud of the commitment all our employees showed to their clients and to our firm to navigate this past year.

Chairman Brown, in your letter dated May 7 of this year, you asked us to provide information on additional topics, and we have included that in the attached addendum. for brevity for this hearing.

I now look forward to your questions.

Chairman BROWN. Thank you, Mr. Gorman. And thanks for answering that letter.

All of you spoke about lending to small business over the past year, yet over the past year in the middle of the pandemic, when small businesses and families have been desperate for loans, the amount of loans that your banks made has dropped. Instead of lending, instead of putting money back into the economy, you have all said publicly you plan to spend billions on buybacks and dividends.

My question starts with Mr. Moynihan. Your bank's lending fell 14 percent over the last year. You just announced $25 billion in stock buybacks. Why not lend that money to small businesses and families?

Mr. MOYNIHAN. Well, the good news, Chair Brown, is that we can do both. We can return capital to our shareholders to help them enhance their returns at the same time lending to small business. For the month of May, we did $1 billion in the first 3 weeks of May. We have done $1 billion in new commitments to small business. That is up 29 percent, not over 2020 but over 2019. We have—we have a $35 billion small business portfolio, and remain the largest lender to small business, according to the FDIC, and we continue to work closely with small business. The reasons why loans fell in the crisis are businesses did not need the credit, but also remember

the PPP had a tremendous impact on demand for our clients, and as we did $35 billion of PPP loans, that obviously caused less borrowing from our lines of credit to small business.

Chairman BROWN. Well, Mr. Moynihan, you say you can do both, but you have not done both. During the pandemic, 5,000 community banks across the country, their lending went up 10 percent. Your job is to spur innovation and create jobs. You supposedly employ some of the best economic experts in the country. You just cannot tell me you cannot find a better way to spend $25 billion. You could pay your workers more. You could do a variety of things to serve the community a little better than stock buybacks.

Let me shift to Mr. Dimon. Mr. Dimon, at most of your banks, the CEO makes—for all of you, at most of your banks the CEO makes 800 or 900 times your lowest-paid worker. So, Mr. Dimon, help me understand this. I do not think any of us on this panel or any of the Senators asking questions thinks that you work 900 times harder than the tellers and customer service agents at JPMorgan Chase. So help me understand this. How did we end up here where CEOs are making 900 times what some of their workers are making?

Mr. DIMON. We are very proud of the opportunity we give to all of our people here. Our starting wage is approximately $35,000 plus medical benefits, retirement benefits. We take very good care of our people in terms of training and all that.

My compensation is set by the board. They look at multiple factors, and that is how it takes place.

Chairman BROWN. But these are workers that I fight for every day, the people that work at JPMorgan Chase in Columbus and around the country. But 900 times, there is just really no explanation.

Let me ask it to each of you in another way. This will be a simple yes-or-no question. I appreciate many of you have raised wages. A number of you mentioned that. I appreciate when you raise your wages for contractors, too. But your essential workers also need a voice in the workplace, so my question, yes or no, will each of you set an example to every other company in America, companies that usually follow Wall Street's lead, by pledging to remain neutral if your employees want to form a union? Yes or no. Mr. Scharf, we will start with you.

Mr. SCHARF. Chairman, we would work with our employees to make sure that their voice is heard and do everything we can to ensure that that voice is loud and clear.

Chairman BROWN. Will you remain neutral if they want to form a union?

Mr. SCHARF. As I said, I think we'd want to engage with them and understand what their concerns are and have a deep understanding of that before we make any decision.

Chairman BROWN. Ms. Fraser, would you remain neutral if they want to form a union?

Ms. FRASER. We would certainly be supportive of our employees having as many opportunities as they possibly can.

Chairman BROWN. Mr. Dimon.

Mr. DIMON. No.

Chairman BROWN. Mr. Moynihan.

Mr. MOYNIHAN. No, we would allow them to have their voice heard and see what happens.

Chairman BROWN. Mr. Solomon.

Mr. SOLOMON. We would allow their voice to be heard.

Chairman BROWN. Does that mean you would be neutral on forming a union?

Mr. SOLOMON. We would allow their voice to be heard.

Chairman BROWN. Mr. Gorman.

Mr. GORMAN. Like the others, we listen to and respect what our employees want to do, and we would work with them on that.

Chairman BROWN. We know unions can do much to give women and people of color some power in the workplace. The decisions you make affect workers all over the country, workers whom your companies could not function without. You have acknowledged that. But the leaders make those decisions, do not reflect your workers, they do not reflect the country. A couple years ago, Congressman Al Green asked in a House hearing when your companies would be led by women and people of color. Your banks have clearly not made enough progress.

Mr. Gorman, you are one of only two CEOs who did not believe there would be a woman or person of color leading your bank in the next decade. Don't you have a responsibility to do something about that?

Mr. GORMAN. Absolutely, but I was asked a question. I answered it truthfully. The senior leadership at that point in time happened to be men. But we have since installed a woman as our CFO, just last week. We have a woman who is cohead of banking; we have a woman cohead of Asia. We have a woman who is head of all of Europe, Middle East, and Africa. Our chief audit officer is a woman. Our vice chairman covering sustainability is a woman. And 6 of my 13 indirect reports are people of diversity. So I absolutely am committed to it, Chair, but I also happen to reflect the reality that this organization has been built over many decades, and it takes a long time for talent to rise to the top.

Chairman BROWN. So I will re-ask the question. In the next decade, will one of those women be the CEO?

Mr. GORMAN. I think there is a distinct possibility, but I cannot guarantee it. That is for the board. What I am doing is giving the board choices, not just who replaces me but who replaces that person.

Chairman BROWN. OK. Thank you. You all need to do more, and we want to see permanent change, of course, as the country—the diversity of this country needs to be reflected in the Senate, in board rooms, and in CEO job positions.

Senator Toomey, you are recognized.

Senator TOOMEY. Thank you, Mr. Chairman.

So I would like to start with a simple direct question, and I hope you will understand in the interest of time, I would love to get a yes or no answer, although Mr. Moynihan already answered this question in the opening statement that he made, and he answered in the affirmative. The question is simply: Do you believe that capitalism is the best economic system for producing the most prosperity for the greatest number of people? Mr. Scharf.

Mr. SCHARF. Yes, I do.

Senator TOOMEY. Thank you. Mr. Solomon.
Mr. SOLOMON. Yes.
Senator TOOMEY. Thank you. Ms. Fraser.
Ms. FRASER. Yes, I do.
Senator TOOMEY. Thank you. Mr. Dimon.
Mr. DIMON. Absolutely.
Senator TOOMEY. Thank you. And, Mr. Gorman.
Mr. GORMAN. Yes, I do.

Senator TOOMEY. Great. And, of course, obviously I agree on this. I am concerned that sometimes rather than defending this principle of capitalism, some of you have embraced so-called stakeholder capitalism, which really is something different than true capitalism. And I would just ask you to reconsider this, because stakeholder capitalism is meant to diminish the importance of a company's obligation to shareholders relative to other stakeholders. And I think that is a contradiction of the fundamental aspect of capitalism.

One of the reasons I am concerned about this is because the implied criticism of capitalism inherent in stakeholder capitalism also lends credence to these ongoing attacks that we hear. So, for example, in March, our Committee held a hearing entitled, "Wall Street v. Workers: How the Financial System Hurts Workers and Widens the Racial Wealth Gap". And we had a witness who argued to us—and I will quote—"Credit debt itself provides a channel through which wealth drains from marginalized communities toward more affluent entities. Its burdens are not equally distributed, which exacerbates the racialized and gendered wealth gap."

So I would like to ask each of you, but in the interest of time, I think I will just go to Mr. Dimon, if I could, and ask you to—I mean, is it your view that the credit that your institution provides drains wealth from marginalized communities and exacerbates the racialized and gendered wealth gap?

Mr. DIMON. No, I think you have heard from all the CEOs here that we are making an enormous effort to try to get credit to marginalized, lower/middle-income, majority–minorities, Black small businesses, women of color, et cetera, and we are doing a good job. We could always do more. We can acknowledge there are some problems that need to be fixed, and I think we are all trying to do it the right way. But it absolutely was not caused by Wall Street taking credit from those communities.

Senator TOOMEY. It seems to me, in fact, that access to credit is a necessary precondition for poor people to move up to the middle class, not the other way around.

Let me move on to an issue that is really important in my State. As many of you probably know, Pennsylvania is now the second largest producer of natural gas among all 50 States. And I have heard directly from constituents in this field that they are finding it more difficult to finance their business as a result, they believe, of commitments that financial institutions have made to reduce greenhouse gas emissions.

Now, this is particularly ironic because, of course, as we all know, natural gas is the reason that the United States has outperformed most of the rest of the world in reducing CO2 emissions.

But, nevertheless, they believe they are facing more difficulty getting finance than ever before.

Also, no matter what one thinks about the eventual arrival of more widespread use of electric vehicles, the fact is piston-driven cars are going to be on the roads for quite a while, so we need a certain amount of oil.

So let me start with Ms. Fraser. My understanding is that Citigroup is committed to ending all financing for thermal coal companies by 2030, and, frankly, there might still be a need for some thermal coal after that date. But my real question for you is: Have you established or do you plan to establish a similar policy prohibiting the financing of either oil or natural gas, aside from if the economics would dictate that you should not provide the financing?

Ms. FRASER. Thank you for the question, Senator Toomey. Our goal is to support our clients responsibly and help them transition to cleaner energy, create jobs in the future. This is going to require investing in new technologies and helping them develop. So what we are looking at doing is working with our clients in the transition and to support them in doing so, so that we can balance the evolution——

Senator TOOMEY. I understand all that, and that is—but that is separate from my question, which is: Do you now or do you plan to have anytime soon a prohibition against financing the development of oil or natural gas?

Ms. FRASER. We do not plan to have a prohibition against this, no. We plan to help our clients in the transition to the cleaner carbon technologies.

Senator TOOMEY. OK. Thank you. I think I am out of time.

Chairman BROWN. Thank you, Senator Toomey.

Senator Reed from Rhode Island is recognized.

Senator REED. Thank you very much, Mr. Chairman. Let me welcome the panelists today and thank you for being with us today.

In 2006, I was fortunate to work on a bipartisan basis to pass the Military Lending Act, which established a lending limit of 36 percent for all military personnel, and I had some firsthand experience since I commanded a paratrooper company and was appalled at how my troops were taken advantage of downtown in trying to buy vehicles and payday lending, et cetera. And this situation has been exacerbated by the pandemic. People have been laid off. I heard one story of a gentleman in his 40s who was laid off. He had to take care of his mother. He had to take care of his partner and her four children. And so he went out to a payday lender and got a loan which had an annualized interest rate of 528 percent.

When I was a kid in Rhode Island, they did not call that "payday lending." They called it "loan sharking." And the agents were particularly burly gentlemen with no last names. I think we have to stop this.

And so Senator Brown and I have proposed legislation that would extend this protection to all Americans, and I do not believe any of your institutions even come close to 36 percent interest. But in the spirit of trying to help unbanked people—and I believe your efforts are very sincere—would you support this effort on our behalf to extend the 36-percent limit?

Let me begin with Mr. Scharf and go down the list, but I understand that Mr. Gorman does not have a retail operation, so I will excuse him from answering. Mr. Scharf, please.

Mr. SCHARF. Senator, it is something that we certainly would take a look at. I think it is important that we would want to understand the way specific legislation is written and how we would account for potential changes in rates, including material movements, but, most importantly, to understand that there is access to credit in a responsible way is not lost, because we are as an institution extremely focused on bringing the unbanked and the underbanked into the financial mainstream.

Senator REED. Mr. Solomon, please.

Mr. SOLOMON. We have a relatively small consumer footprint, Senator. We would want to work with you in ensuring that in a materially different interest rate environment you are not closing off lending to anyone where you wanted to get lending. But, in principle, we think it is good to have this transparency and to look carefully at this.

Senator REED. Thank you. Ms. Fraser, please.

Ms. FRASER. Let me start. We absolutely do not charge interest rates that high for our customer bases. We would like to have a look at the law just to make sure there are no unintended consequences to it, but we appreciate the spirit of it and the intent behind it.

Senator REED. And, Mr. Dimon, please.

Mr. DIMON. Yes, supportive, subject to a detailed review.

Senator REED. Thank you. And, Mr. Moynihan.

Mr. MOYNIHAN. Like my colleagues, we would have to see the law itself, and, in fact, one of the reasons why we created the new product we created is to help our clients be able to borrow from us for no interest and a $5 fee on an emergency basis to avoid the payday lenders. So we understand the spirit of it.

Senator REED. Thank you very much. And a final question to the panel. We understand that the foreclosure protection is expiring June 21, this June, very soon. And there are about 2.1 million people who are 90 days behind in their payments, and they will be at risk of foreclosure.

What are each of you doing—and I have very brief time—to ensure that this forbearance continues or at least to make aware your borrowers of the rights they might have under the CARES Act for support? Let me begin with—since I did not call on Mr. Gorman, let me call on Mr. Gorman, and then go down the list.

Mr. GORMAN. Well, unfortunately, Senator, this is not a business that we are in.

Senator REED. All right. You are excused. Thank you, Mr. Gorman.

Can we start with—we will go in reverse order. Mr. Moynihan, who I must confess is someone I have known for a while. Mr. Moynihan.

Mr. MOYNIHAN. Senator Reed, we will work with the clients like we have been working with them. The good news is the amount of deferrals is way down, and most of the clients have become current, and we continue to work with them every day. So irrespective of the deadline passing, we will continue to work with the few cli-

ents we have left to help them modify their loans, attach the payments on the back end, and go forward.

Senator REED. Thank you. Mr. Dimon, please.

Mr. DIMON. I totally agree with Brian, Senator; obviously, no one wants to go into a foreclosure. It is a terrible thing. And we have extensive programs in place to help people that go beyond Government programs, and we will work with each and every one of them to try to avoid foreclosure.

Senator REED. Thank you. I believe I have extended past my time, Mr. Chairman.

Chairman BROWN. Thank you, Senator Reed.

Senator REED. Thank you.

Chairman BROWN. Senator Rounds from South Dakota is recognized. Thanks, Jack.

Senator ROUNDS. Thank you, Mr. Chairman. I appreciate the opportunity here. I would like to take a moment just to point out that the largest banks in the world are not represented at the hearing here today. As it turns out, the four largest banks in the world are State-owned banks from China and the fifth largest by a small margin is Japanese. So before the Banking Committee ties itself up in knots about any of the controversial issues on the table today, I would encourage my colleagues to keep in mind that we are all Americans, as are the firms who are represented here. We have a collective and strategic national interest in having a team of banks that are globally active and international leaders, but who are above all American. The last thing that any of us should want, at least any of us should want to see is a global banking system that is run by the Chinese Government. That is the road we will be continuing traveling down if we keep disparaging these firms or unfairly gold plating international banking standards while China, Japan, and others run circles around us.

Mr. Dimon, I would like to preface my first question to you, sir. As of last month, the consumer prices have been increasing by more than 4 percent year over year. This is a level of inflation that we have not seen in over a decade. I am concerned that the Government's role in this could only be making the problem worse. Can you share your thoughts on the outlook for inflation and what role public spending and monetary policy are having?

Mr. DIMON. So, Senator, thank you for that. Also, thank you for your comment in support of America's large successful banks, which are a critical part of having a large successful economy. I will just add to what you said. There is no large successful economy that does not have large successful companies, and financial services is an extremely important part of that. Our competition, I am not talking about next year but for the next 30 years, is going to be Chinese, and thank you for pointing that out.

We support what the Government did early in the crisis. We think it stopped a massive financial crisis and possibly a depression at one point. But now you are talking about unprecedented, continued fiscal and monetary policy kind of on autopilot. I think the good news is that we are going to have a very strong economy. We are going to have it this year. It can easily go into next year and maybe even 2023 as all that spending takes place. But, yes, it will raise inflation. I think there was nothing wrong with 1.6

percent. I would expect it to go considerably higher than that. Hopefully it will not be out of whack and the Federal Reserve will be able to tamp it down. But, you know, we always plan for things worse than that. So I do not know what the future portends. I hope it does not go there.

I think the other very important part of this is, whatever money we spend, that we spend wisely. If that money is wasted and is not productively spent, we will have more inflation, less productivity, slower growth, and the American democracy will have lost even more credibility in the eyes of the world.

Senator ROUNDS. Thank you, sir. In a few days, voters in Harrisburg School District in Lincoln County, South Dakota, will be going to the polls to decide whether or not to approve a $60 million bond to build a new school. If the voters choose to move forward, the Federal Reserve will not simply be cutting the folks in Harrisburg a $60 million check. It is a lot more complicated than that. The institutions represented before us here today are the plumbing in the global financial system that make it possible for, just as an example, a Japanese life insurance company to perhaps invest in safe American municipal securities like the ones offered by the Harrisburg, South Dakota, school district.

Ms. Fraser, you not only have a footprint in South Dakota with Citibank, but you are one of the most globally active U.S.-based banks. Can you tell me about how institutions like yours help make public borrowing markets function?

Ms. FRASER. Yes, thank you. Thank you for the question on this. As we have talked about, the American banks play a very critical role in the global financial markets, and we support multinational companies. We support investors around the world, providing core services for their operations, and part of that is now making sure that there are opportunities to invest in job-creating infrastructure in different projects around the world and here in America. And it would be a great shame if those jobs and that network were in other hands than in American banks.

Senator ROUNDS. Thank you. I would like to thank all of our witnesses here before us today, and I just think it is really important that we focus on the fact that they are all in competition with one another, but they are also in competition with other major banks around the world. And the last thing in the world that we want to see is the influence of the United States become less and less because of regulatory attempts to regulate them that would interfere with their ability to be competitive with other major banks throughout the world.

Thank you, Mr. Chairman. My time has expired.

Chairman BROWN. Thank you, Senator Rounds.

Senator Menendez of New Jersey is recognized for 5 minutes.

Senator MENENDEZ. Well, thank you, Mr. Chairman, and welcome to all of our guests today. Thank you for your appearance.

I would like to ask you each a simple yes-or-no question to start off with. Do you think the economy as a whole would be better off if low-income and underserved consumers were able to participate more fully in the formal financial system, for example, if consumers had a bank account, for example, rather than going to a check-cashing place or a pawnbroker?

Mr. GORMAN. Yes.
Mr. DIMON. Yes.
Mr. MOYNIHAN. Yes.
Ms. FRASER. Yes
Mr. SOLOMON. I would say yes.
Ms. FRASER. Yes.
Senator MENENDEZ. OK. So, Mr. Moynihan, Mr. Scharf, Ms. Fraser, Mr. Dimon, have you implemented any no-cost, no-fee initiatives to help unbanked consumers obtain bank accounts? A simple yes or no.
Mr. MOYNIHAN. Yes, we have.
Ms. FRASER. Yes, we have.
Mr. SCHARF. Yes, we have.
Senator MENENDEZ. OK. What would those be? What would those be?
Mr. MOYNIHAN. Senator, we introduced a no-overdraft account a few years ago. It represents about 30 percent of our new sales, especially to young people. It provides no ability to overdraft, which saves consumers, helps them manage their finances. It is available for $5 a month as a flat fee, and for students and people under the age of 24, it is free. And, you know, that is the type of account consistent with the BankOn set of standards, we have about 2.5 million of those outstanding so far. And as I spoke earlier about, we have our Advantage borrowing product which allows $500 of emergency borrowing for a $5 fee with no interest.
Senator MENENDEZ. Ms. Fraser.
Ms. FRASER. Yes, thank you, Senator. Similarly, back in 2014 we introduced an account called the "Access Account," which provides no overdraft fees. It is a very affordable savings and checking product. And we work with entities like the National Urban League to make sure that this gets driven into some of the underserved and unbanked communities and do a big push to make sure that there is awareness of this product.
Senator MENENDEZ. We will be happy to look at some of your programs because this is a critical element of getting a very large part of the American society to be able to be banked instead of going to the check-cashing place, the payday lender, or the pawnbroker.
Mr. Scharf, Ms. Fraser, Mr. Dimon, do you have a small-dollar loan product of $500 or less similar to Bank of America?
Mr. DIMON. We do not.
Mr. SCHARF. I do not believe we have one, Senator.
Ms. FRASER. We do not.
Senator MENENDEZ. This is one of the critical elements of being able—I share Senator Rounds' views that you are all important institutions, not only in our financial system but in our economy. I share that from my perspective also as the Chairman of the Senate Foreign Relations Committee. I know our global competition. But I think that all of you have both the ability and, in my view, a responsibility to bring more people into our financial system as a portal of entry instead of where they are, which relegates them to far lower opportunities in the future, and I hope you will do that.
Let me ask you, I looked at the lending that you all did, and particularly as it relates to COVID-related. Are you taking any serious

and comprehensive measures to expand your relationships with small businesses? Any of you.

Mr. DIMON. I think we are, almost all of us, making extensive efforts, particularly making sure we open branches. I think most of us have 25 or 30 percent of our branches in LMI majority–minority neighborhoods. Most of us have small business programs with outreach on the part of the CDFIs. Most of us have put money into equity or loans into MDIs who are in those communities, so, yeah, we are all making extensive efforts and hope to do more.

Senator MENENDEZ. Well, I looked at your PPP lending, and, in fact, there is a disconnect between what I am being told and the number and distribution of PPP loans, especially as it relates to minority-owned small businesses. So I would like to call that all to your attention. Maybe you are not getting the right information internally.

Let me ask you two final questions. I have been the biggest champion of diversity and disclosure. Do you all believe that it is necessary to seek diversity, particularly for the bottom line? From my perspective, study after study has shown that. And do you believe in the public disclosure of your companies in terms of diversity on corporate board and senior executive management? Yes or no would suffice.

Mr. GORMAN. Yes.

Mr. MOYNIHAN. Yes.

Mr. DIMON. Yes.

Ms. FRASER. Yes.

Mr. SOLOMON. Yes.

Mr. SCHARF. Yes.

Senator MENENDEZ. And, finally, do you believe that comprehensive immigration reform would help us build a more robust, stronger economy?

Mr. DIMON. Absolutely.

Mr. MOYNIHAN. Yes.

Mr. SCHARF. Absolutely, yes.

Ms. FRASER. Yes.

Senator MENENDEZ. Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Menendez. You got more questions in 5 minutes than I have ever seen any Member of this Committee get.

Senator Tillis from North Carolina is recognized for 5 minutes.

Senator TILLIS. Thank you, Mr. Chairman, and thank you all for being here today.

I first want to thank you all for the mobilization effort for the Paycheck Protection loans. I think it was Herculean. I know that financial institutions across this country saved countless businesses and millions of jobs. So I thought it was particularly extraordinary that you did it and were underwriting or taking applications before you really even knew the full rules of the road. So thank you for doing your part and helping us bridge the gap with COVID–19.

I would normally in these committees like to talk abut business issues like some of the Fed supervisory functions that I think are inherently unfair, where you are asked to—you are basically dealing with a Fed supervisor who is judge, jury, and executioner without any due process. That is something I took up with Chair

Quarles yesterday. But today I want to talk about a subject that I would seldom bring up in these committees. Goldman Sachs, Bank of America, Citigroup, and Wells Fargo signed a political statement which ran in the newspapers. It read in part, "We should feel a responsibility to defend the right to vote and oppose any discriminatory legislation or measures that restrict or prevent eligible voters from having an equal and fair opportunity to cast a vote."

I do not think the statement specifically referenced the Georgia law, but that was what was being talked about in the press at that time. It was roughly the same time we were having a debate about the validity of the arguments, and I think that there is a fair basis for saying that that characterization, if it related to the Georgia law, may have been unfair and more of a political statement than an empirical observation of the statute.

Look, the right to participate in politics without Government reprisal is the cornerstone of an equal and fair opportunity to cast a ballot. Efforts to reduce political protections or allow a Government to stifle dissent certainly seem antithetical to your statement when it comes to some of your global operations.

All six of your companies have significant presence in Hong Kong, yet over the years, the Chinese Communist Party has systematically chipped away at electoral rights for Hong Kong. Take, for instance, the national security law just passed last year under the direction of the Chinese Communist Party. Under this law, if an individual engaged in activities aimed at dividing China, subverting the State, or generally endangering national security, they face harsh penalties, often life in prison. This is enforced solely by the Community Party-aligned National Security Committee and does not allow a defendant to take their case through the regular judicial system, if there is such a thing in China.

This law is meticulously designed to prevent equal and fair opportunity to cast a ballot in Hong Kong. Hundreds of thousands in Hong Kong took to the streets to protest this law, and correct me if I am wrong, but I have not seen any statements from your companies on this. It was announced last week that the first person will be charged under the national security law, and they are going to face a trial without a jury. Instead of the individual going before a jury trial, they are going to go before a three-judge tribunal under the direction of the National Security Committee, a shocking departure from the common law traditions of Hong Kong.

I am curious if any of you would make a statement today defending the right of the accused to a fair trial by jury and not a politically suspect tribunal in Hong Kong. That national security law is clear that it applies to all residents of Hong Kong, including expatriates and foreign nationals.

You have an obligation to defend your employees. So I wondered, if an employee found themselves charged under this law, would you speak up? Several of your companies are in the process of expanding operations in Hong Kong, even after the Communist Party has destroyed any semblance of democracy. Now the Hong Kong Legislature is working on bills to provide tax breaks, limit disclosure requirements, and eliminate taxes on carried interest. These meas-

ures are clear efforts by the Communist leaders to persuade businesses to remain in Hong Kong despite the political upheaval.

The Hong Kong finance professor went so far as to say, "To keep these people around, we have to give them a tax benefit." The Hong Kong lawmaker said, "The signal to the business community is very simple: Stay out of politics."

This is the stance of the Communist Party and apparently the cost of doing business in China. Whatever our failings, the United States clear and unequivocally does not assert these costs to business who operate within our borders. The United States does not set up extrajudicial systems to deprive citizens of their right to engage in politics. And the United States does not seek to quash dissent; we protect it.

I hope you all keep these undeniable facts in mind should you choose to weigh in on American political issues in the future. But if you do, I expect consistency across the global.

Thank you, Mr. Chair.

Chairman BROWN. Thank you, Senator Tillis.

Senator Warren from Massachusetts is recognized for 5 minutes

Senator WARREN. Thank you, Mr. Chairman.

As the pandemic swept across our Nation, bank regulators worried about the health of our biggest banks. So the regulators were generous. They gave the banks all kinds of help. They delayed compliance for important regulations. They relaxed standards. They even allowed banks to avoid paying overdraft fees if their accounts at the Federal Reserve had a negative balance.

Now, when asked why they were being so generous to the banks, the regulators explained that the banks would, in turn, help their customers. So how exactly did that work out?

At the start of the pandemic, bank regulators issued joint guidance that recommended that banks waive overdraft fees for their own customers. In other words, if someone was laid off, for example, and bounced a check, the regulators recommended that the bank automatically waive the fees and let people get caught up without paying $35 every time they stumbled, the same way a bank could do at the Fed if it overdrew its account.

So let me ask the CEOs of the four banks—Citibank, Bank of America, Chase, and Wells Fargo, the four banks that collectively managed tens of millions of checking accounts for customers. While you automatically and at no cost got complete protection from overdraft fees at the Federal Reserve, could you please raise your hand if you gave the same automatic protection to your customers and automatically waived all of their overdraft fees?

OK. I am not seeing anyone raise a hand, and that is because none of you gave the same help to your customers that the bank regulators extended to you, help that the bank regulators recommended that you give.

So let me focus in on this just a little bit here. Let me start with you, if I can, and ask the question about whether or not any of you—you did not automatically waive. I just want to take this on down. So let us take a look at who actually paid these fees. According to Pew Charitable Trusts, it is disproportionately working people making less than $50,000 a year, African Americans, Hispanics,

people who are struggling to get by. And how much did they pay in overdraft fees? They paid a combined $4 billion.

So let me start with you. Mr. Dimon, you are the star of the overdraft show. Your bank, JPMorgan, collects more than seven times as much money in overdraft fees per account than your competitors. So, Mr. Dimon, how much did JPMorgan collect in overdraft fees from their consumers in 2020?

Mr. DIMON. Well, I think your numbers are totally inaccurate, but we will have to——sit down privately to go through that.

Senator WARREN. These are public numbers.

Mr. DIMON. And I also want to point out——

Senator WARREN. Can you just answer my question? How much did JPMorgan collect——

Mr. DIMON. We did not overdraft the Fed account, and at——any request when someone said they needed COVID relief they got $120 million in COVID relief.

Senator WARREN. So whoever—I am sorry, Mr. Dimon.

Mr. DIMON. They needed COVID relief——

Senator WARREN. That was—Mr. Dimon, that was not the question. Did you have an automatic protection—so I am asking, you were recommended, the regulators recommended you offer that same kind of protection to your customer.

Mr. DIMON. And we did.

Senator WARREN. How much, in fact, did JPMorgan——

Mr. DIMON. And we did.

Senator WARREN. ——collect in overdraft fees from their customers in 2020? Do you know the number?

Mr. DIMON. I do not have the number in front of me, but——

Senator WARREN. Well, I actually have the number.

Mr. DIMON. Upon request——

Senator WARREN. $1.463 billion. That is nearly $1.5 billion that you collected from your customers.

Now, do you know how much JPMorgan's profit would have been in 2020 if you had followed the recommendation of the regulators and waived overdraft fees to help struggling consumers? In other words, without that overdraft money, would your bank have been in financial trouble?

Mr. DIMON. We waived the fees for customers upon request if they were under stress because of COVID.

Senator WARREN. I appreciate that you want to duck this question. Do you know how much your profits would have been if you had actually waived all the fees, as the regulators recommended?

Mr. DIMON. We waived the fees every time the customer asked——

Senator WARREN. The answer is your profits would have been $27.6 billion. I did the math for you.

So here is the thing. You and your colleagues come in today to talk about how you stepped up and took care of customers during the pandemic, and it is a bunch of baloney. In fact, it is about $4 billion worth of baloney. But you can fix that right now.

Mr. Dimon, will you commit right now to refund $1.5 billion you took from consumers during the pandemic?

Mr. DIMON. No.

Senator WARREN. Right now.

Mr. DIMON. No.

Senator WARREN. No. That is right. Over the past year, you could have passed on the breaks that you got from the Fed to your customers, but you did not do it.

Everybody else here, those other three bankers, will any of you agree to refund the overdraft fees that you collected?

[No response.]

Senator WARREN. I did not think so. So no matter how you try to spin it, this past year has shown that corporate profits are more important to your bank than offering just a little help to struggling families, even when we are in the middle of a worldwide crisis.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Warren.

Senator Kennedy from Louisiana is recognized for 5 minutes.

Senator KENNEDY. Mr. Chairman? Mr. Chairman, can you hear me now?

Chairman BROWN. Yeah, we can hear you now, Senator Kennedy. Go for it. Thank you.

Senator KENNEDY. OK. Thank you, sir.

Mr. Solomon, did Goldman Sachs underwrite Saudi Aramco's IPO?

Mr. SOLOMON. We were one of the underwriters in Saudi Aramco's IPO. Yes, we were.

Senator KENNEDY. How much did you make?

Mr. SOLOMON. I do not know off the top of my head what our underwriting fees are, but we can certainly come back to you. It would have been millions of dollars, but I do not know the precise number.

Senator KENNEDY. OK. Mr. Moynihan, was Bank of America one of the underwriters of the biggest oil and gas company in the world?

Mr. MOYNIHAN. Sir, I do not know off the top of my head, but like Mr. Solomon, we will get back to you with the details.

Senator KENNEDY. I think you were. I will save you some time.

Mr. Scharf, Wells Fargo, were you one of the underwriters for Saudi Aramco?

Mr. SCHARF. I do not know the answer to the question, Senator.

Senator KENNEDY. You were. I will save you some time.

Ms. Fraser, how about Citigroup? Do you know?

Ms. FRASER. Yes, we were one of the underwriters, sir.

Senator KENNEDY. How much did you make, do you know?

Ms. FRASER. I am afraid I do not know how much that was, sir.

Senator KENNEDY. OK. Mr. Dimon, was JPMorgan Chase one of the underwriters?

Mr. DIMON. Yes, we were.

Senator KENNEDY. OK. How about, Mr. Gorman, Morgan Stanley?

Mr. GORMAN. Yes, we were.

Senator KENNEDY. OK. Thank you.

I wanted to ask Mr. Dimon a question, if I could. I want to talk economics a second. Could we agree, Mr. Dimon, that firms ought to be taxed where they conduct their business and produce their profits as a general principle?

Mr. DIMON. Well, global taxation is very complex, but, yes, as a general principle.

Senator KENNEDY. OK. And I am not holding you responsible, Mr. Dimon, but how do you account for the fact that today about 63 percent of American multinationals' profits are booked in countries where they have only 15 percent of their employees?

Mr. DIMON. I honestly do not know the number, so I cannot comment on it.

Senator KENNEDY. I am not trying to put words in your mouth, but obviously what is happening is that American multinational companies are shifting their profits to so-called tax havens to minimize their taxes. Do you think that is a sound economic principle?

Mr. DIMON. I do not. I think that the last tax reform that was done actually stopped a lot of companies from doing that. I do not know what——

Senator KENNEDY. Yeah, except—I am sorry. Excuse me.

Mr. DIMON. Except I do not know what year you are looking at, but it did change substantially after 2017.

Senator KENNEDY. Well, it did not change that substantially. I thought it did, too, Mr. Dimon, but I looked it up. Today, right now, if you take American multinational companies and take a look at their taxes, 63 percent of their profits, the big boys and girls, have booked profits in tax havens where they only have 15 percent of their employees. Does that make sense to you? Or is that——

Mr. DIMON. I do not know the numbers. I will take your word for it. And I do not know if it makes sense. I would have to do a lot more analysis of that.

Senator KENNEDY. OK. Let me ask you this—I do not mean just to dwell on you. Let me ask Ms. Fraser. Ms. Fraser, as you know, the Tax Cuts and Jobs Act, we passed it in 2018, and we cut Federal income tax from 38 percent to, I believe, 21 percent. Now, if you look at the Fortune 500 U.S. companies, the biggest companies in America, the top 500, of those that were profitable, what is their average tax rate?

Ms. FRASER. I can only speak to our own tax rate, Senator. I am afraid I do not know the numbers for other multinationals.

Senator KENNEDY. What is your tax rate?

Ms. FRASER. Our tax rate is about 19 percent globally.

Senator KENNEDY. All right. I looked it up, and the average tax rate in 2018—that is when the Tax Cuts and Jobs Act took effect. That was the first year. And, remember, the TCJA cut the Federal corporate tax rate from 35 percent to 21 percent. The average rate of the Fortune 500 companies that paid taxes was 11.3 percent. That surprised me. Does that surprise you?

Ms. FRASER. Yes. I am not familiar with the numbers, so it does surprise me.

Senator KENNEDY. And in the tax subsidies in the bill, I looked this up, too. Twenty-five companies claimed one-half of all of the tax subsidies in the bill. Five companies claimed 22 percent of all of the tax subsidies in the bill. I did not know this. Those five companies are Bank of America, JPMorgan Chase, Wells Fargo, Amazon, and Verizon. Does that surprise you?

Ms. FRASER. I can only speak for my own company, sir.

Senator KENNEDY. I am way over time. Did you Citigroup take some of these subsidies?

Ms. FRASER. I do not know. I will have to get back to you, sir.

Senator KENNEDY. Can I ask one more question, Mr. Chairman?

Chairman BROWN. Yeah.

Senator KENNEDY. Mr. Solomon, here is my question. Not will we—not will we—but should we in your opinion be using fossil fuels 20 years from now? Not will we, but in your opinion should we?

Mr. SOLOMON. There is no question we have a transition going on with respect to companies trying to——

Senator KENNEDY. I know that, but I am going to run out of time, and our Chairman is being real generous. Not will we, in your opinion should we be using fossil fuels 20 years from now?

Mr. SOLOMON. If the technology available to allow us to user fewer fossil fuels and make the planet greener and, therefore, safer for everyone, and we can through those technologies have businesses and power and energy that allows us to operate our economy efficiently, yes, that is something we should strive for. Whether or not we will get there 20 years from now, you know, I cannot predict.

Senator KENNEDY. Thank you, Mr. Chairman.

Chairman BROWN. Thanks, Senator Kennedy.

Senator Van Hollen from Maryland is recognized for 5 minutes.

Senator VAN HOLLEN. Thank you, Mr. Chairman.

A number of you have been taking positive steps in a number of areas, and I want to see if we can use this hearing to encourage all of you and your banks to follow the best practices of some of the leaders. And I want to start with CDFIs and MDIs because all of you have made statements supportive of CDFIs and MDIs.

We are hearing increasingly from those institutions that debt capital is much less useful to them than equity capital. And I know in the case of Wells Fargo that you recently announced equity investments in Harbor Bank in Baltimore. I just want to ask each of you whether you have recently made equity investments in CDFIs or MDIs, and if you have, the magnitude of that amount.

Mr. DIMON. Speaking for JPMorgan, we have invested $70 million into 9 of the 18 black MDIs. CDFIs are different because they do not have equity per se.

Senator VAN HOLLEN. All right.

Mr. MOYNIHAN. At Bank of America, we have taken 5 percent common equity positions, up to 5 percent in 17 MDIs, and we are in the process of going through the other ones to see if they need the money. And then on top of that, we have $120 million deposits with the MDIs that provide their capacity and $1.8 billion balances into the CDFIs up from $1.5 billion a year-and-a-half ago.

Senator VAN HOLLEN. OK.

Mr. SCHARF. At Wells Fargo, we have invested in 13 MDIs almost $50 million and have provided an extensive amount of financing to the CDFIs. We have committed $250 million of our Open for Business Fund from the PPP fees. Over $150 million of that has already been distributed, and they in turn can lever that up.

Senator VAN HOLLEN. OK.

Ms. FRASER. And at Citigroup, we have invested $50 million in equity into MDIs, and we work with MDIs and CDFIs across the country in different protégé programs provide technical support to them, marketing, and other talent-based investments as well.

Senator VAN HOLLEN. OK. There is no easy standardized way for, you know, the public to determine how much you all are investing in terms of equity in MDIs or other investments, loans to CDFIs. Would any of you object to reporting to our Committee on a regular basis—we can figure out what the interval would be—as to where you are in making the kind of investments we are talking about? Any objections to that?

Mr. SOLOMON. No.

Voices. No objection.

Senator VAN HOLLEN. So let me now turn quickly to the issue of stock buybacks. I know as we come to the end of this limitation period many of you are talking about instituting stock buybacks. My question relates to wages paid. You know, I think if you have the capacity and the profits to reward investors, I think at the very least we should also be making sure that all your employees are being fairly compensated. I know that Bank of America has pledged to raise their minimum hourly wage for all employees to $25 by the year 2025. I just want to ask the rest of you if you are willing to make that kind of commitment.

Mr. GORMAN. Well, speaking on behalf of Morgan Stanley, we are certainly going to take a look at it. I discovered last night for the first time we had one employee on minimum wage, one employee of 70,000, at $7.50. I promise you that person is getting a raise. But the vast majority of our employees are well above the minimum wage.

Senator VAN HOLLEN. I get that. I am just looking to see whether people will make a commitment to raise the minimum wage to $25 an hour by the year 2025. If we could just go down the list, let me know if you are prepared to do that or get back to us on it.

Mr. GORMAN. We are certainly prepared to look at it and get back to you.

Mr. SOLOMON. Speaking for Goldman Sachs, Senator, we have relatively few employees who earn below $25 an hour today, but we are prepared to look at it and get back to you.

Senator VAN HOLLEN. Thank you.

Ms. FRASER. Speaking for Citigroup, similarly, we want to make sure that our people are paid fairly and competitively, and I am happy to get back to you on that specific question.

Senator VAN HOLLEN. OK.

Mr. DIMON. Speaking for JPMorgan, we take very good care of our employees with training and medical and pension and dental and health care and everything that they need, and we have done a pretty good job going our own way. We are not going to imitate anybody else. We will be competitive.

Senator VAN HOLLEN. OK. Well, listen, just again, you know, we are in this period where people are talking about major stock buybacks. It seems to me this is also an opportunity not just to demonstrate to your shareholders your ability to reward their investments, but also to show your employees that you value their

service. And I think the $25 by 2025 is a very reasonable target for all of your institutions.

Let me turn finally to the issue of climate change and investments. I want to commend Ms. Fraser on her decision soon after she took over to establish a new, important coal policy, stating that in terms of realizing Citi's net-zero commitment by 2050 that they will exit all financing for coal power by 2030 in the OECD and EU and by 2040 in the rest of the world. If I could just ask all of the other CEOs here today whether you would be prepared to follow the lead that Citi's CEO has made in terms of protecting our climate. Mr. Dimon, if we could start with you?

Mr. DIMON. I think we need really a mature conversation around climate. We need a carbon tax. We need industry policy. It is not just about banks stopping financing. We are going to need oil and gas for a long time. It could be made a lot cleaner. So the conversation should be about how we are going to accomplish this in the right way. We can either accomplish reducing CO2 dramatically at no cost to having a healthy economy. If we do it the wrong way, we will not reduce CO2 going down because it will simply move elsewhere, and we can damage the economy.

So I just beg you let us have a rational conversation, mature and thoughtful, how to go about it.

Senator VAN HOLLEN. Well, and we have been trying, I have been trying as one to have a rational conversation for 15 years on this, and until recently I have not heard the CEOs of major banks endorse the idea of a price on carbon. I know that has changed because of alternatives that are out there.

So, look, I think all of us have a part to play here, and I just want to ask that your other colleagues up here if the kind of example that Citi made in this particular area—and I understand there is oil and gas and other areas, but with respect to coal, whether you are willing to make those kind of commitments.

Chairman BROWN. And please be very brief in your responses.

Mr. GORMAN. My response is I would like to see what the alternative sources of energy are, which are essential to the economy. We are all trying to get away from coal dependency. The simple question is timing and alternatives and the economy is not held up as a result of it.

Mr. MOYNIHAN. Senator, speaking for Bank of America, our policies are in the public domain on various types of coal and other types of things. But, importantly, I think what we are all saying is we are here standing ready to help our clients make this transition and bring trillions of dollars of financing across this group in a way that helps those clients that produce energy do what they need to do, and they have announced their plans to do so. So I think that is critically important. That is the value of these big banks stepping up to help all the clients, large, medium, and small, make the transition.

Mr. SOLOMON. I would echo the comments made by the other CEOs. We are working with our clients on this transition. We have made commitments around our own carbon emissions that we have published publicly, and we continue to be focused on wanting to have a very constructive conversation about how we can improve emissions going forward.

Mr. SCHARF. And for Wells Fargo, I agree with everything that has been said and just stress it is all about assisting our clients on the transition that we know has to occur.

Senator VAN HOLLEN. Thank you, Mr. Chairman. I hope everyone will support the American Jobs Plan, which is working together to get it done. Thank you.

Chairman BROWN. Thanks, Senator Van Hollen.

Senator Scott of South Carolina is recognized for 5 minutes.

Senator SCOTT. Thank you, Mr. Chairman, and I appreciate you recognizing me for the 5 minutes.

Questions for the entire panel. I know that Senator Toomey had a question about capitalism versus stakeholders capitalism, and I would add to that woke capitalism that seems to be running amok throughout the financial institutions of our country. It seems like you all are very comfortable picking winners and losers, specifically those who signed the letter in opposition to Georgia. That would be Bank of America, Citi, Wells Fargo, and Goldman Sachs. Picking winners and losers in certain areas, especially in election law, I just want to understand your position on that very important law, because I as a Southerner and African American who has voted in the South all my life would hate any form of discrimination, anything that restricts voting rights.

What part of the Georgia law restricted voting rights or was discriminatory? Any of the four that signed the letter.

Mr. MOYNIHAN. Senator Scott, our company signed a letter about the importance of voting rights based on the input from our ESG Committee and our teammates about how they felt when the law came in. In our view, as a company we believe that there ought to be a concerted effort to get a set of standards that we can all agree to because all of us, including what you just said, is the access for people who are eligible to vote is paramount to having a great democracy. So it came out of our committee, similar to how we have made a lot of these decisions in which we have had concern.

Senator SCOTT. Let me just—because I understood what you said, Mr. Moynihan, and I appreciate you comments. But my question is: What part of the law was discriminatory? What part of the law restricted—if you are actually increasing the number of days of early voting, if you are actually codifying in law dropboxes that were not a part of the law, if you are actually making it easier to vote but harder to cheat, what part of that law was discriminatory or restricted access? I have been studying the law, and that is one of the reasons why I ask that question, because from my perspective and, frankly, from the words on the paper—20-pound may be not worth much, but those words are very powerful. It did not prevent anyone from voting and, frankly, made it easier to vote earlier. And I just am dumbfounded by what the answer to the question was: Yes, we support capitalism, but the stakeholder capitalism or the woke capitalism seems to be running amok. And I say that because I cannot find anyone who will answer the question specifically giving me any examples or specific provisions of the law that we do not support. But at the same time, we will discriminate, it seems, against industries that we do not like, and that is where that stakeholder capitalism comes into play, because

banks benefit from a number of explicit and implicit Government protections and subsidies, all backed by U.S. taxpayers.

So if it is legal and constitutionally protected, the Second Amendment, why would you refuse to bank companies that are in the industry? I do not fully understand. So it seems like picking winners and losers in companies and you are diving into choose which laws you want to uphold and which laws you find offensive, but you cannot articulate a position on why those things are offensive, it just seems confusing to me that one would say, "I support capitalism, but I am doing these things that are inconsistent with the statement that I support capitalism, and that I cannot articulate a single reason why I oppose the law in Georgia or why I oppose funding or financing the oil industry or manufacturers of guns." I just find it to be disheartening as a former member of some of the institutions, as an account holder, and a member of others, why it is you all have taken such a strong, clear position but cannot or will not articulate the reason for that position.

[No response.]

Senator SCOTT. Well, Mr. Chairman, I thank you for the time, and have a good day.

Chairman BROWN. Thank you, Senator Scott.

Senator Warner from Virginia is recognized for 5 minutes.

Senator WARNER. Well, thank you, Mr. Chairman. I do not want to litigate the Georgia law with my good friend Senator Scott from South Carolina who we have worked on a lot of projects together, but I would start with the fact that the Georgia law that makes it illegal for someone to voluntarily give somebody a glass of water if you are waiting for hours and hours in line to vote runs counter to any kind of basic notion of fairness in American democracy. You know, there are a host of issues why I think reasonable people, not just from civil rights organizations but from business organizations across the realm, have said, you know, in the era of 2021, cutting back on voting rights should not be how our country ought to be moving forward.

I am going to pick up on some of the questions that Senator Van Hollen asked, and I have talked with most of you guys and know you. You know I am not—I do not come in with an immediate bias against you, but I think we have got to put up—you guys have got to help put up more than you have. The wealth gap in this country should scare the hell out of all of us. How you guys have come through COVID—and you and I would argue—part of that is due to some of the Dodd–Frank reforms. Well-capitalized, you have come through well. We lost 440,000 Black businesses last year. We have seen huge swaths of Latino businesses go down, lots of small businesses in Appalachia as well.

One of the areas that we have—and I have talked with most of you about this—is community development financial institutions, CDFIs. The Federal Government finally—and I have got to give former Secretary Mnuchin some credit for this and people like Senator Scott, who was a partner on this. We put up $12 billion to both help CDFIs who lend to disenfranchised communities and low- and moderate-income communities. We put up $12 billion—$3 billion in grants, $9 billion in Tier 1 capital. With almost all my conversations with you guys or your folks underneath, you have al-

ways had some kind of regulatory reason why you cannot help CDFIs or cannot do more.

I am going to need you to lean in on this issue going forward, not just with CDFIs. I see each of what you guys have—I read about almost each week your institutions in many of the daily political rags that come out talking about what your institution is doing to help the disadvantaged. What I do not see, though, is how do we get a quarterly update on those. I really think there is a moment in time right now where, whether it is working with CDFIs, whether it is a housing proposal that we have been working on, that I hope to get the Chairman on board with as well, that would actually create a 20-year mortgage product for first-generation homebuyers that would double the rate of wealth accumulation. And we have tried to price this with an interest rate subsidy that would still make your $900 a month mortgage payment on a 30-year note, you would actually be getting it on a 20-year note. Trust me on the math on this. We are going to need you to lean in. We are going to need you to be much more participatory. And, again, no disrespect to the great ads that run about what each of your institutions are doing, but we have got to really, I think, up our game, and if there are regulatory changes that need to be able to make sure you are able to put some Tier 1 capital into some of these institutions, if there are other tools, I would love to work with you. But when we have seen the kind of disruption that takes place, that has taken place in our economy over the last year, I think you guys can definitely be part of the solution.

I appreciate some of the programs you have put up, but I am asking on a generic basis to be willing to engage with me and others who care about trying to do something on a systemic basis both on the wealth gap in this country and on the access to capital issues. As we showed with PPP, well-intentioned program, but the number of minority- or women-owned businesses that got those first rounds because they did not have prior banking relationships was huge. I know my time is about up, but I will be back to all of you on an individual basis and want to continue this conversation.

The last thing I want to raise, though, I think I have—I am trying desperately look for the clock here. I think I have got one—what has not been raised yet I think from any of our colleagues is the questions around cyber. The country finally saw with the Colonial Pipeline ransomware attack what a challenge cyber can be. Think about the fact that the Russians were in 18,000 companies with the SolarWinds attack. If the Russians had decided to launch that kind of attack through SolarWinds rather than the one-off ransomware, it would have brought our economy to an end.

You guys in the financial sector have done a pretty good job, but we are going to need you again both weighing in on, I believe, the need for mandatory reporting requirements so that the public and private sector can sort through this. The finance sector has got some of that. And we are also going to need to—and I know many of you have started looking at this—look at the challenges around cryptocurrencies, because as we all know, that is the ransomware payment methodology of choice. We work with all of you and Senator Brown did leadership, and Senator Crapo, on the issue of the

anti–money-laundering/beneficial ownership bill we put in place last year, again, with your help. But we are going to need to partner together on this issue around crypto and the issue around cyber.

And since I cannot see, Chair, is my time up or can I get in another comment.

Chairman BROWN. Your time has expired.

Senator WARNER. All right. I will be back to you. Thank you so much, and I look forward to visiting with the leaders.

Chairman BROWN. Thank you, Senator Warner.

Senator Shelby from Alabama is recognized for 5 minutes.

Senator SHELBY. Thank you, Mr. Chairman.

In recent years, activists and others have applied increasing pressure on our Nation's largest banks to withhold offering banking services to certain types of businesses, including energy companies and gun manufacturers, among others, for political reasons. Many banks have responded by restricting credit and financing to those businesses. However, restricting access to capital for law-abiding companies results in higher costs for consumers and slower economic growth.

My question to the panel: Do you believe that political pressure or political motivation should influence a bank's decision to provide an entity access to capital? Or should a bank's decision to approve or deny credit or services be based on an impartial and risk-based analysis? Mr. Dimon, I will call on you.

Mr. DIMON. I think most of the decisions we make are based upon risk-based analysis and whether we think financing an industry would be bad for our company, not based upon the risk that we take on. So we do have to make decisions, and all of us make different decisions. I think if the Government passes a law, we follow the law.

Senator SHELBY. Anybody else? No other comments?

Well, I am getting to another area that we all better be concerned with, and that is the Federal debt. The Federal debt is currently over $28 trillion. The Congressional Budget Office projects debt to reach 102 percent of GDP by the end of this year and 200 percent—yes, 200 percent of GDP—by 2051 under current policies unless there are changes.

Are you concerned about the Nation's growing Federal debt? And what impact does an unsustainable level of debt have on our economy as well as on your banking system or our banking system? Mr. Dimon, do you want to take that?

Mr. DIMON. I do not want to, but——

Senator SHELBY. I know that.

Mr. DIMON. You know, it is not an immediate concern, the 102 percent. The country has enough wealth, enough income, but we do need to grow. We need rational policy. It will become an issue at one point when you have that dramatic growth sometime in 2030 to 2040. And so I think it is much better to try to deal with that issue today than it is to deal with the issue down the road.

Senator SHELBY. Mr. Gorman, are you still with us?

Mr. GORMAN. Yes, sir.

Senator SHELBY. Have you got a feeling on that?

Mr. GORMAN. I do not like debt, so that is my primary feeling. And I do not like the debt when it gets over 100 percent.

Listen, there are a lot of ways to solve this. You can reduce your spending, you can raise the taxes, or you can make corporations more profitable so they generate more taxes. And finding that balance—and that is, you know, the artful job our legislators have to help us work for, but, yes, I am concerned about it. I think there is a limit at which you cannot rely upon the good will and largesse of the rest of the world to buy that debt. And that starts becoming a strategic issue for the country eventually. We are not there. Jamie is, in my opinion, dead right. But I would not like to see this play out for another decade like this.

Senator SHELBY. Could that have an impact on the concept of the U.S.' currency as the number one trading currency in the world? China is looking at all this.

Mr. GORMAN. I think it will take a long time for that to happen. You know, in general, when you see the world get in trouble, the U.S. dollar becomes the flight of security where people go for safety and soundness. I think it is going to be a very long time—the U.S. economy is nearly a $20 trillion economy and has a tremendous system of law, so I think that is a very long time away. But that does not forgive us taking the lack of discipline simply because, as I said, taking that for granted.

Senator SHELBY. I know you guys are not on the Fed, but price stability is important to all of us. That is one of the top mandates of central banks, is price stability, including our own. As we continue to pile on the debt and pay interest on the debt, pay nothing down, do not bring it down, it has got to have serious consequences in the road ahead. Mr. Gorman, do you disagree?

Mr. GORMAN. Well, no, I agree with you there is a level of debt that is unsustainable. Right now, though, what we need to do is get this economy back to its primacy, which it is on the way for. The low interest rates, some of the fiscal stimulus is obviously helping that. But it is not an unlimited pool that we can draw on. It is a pool in a time of crisis.

Senator SHELBY. I thank all of you.

Chairman BROWN. Thank you, Senator Shelby.

Senator Cortez Masto from Nevada is recognized for 5 minutes.

Senator CORTEZ MASTO. Chairman, thank you so much. Thank you to the panel members. I appreciate some of you I had the opportunity to talk with the last couple of weeks. Thank you for taking the time.

Let me start on an issue that I do not think has been addressed yet, and that is foreclosure prevention. Let me ask you, you know, there are about 2 million families who are at least 90 days delinquent on paying their mortgage. Millions of people's jobs disappeared overnight because of the pandemic, and that is more so in Nevada than anywhere in the country. At one point in time, we had the highest unemployment rate because of this pandemic.

Four percent of borrowers have not been able to pay their mortgage, so for the bankers, what are you doing to work with them to keep them in their homes? Can you talk a little bit about what you are doing to address and help them when they are bumping up

against foreclosure? And I do not know who wants to start. Wells Fargo?

Mr. SCHARF. Sure, Senator. So, first of all, for the loans that we own, we have extended our moratoriums for foreclosures and evictions until the end of the year. We have also come out and supported publicly the CFPB's proposal to extend those moratoriums to apply to the whole industry, which for us would impact the loans that we service. And we certainly encourage other agencies to align to those policies.

For those that are exiting forbearance, I would say, you know, the most important thing is we have very aggressive outreach through all communication channels. We have many modification programs that are available for customers in need, and what we need to do is be in as close contact to them before they get there as we possibly can. So we are doing it ourselves, and we are working with outside groups as well. Certainly, if customers can resume payments, that is terrific. But if they cannot resume them, we have a significant number of modification options to work with them.

Senator CORTEZ MASTO. Thank you.

Mr. Moynihan.

Mr. MOYNIHAN. Similar themes to Mr. Scharf's comments in terms of we contact the borrowers before they reached in, worked to modify them, to add on to the back of loans, and, you know, there is a suspension of all foreclosures, obviously, through the end of the quarter here. But we work with those clients. The good news is, quite frankly, the number of people who are still in our company is down dramatically, like by 90 percent. So we are working with the remaining ones. Many were current, even though they asked for deferrals, and so we will continue to work with every one of our clients. You know, as Mr. Dimon said earlier, taking someone through the foreclosure process is not what we want—it is what we want to avoid at all costs.

Senator CORTEZ MASTO. Thank you. I appreciate that.

Mr. Dimon.

Mr. DIMON. I would just repeat what they said. First of all, it is down about 90 percent, and we have several modification programs. And anyone who is getting close to foreclosure, we work with—where we own the loan—we do not necessarily control it if we do not own the loan. We work with them to try to find many programs to defer payments, to help them through their tough time.

Senator CORTEZ MASTO. Well, I appreciate that, and really, coming from Nevada, I was Attorney General at the time working with many of you to address the foreclosure crisis we saw. We have opportunities and services in the State of Nevada that I hope you are also taking advantage of to help homeowners. But the good news, yes, they are down 90 percent, but there are still several homeowners in Nevada, because of this pandemic, that are still struggling and not back to work yet because of the nature of the hospitality and travel industry. So I am hoping, please, that you are working with them and the various community organizations that are out there as well.

I do not have much time, so let me jump to another issue that is important in my State. I believe Senator Van Hollen talked a lit-

tle bit about this, and I appreciate the investments your banks are making in minority depository institutions and community development financial institutions. However, I am aware that these entities exist unevenly across the Nation. Nevada has no MDI headquartered in the State. There is only one certified CDFI in Nevada. In the past 30 years, we have only had eight awards to a Nevada-based CDFI. We are the only State with a single-digit award amount. By contrast, 22 States with a smaller population than we have in Nevada have received many more CDFI awards.

So my question to all of you is: How can you ensure and work to ensure that States and communities without a robust network of minority depository institutions and community development financial institutions benefit from the racial equity investments that we have made and that you have promised? And that is open to all of you, and I do not know if somebody wants to start. Ms. Fraser.

Ms. FRASER. Yes, I think one of the obvious areas that we have talking about is affordable housing and the commitments in terms of closing the racial wealth gap. Housing is going to be a very important part of that. Seeing the PAPs programs getting extended would make a big difference in making sure that that market and those programs can reach as many people as possible, and that would remove one of the constraints at the moment.

Senator CORTEZ MASTO. Anyone else?

Mr. SOLOMON. I would comment, Senator, that I think your comments here that we need to work to strengthen this across the country, you know, are appropriate. They are uneven across the country. We continue to work to partner broadly with CDFIs in our new initiative, where we have committed $10 billion to close the racial wealth gap for Black women in this country. We are making investments across the United States through all 50 States. But we would be happy to work with you to find ways that we could have a larger benefit.

Senator CORTEZ MASTO. Thank you. I know my time is up. I will submit the rest of the questions for the record.

Thank you, everyone. Thank you, Mr. Chair.

Chairman BROWN. Thanks, Senator Cortez Masto.

Senator Hagerty from Tennessee is recognized for 5 minutes.

Senator HAGERTY. Chairman Brown, Ranking Member Toomey, thank you for holding this hearing.

During the pandemic our financial sector, including large banks, community banks, credit unions, farm credit lenders, fintechs, and all of their employees, showed by the private sector, are often much more efficient than the Government in solving bipartisan problems.

For example, the PPP we have talked about mobilized our Nation's private lenders last year that shifted over $300 billion to save small businesses, and they did it in just 14 days. Compare that with the 4-plus months that Biden administration has taken on the Shuttered Venue Operators Grant Fund. They still have not distributed a dime to save struggling small businesses in my home State of Tennessee.

America's financial sector is the envy of the world. It is the most robust, it is the most efficient. It delivers the greatest liquidity in financing at the lowest cost of capital anywhere. But our financial

sector will not remain the envy of the world if American businesses and employees have to pass a political litmus test in order to secure the capital necessary for growth. We did not develop the greatest capital markets and financial system in the world by letting extreme social ideologies dictate business decisions.

What we are seeing today is the debanking of financially sound, legal American businesses that support millions of American workers. This is happening simply because these companies are in industries that are politically unfashionable in some places. This debanking will either force those companies and their jobs to other countries or, worse, it will put those American companies and their workers permanently out of business. In the long run, this is going to be very detrimental to American workers, American businesses, and our markets.

Private corporations that you all run can make their own decisions, but you should expect heavy scrutiny when leaders use politics as the driver for business decisions that may harm American businesses and American workers. I hope that our largest financial institutions will set the standard for nondiscriminatory business practices and keep politics out of finance.

For my first question, I would like to turn to Ms. Fraser. I want to follow up on something that Senator Warner started on. You and I have actually talked about this in the past, but I want to come back to the cyberattack on SolarWinds, the ransomware attacks on our Colonial Pipeline, and also one of the largest U.S. insurance companies recently, a cyberattack. These are highly serious cybersecurity vulnerabilities that have been exposed in our infrastructure. We are also seeing a lot of fraud and hacking in the cryptocurrency area. You and I talked about that as well a few months ago. And Citi is a very global bank. It has got operations and customer interactions increasingly moving into the digital space. I want to be sure that all of you are laser-focused on these risks.

Ms. Fraser, what are some of the biggest cybersecurity risks that you are seeing around the globe? And, second, how can we improve Government coordination with the private sector to address this?

Ms. FRASER. Thank you for the question. I think it is one that keeps all of us at night as one of the greatest risks to the financial system right now. This can be perpetrated by Government actors, by organized crime, and a whole variety of institutions and individuals trying to cause some harm. It gets very critical that we continue sharing intelligence about what is going on, making sure that there are plenty of forums in which we can share intelligence about what is happening and why so that we are able to protect our institutions, that we continue making major investments—our own firm invests almost close to $1 billion a year in cyberprotection—and that the intelligence that the U.S. has is something that we use to defend against attacks on American companies and the financial institution worldwide is absolutely critical.

Senator HAGERTY. As Senator Warner mentioned, and I do as well, we share great concerns about the vulnerable of our financial services system on cybersecurity, and we also are watching very closely what is happening in the cryptocurrency markets. And as Senator Warner said, he wants to work with all of you in address-

ing this. I do as well. So you have got bipartisan support here in the U.S. Senate to address this significant problem. And I think with our largest banks, we can make significant progress and set the standard, frankly, for the entire financial system. So I look forward to working with all of you in this regard.

Mr. Chairman, thank you. Mr. Chairman, I yield back.

Chairman BROWN. Thank you. The thing froze. Sorry about that. Thank you, Senator Hagerty.

Senator Smith from Minnesota is recognized for 5 minutes.

Senator SMITH. Thank you, Mr. Chair, and thanks to all of you for being with us today. I appreciate it.

I would like to dive in a little bit on this issue of climate risk disclosure. So in February, when Fed Chair Jay Powell testified before our Committee, in response to a question that I asked, he said, "Clearly we ought to be going to more of a template and more standardized" template for climate risk disclosure. And, you know, for most people, what this would mean is an SEC rule requiring public companies to disclose their climate-related risk in some sort of a standard and comparable way so that people can see across—you know, see what that risk is across different organizations. And I know that your firms consistently assess risk, including climate risk. So let me just ask each one of you, if you would, yes or no, and if no, why not, do you think that the SEC should issue a rule setting out some sort of standardized climate risk disclosure framework? I will start with Mr. Scharf.

Mr. SCHARF. Senator, first of all, I am proud of the steps that we are taking on disclosure. I actually do not know enough about different industries to know whether—that that is the best approach or not. We have been very focused on developing our own sets of disclosures and understanding how we are going to measure different aspects. And it is certainly something we can think more about and come back and talk to you about.

Senator SMITH. OK. Well, I will come back to that.

Mr. Solomon.

Mr. SOLOMON. Yes, I appreciate the question, Senator, and it is something that we would be open to. But I think it is very important that you are very specific about the form it takes and, in particular, the consistency across regimes. This consistency issue is, I think, a very, very big issue. That will be very, very important. We would be happy to discuss that further with you.

Senator SMITH. I agree. I think that is right. The point here is that you would have some sort of assessment of what material is and that that can be clear so that it is not everybody picking their own idea of what material is.

Ms. Fraser.

Ms. FRASER. Thank you very much. We voluntarily made a large amount of disclosures on this. I would defer to the SEC as to what they believe the details of it should be. And as Mr. Solomon said, there is great benefit from consistency.

I think we also have to recognize there is not a lot of data out yet, and so whatever system is put in will evolve over time as we get better-quality data and better understanding of this going forward.

Senator SMITH. But having a standardized rule so that it could be comparable across platforms makes sense to you?

Ms. FRASER. The consistency element is critical, yes.

Senator SMITH. Mr. Dimon.

Mr. DIMON. Well, you have to put this in perspective a little bit, because we make a tremendous amount of disclosures already in ESG, so we are not against it. We are in favor of that kind of thing. And very often we have to make more disclosures. Our 10K is already 400 pages long, and most people do not read that.

So, yeah, I am in favor of it, but you have got to be very, very thoughtful about what it is, what you are trying to accomplish, and how it is not just done for banks but is done for other critical industries in the right way to accomplish the goals you actually want to have.

Senator SMITH. Right. But the point that there would be something that would be standard and consistent that would allow companies, you know, to disclose consistently would make sense to you?

Ms. FRASER. Yes, but you would not be able to do that immediately.

Senator SMITH. OK. In the interest of time, I want to just skip to one other thing that I would really like to talk about, because I think it gets to this question that has been coming up from some of my colleagues on the other side about this so-called wokeism. So here we go.

Last year, the Department of Labor issued a rule under the Trump administration Department of Labor that sharply limited the circumstances in which pensions, 401(k) plans, could consider environmental or social or governance factors in their investment decisions, which meant that, in effect, most 401(k) plans would not even be able to offer workers the option of keeping their investments away from companies that discriminate against their workers or support polluting industries, for example. So to me, this seemed like a politically motivated rule, and it has also imposed a difficult, unnecessary burden on plans.

Now, I have introduced legislation that would undo this Trump rule. In fact, the Biden administration has moved forward administratively on this. My question to you—and I will just maybe go to the two that I did not have a chance to hear from before—is: Do you think that the Trump administration was right to repeal that rule? Or do you think it is reasonable to have a standard for allowing plans to consider ESG factors if that is what their investors are asking for? Mr. Moynihan.

Mr. MOYNIHAN. Well, Senator Smith, I will tie this back to the last question, which is public companies have worked together with the Big Four accounting firms to come up with a set of metrics and standards that 80-plus companies have signed onto. The key is to standardize this, and the key is to bring these metrics together, and that would allow people to be judged across industries and across investments on the ESG factors. That is out there. We have disclosed it. Eighty other companies have signed up to disclose it. And I think that feeds into the question, with the demand of the investors to understand these factors, a consistent, straightforward, simplified set of disclosures that crosses industries is needed, and

that would then not require rules about what to think about because the investors could actually see and make choices.

Senator SMITH. Thank you.

Mr. Chair, I know I am out of time. I just want to observe that I just disagree with my Republican colleagues on this broader issue. This is not about being woke. This is about providing individual investors with the information that they want in a clear and understandable way, and I think that that is a good thing for stability and a good thing for the markets and a good thing for people. Thank you.

Chairman BROWN. Thank you. Thank you, Senator Smith.

Senator Cramer from North Dakota is recognized for 5 minutes.

Senator CRAMER. Thank you, Mr. Chairman, and thank you to our panel. A special thanks to the five of you that reached out and that I was able to meet with in the last few weeks. Mr. Gorman, I am looking forward to doing that in the future with you. I found the meetings to be productive, frank, and even encouraging. So thank you all for that.

You have answered a lot of questions today about your ESG policies. I think there has been some clarification. I am going to try to ask some real specific questions that might help inform me a little more.

The first question I would have for all of you is: Do you think U.S. energy investment—or do you think that reliable energy, reliable electricity is important to the United States economy? And you only have to answer if you say no. Is reliable energy important to our economy?

[No audible response.]

Senator CRAMER. So let me ask this: Do you think global energy demand is going down? Does anybody think global energy demand is going down?

[No audible response.]

Senator CRAMER. Let me ask this specific question to you, Ms. Fraser. Does Citigroup have a coal reduction policy or do you have a carbon reduction policy?

Ms. FRASER. We have a policy which is reflective of a risk-based assessment on the coal sector. We see declining demand. We also take into account reputation and other risk factors when we make a decision as to where we are going to be financing and not. We have a focus on helping to support our clients decarbonize, but are very mindful there is a very important balance here between energy policy and the economy and making sure that that transition achieves both goals.

Senator CRAMER. I always like the word "transition." I believe that the United States of America is the solution in the transition. In fact, I would submit to you that there is global demand that is increasing, and that many of the policies that my friends on the left want to promote simply transfer their climate guilt to other countries. And I just would submit that investing in the fossil energy sector in the United States of America is the single best way to lower carbon emissions globally, while working with the innovators in those industries to reduce it.

So words matter. When the policy says, you know, we will not invest anymore in anybody that uses more than 5 percent coal-gen-

erated electricity, I would say, well, what if that coal-generated electricity actually has zero emissions, you know, 10 years from now because of technology? So I just want you to know that the words actually do matter, as you are learning today.

I also know that the voices in your ears are the left. It is the woke crowd or it is the environmental extremist crowd that is speaking through proxies or speaking through their institutional investors. And I just want you to know that I am going to be, you know, another voice in your ear pointing out some other things.

Let me ask, any one of you, I guess, can answer this. When you consider, for example, the risk of investing in a large server farm, let us just say Amazon comes to you and says, "We are going to build a large server farm in a city where you have a big bank, and we would like to borrow $300 million for that server farm," do you consider whether or not that server farm is going to have 24-hour-a-day, 7-day-a-week electricity, redundant and reliable electricity? Mr. Solomon, would that be a consideration in an investment like that?

Mr. SOLOMON. Senator, I appreciate the question. I think when we look at any transaction with any company, the people that evaluate credit and risk think about a broad, broad array of risks. And so in looking at something like that, certainly they would be thinking about power source and how that worked in terms of making a credit decision. It would be one of many, many factors that would be considered. The biggest factor, if you are doing something for Amazon, would simply be the overriding credit of Amazon as, you know, the largest company, one of the largest companies in the United States.

Senator CRAMER. Certainly, and I use Amazon because they are large and because they do have large server farms, and server farms require a lot of electricity, but they cannot have the lights go out. And regardless of what the fuel source is, I would submit to you that you just cannot have the lights go out.

My point is—and maybe, Mr. Dimon, you could wrap up with me on this. My point is that I think we have this tendency suddenly in our culture today, for whatever reason, to think that energy is an industry sector over here and we can just sort of set that aside over there and just manufacturing, transportation, you know, infrastructure, the tech industry, all of that we can still deal with over here. And we simply cannot.

So here is my question to you all. I want to help you be part of the solution to this transition that we talk about of lower emissions, and I would say that is going to involve a lot of investment in the United States of America's energy sector, including fossil energy.

Chairman BROWN. Thank you, Senator Cramer.

Senator Tester from Montana is recognized for 5 minutes.

Senator TESTER. Thank you, Chairman Brown. I want to thank all the folks who are here as witnesses today.

I want to talk about housing from a little bit different angle, OK? I have always talked about availability and affordability. It is a problem and continues to be a problem. It was a problem before the pandemic. It is a bigger problem now because we are seeing prices go up. We are seeing people paying premium prices, sight unseen,

cash on the barrelhead and all that stuff to buy a house. Some of them are going through you guys to buy it, but there is one thing for certain. Demand is outpacing supply, and the result of that is we are seeing housing prices in States like Montana go through the roof. I mean, we are talking 20, 30, 40, even 50 percent increases over the last 15 months.

So what I would like to know is: Is this a bubble? Are you folks concerned about this? And if it is a bubble and that bubble pops—and I was around here in 2009, 2008, whenever it popped last time, and there was a lot of uncertainty. So the question is: If it is a bubble and if that bubble pops, are you guys in good enough shape to handle that? And I assume you are going to say yes. Tell me why. And if you say no, thank God for your honesty. So I think we will start with Mr. Scharf, and we will just go right down the line.

Mr. SCHARF. Well, I think the answer to the first part of your question is you have to look market by market. I think our assessment when we look at the markets which have seen material appreciation are because of changes in trends. As far as how we feel, we have been, I think, relatively conservative in terms of how we have underwritten and how we continue to underwrite, and between our loan loss reserves and the amount of capital that we have, we think we will be just fine.

Senator TESTER. OK. Mr. Solomon.

Mr. SOLOMON. Unlike a number of the banks here, we have a very, very small, tiny mortgage lending book, so, you know, broadly speaking, I think you do have to look at what is going on from a monetary fiscal policy perspective, how it is accelerating asset prices, how it is affecting prices of homes as we go forward. But in terms of our institution, it is a very, very small risk in our business platform.

Senator TESTER. But if we were to have the bubble pop, it would have impacts on you whether you have a small part of it or no. Do you see it as a bubble?

Mr. SOLOMON. I do not see it as a bubble, but I think there is a lot going on that is inflating asset prices, and I think we have to continue to watch asset prices, watch inflation, watch monetary and fiscal policy, and hopefully the Fed will get the right balance. And if they do get the right balance, then it will turn out that there was not a bubble. And if we do not get the balance right, there will be issues. And, of course, we will have—there will be secondary or tertiary impacts to all this that will affect all these institutions, but we are very well capitalized and I think very well positioned as an industry to withstand that and continue to participate constructively at that time.

Senator TESTER. All right. Ms. Fraser.

Ms. FRASER. I think similar to Mr. Solomon, this has to be monitored very closely, and I think it is too soon to call whether it is or not. Housing is absolutely critical. We can support it through mortgages as well as affordable housing finance, and many of us have talked about the importance of support in that arena. We are speaking for Citigroup. We have a lot of reserves on our balance sheet, and we believe that we are in strong financial health, and we are hoping that with the recovery those reserves will not be——

Senator TESTER. Mr. Dimon.

Mr. DIMON. Senator, to give you a little comfort, while there is a little bit of a bubble in housing prices and stuff like that, unlike 2008 and 2009, there, there was tremendous leverage and bad mortgage underwriting. Here there is not much leverage and much better mortgage underwriting. So it would not have the same effect on the financial system as it had last time, and I think all these banks—I mean, our capital runneth over. We have enough capital to withstand multiple crises, as we did in 2008, as we did in the pandemic. We run 120 stress tests a week, some of them far more severe than the Federal Reserve severe adverse test, and we can handle all of that rather easily.

Senator TESTER. Thank you.

Mr. Moynihan.

Mr. MOYNIHAN. I think the last point that Mr. Dimon made is a key point. The stress test which assumes housing prices drop by 60 percent, assume there is a downfall in housing, and you see the banks all pass the stress test for that.

Second, I think that Mr. Scharf's points about the underwriting has been much better done, frankly, in the last 15 years since the last housing crisis, and so the amount of leverage at the consumer level is much different. So I think that portends that they would be able to make it through better also.

Senator TESTER. Thank you.

Finally, Mr. Gorman.

Mr. GORMAN. Not a bubble nationally. Certainly some suburbs look very frothy. The banks are extremely well capitalized to absorb should this be a downturn, and we are in, as my colleague said, a very different position from 10 years ago.

Senator TESTER. Thank you all very, very much.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Tester.

Senator Daines, also from Montana, is recognized for 5 minutes.

Senator DAINES. All right. Mr. Chairman, thank you. And a big thank you to our witnesses for being here. And I have got to say thank you for helping our economy recover over the past 15 months. A heartfelt thank you.

Shifting gears, I recently read a quote that was actually from the ACLU, and he was referring to Harvard when he said this, when he defined "diversity." He says, "Diversity at Harvard is where everybody looks different but thinks alike." That stuck out to me, and I think it rings true and crosses over several sectors of our society, including banking.

Mr. Scharf, what noneconomic criteria would Wells Fargo take into account when making loans? And I think also think of this in the context of the shareholders' personal or political beliefs taken into account.

Mr. SCHARF. Well, Senator, thank you for the question. I think our approach to underwriting starts with a risk-based approach in its entirety, and so we look at all of the risks that something could pose, and we look at the returns relative to the risk that we take. And so that could be credit risk; it could be market risk; it could be operational risk; it could be reputation risk.

And, you know, we also think about our shareholders and what their points of view are over time, not for a specific credit per se but about, you know, their views on just our institution.

Senator DAINES. So I was struck as I looked at what happened, the situation with CoreCivic, in terms of what criteria was applied when you made a decision in 2019 to stop lending to CoreCivic, and really more specifically was that response driven by any reports or shareholder activist proposals?

Mr. SCHARF. Senator, that decision was made before I arrived at the company, so I really cannot speak to it.

Senator DAINES. OK. I will move on.

Mr. Moynihan, in the Bank of America's 2021 proxy statement, a shareholder proposal stated, and I quote, "Bank of America's charitable contributions are not fully aligned with its public statements. Bank of America has donated to police foundations in New York, Atlanta, and Los Angeles."

In response to pressure from shareholders and the fear of escalating shareholder activism, have either you or Bank of America halted or reduced giving to police foundations?

Mr. MOYNIHAN. Senator, thank you for the question. We have not changed the way we gave in the past based on any shareholder resolution that I am aware.

Senator DAINES. And specifically to anything law enforcement or police foundations?

Mr. MOYNIHAN. Exactly.

Senator DAINES. Thank you. A follow-up to that. How do your ESG initiatives and your guidelines impact your clients' selection and lending criteria?

Mr. MOYNIHAN. I think it is similar to what Mr. Scharf was saying. You have a series of risks that you are assessing in any transaction, and those risks are off the spread sheet, off the—you have a balance sheet and income statement, off-the-market opportunity, off the brand of the underlying companies, and that is all taken into account by our team, as they look at client selection and each individual case. Those committees have business representatives, risk representatives, legal representatives, compliance representatives from all over the company that make the decision.

Senator DAINES. Looking through your 2020 proxy statement, you discuss commitment to achieve net-zero greenhouse gas emissions in your financing activities. Do you anticipate refusing to provide banking services to any oil, gas, coal, farms, or ranchers that would have emissions?

Mr. MOYNIHAN. No, Senator. That commitment—and you have heard us all talk about it earlier—these commitments—our clients have committed to their own transitions, and our job is to help them finance that transition because that is what banks do. And just in 2020 alone, we did about $60 billion in environmental financing to help clients make the transition. So we are working with the oil companies, with gas companies, and others to help them finance the transition, including using our purchase power to help make that happen. So, for example, with the providers of electricity to us in the Carolinas, we help them get the kind of contracts a company like ours can give to help them build a solar facility, to help them—and they can select other people. So we can do

it through how we underwrite, how we support those clients making the transition, and also how we use our purchasing services for electricity in particular to help a utility make a change.

Senator DAINES. Great. Thank you.

Mr. Dimon, could you explain to what extent—as you look at your risk models and you factor in any controversy risk and how that might play into an assessment of perhaps lending to whether it is a firearms manufacturer or a natural gas project?

Mr. DIMON. So a little bit, but not as much as people think. So when it comes to energy, it is really carbon intensity we look at, and we have been working with the auto and oil and gas companies, all of whom are trying to get their carbon intensity down, I think actually quite successfully, and the American public will be happy with it.

When we look at risk away from just financial risk, it is usually legal and regulatory, and it is usually the cost of underwriting and doing due diligence that we look at, which might say there is no reason we are going to do A, B, or C, because the legal and regulatory costs down the road would be just too high.

Senator DAINES. All right. Thank you. I am out of time. Thanks for being here today. Appreciate it.

Chairman BROWN. Thank you, Senator Daines.

Senator Sinema from Arizona is recognized for 5 minutes.

Senator SINEMA. Well, thank you, Mr. Chairman, and thank you to our witnesses for being here today.

Each of these financial institutions played an outsized role in the economic response to COVID–19. Ms. Fraser, it is good to see you again. Let us talk about the Paycheck Protection Program. We effectively transformer the traditional loan origination process into what we hoped would be fast emergency cash-flow for small businesses across the country. We saw that the PPP saved countless jobs, but we are also seeing concerning instances of fraud and abuse that need to be held to account. Defrauding American taxpayers is unacceptable, and strong oversight and investigations into Paycheck Protection Program fraud must continue.

How do you think Citi and other banks did in implementing the PPP? And excluding the technical issues with the SBA, what was the biggest challenge that banks faced in terms of execution?

Ms. FRASER. Yes, I think the goal of all of us, certainly at Citigroup, was to get as much money into the hands of those who needed it as quickly as possible. So some of the challenges were building out digital platforms to be able to disburse and facilitate the applications and similarly for the forgiveness programs that are currently underway. And the biggest challenge was speed of getting that money into the right people's hands and making sure that we were doing so in a way that was not allowing fraud into the system and was protecting the intent of the taxholder's money in supporting people who needed it the most.

Senator SINEMA. Thank you. And do you believe that repurposing the loan origination process is the optimal solution to help small businesses in a future pandemic? Or knowing what we know now, do you think we could design something better?

Ms. FRASER. I certainly think that it will be a well worthwhile investment to make sure that we do have a technology platform at

the SBA or any of the other relevant institutions helping this to be able to disburse money as effectively as possible. There were many lessons learned on these last couple of rounds, and they need to be applied and investments made in the technology systems for sure, Senator.

Senator SINEMA. Thank you.

Next I will turn to Mr. Solomon. It is good to speak with you again. I want to build off of Ms. Fraser's observations and think about the future pandemic response. You know, this pandemic really taught us how fragile the economy can be if the right shock comes along. For the first times in our lifetimes last spring, businesses, both large and small, were staring into the abyss. And we had a Congress that was willing to act, but Government lacked an effective mechanism to deliver economic relief quickly to everyone.

Now, our office helped thousands of Arizonans who struggled to navigate Government bureaucracy to access unemployment insurance, PPP loans, stimulus checks, and we are still helping some of those businesses today.

Now, we chose as a country to move quickly and move together as a Congress. I am glad we took action. But we owe it to ourselves to take a hard look at the pandemic response and assess what we did, what we spent, and whether or not it worked as intended.

Now, it can be tempting to pretend that another pandemic is not possible and that this is a problem better left to the next generation. But I think we owe it to the people of this country to have a better plan in place for the next time this happens, which could be sooner than we think, and that is why my team and I are starting a bipartisan working group on risk sharing and pandemics. Right now we are working with a diverse group of stakeholders, think tanks, and other Senate offices to identify a smarter and more fiscally responsible solution for businesses that leverages the power of insurance in the event of a pandemic.

What do you think about this type of public–private partnership? And do you believe it would promote growth and make our economy more resilient?

Mr. SOLOMON. So I appreciate the question, Senator, and I think it is great that you are advocating for us all, thinking about the lessons we have learned and thinking about preparedness. Certainly there have been many pandemics before, and we certainly will see pandemics in the future.

As you think about these issues, I think you need to come up with an appropriate risk-based system that can price and distribute that insurance appropriately. We would certainly support the idea of thinking about this and finding ways that the private sector can partner with you to potentially allow us to be better prepared from an insurance perspective, and we would be delighted to work with you and your staff.

Senator SINEMA. Well, thank you. You know, we have a lot of businesses who could not access the relief they needed during this crisis. Some were too big; some were too small. Others just simply could not navigate the bureaucracy, and many of these businesses failed. Many of these were Main Street businesses. And the bankruptcies and defaults during the pandemic threatened nearly $2 trillion in commercial real estate loans held largely by big banks.

This threat forced some banks to set aside capital to cover potential loan losses, and it tightened credit across the board when businesses need it most.

So, Mr. Solomon, do you believe that averting some of these bankruptcies and defaults through a risk-sharing mechanism like the one our group is contemplating would reduce losses and make credit more available to businesses in these tough economic times?

Mr. SOLOMON. Well, again, you know, I think it is very, very important to set up an appropriate risk-based structure. I think these are complex issues, but I think it is something we should focus on and think about. We would be delighted to spend some time bringing resource to bear on that discussion.

Senator SINEMA. I appreciate it.

Mr. Chairman, I see my time has expired. I yield back and thank you.

Chairman BROWN. Thank you, Senator Sinema.

Senator Ossoff from Georgia is recognized for 5 minutes.

Senator OSSOFF. Thank you, Mr. Chairman, and thank you to our witnesses today.

Ms. Fraser, the American Society of Civil Engineers has rated the state of U.S. infrastructure at a C-minus and estimated that the capital expenditure necessary to close the gap to get to a B level, which they define as a "State of good repair," is approximately $2.6 trillion.

Now, not all of that investment has to be public investment. So my question for you is two-fold. First, do you agree that having state-of-the-art, world-class infrastructure in the United States is essential not just to quality of life but also to economic competitiveness and sustained growth? And how can Congress take action to make it easier for private sector entities with significant capital at their disposal to invest in necessary infrastructure improvements and construction?

Ms. FRASER. Thank you very much indeed, Senator. It is a really important question. Yes, I do agree that America having a far stronger infrastructure than it has today will be important both in terms of competitiveness of the country as well as an important source of jobs and growth going forward.

The public–private partnership has been shown to be a very successful one in this area where the Government can step in and provide credits and other areas where there are gaps in a capital structure or help absorb some of the risks in it to enable future investors to come in and participate in the investments is going to be a very important area, and it is one, I think I can speak for myself, we would be delighted to work with your office on going forward.

Senator OSSOFF. Thank you, Ms. Fraser. And would you similarly commit to working with this Committee and my office to explore mechanisms that could make it easier for private capital to support the development of clean energy production capacity here in the United States? I know that your bank has made some significant commitments in terms of emission reduction.

Ms. FRASER. Yes, we would be delighted to do so. I think the development, as we have heard today, of new technologies in seques-

tration or in carbon capture and others will be absolutely essential in the transition ahead. We would be delighted to do so.

Senator OSSOFF. Thank you. I look forward to those discussions.

Mr. Solomon, I would like now to turn to you. Could you please lend your perspective? What are the impediments and what are the opportunities for improvement to public policy to unlock more private capital for capital investments, improvements, construction, necessary infrastructure in the United States?

Mr. SOLOMON. So I appreciate the question, Senator, and I think that it is important for us to try to unleash a lot of the private capital that exists or is earmarked toward infrastructure. I think there is over $200 billion of private capital earmarked for investment in infrastructure in this country. I think that finding ways to collaborate from a public–private partnership perspective has always been a successful path to take. I think there are things that we can do to potentially expand activities by making certain tax-exempt financing easier, potentially for rural broadband or housing infrastructure more broadly. I think those are areas that would be worth exploring.

Senator OSSOFF. Thank you, Mr. Solomon. I appreciate that.

Mr. Dimon, I would like to offer you the opportunity to respond to the same question, perhaps comment on the statements made by some of your colleagues.

Mr. DIMON. You know, I agree with everything they said, and I would just add that infrastructure is critical, but I would beg you, the Senate, to focus on the output, not the input. Too much time is spent on how much we are going to spend on stuff. Too little time is spent on who is responsible, what is it going to cost, what is it worth. And also you need to fix regulations. I have given this example many times. You go through the examples around the country. To rebuild a broken bridge between New Jersey and Staten Island, it took 10 years to get the 49 permits, which they had to get sequentially. You know, if it is going to take 10 years to rebuild a broken bridge, to get those permits, the cost is higher, the risk is higher, private capital will not come in. And so you have to do those things together, and, you know, cost to what outputs, how many bridges, and then you will get full support of everybody if we know it is going to be effectively spent.

This country spends lots of money completely ineffectively, and that would be a very bad idea.

Senator OSSOFF. Thank you, Mr. Dimon. I appreciate that contribution to the discussion.

Mr. Moynihan, when we discuss some of the potential investments in infrastructure, for example, transit and transportation, clean energy, the energy grid, can you comment as well, please, on the opportunities and the challenges faced by private capital interested in supporting these vital national [inaudible]?

Mr. MOYNIHAN. Well, I think my colleagues have outlined a lot of the questions and issues, so to speak. There is just a lot of money ready to be invested. It will take some effort on the permitting and other types of processes to speed those projects along. But the money is there, and, in fact, it is being invested as we speak. So I think I would encourage a holistic view of this from the amount of money that the Government can help to move projects

faster, the amount of money that the private sector has, and, importantly the atmosphere on getting the project done which is required to speed these things along.

Senator OSSOFF. Thank you all.

Thank you, Mr. Chairman. I yield.

Chairman BROWN. Thank you, Senator Ossoff.

Senator Warnock from Georgia is recognized for 5 minutes.

Senator WARNOCK. Thank you so very much, Mr. Chairman.

The country's biggest banks often set the pace for the rest of our economy, which is why I think it is important for banks, especially the biggest banks, to be good corporate citizens and to model good corporate behavior that benefits our broader community. I think, frankly, that that is good for capitalism. That means you use your power to stand up for climate so that we have sustainable solutions for our democracy, which creates the context for capitalism, for voting rights, for the least among us, including our brothers and sisters who face discrimination at the hands of our financial system and sometimes at the hands of our own Government.

I will just give one example. This past weekend, I was honored to be in Fort Valley, Georgia, along with Agriculture Secretary Vilsack for the rollout of the Debt Relief for Socially Disadvantaged Farmers Program I fought to secure in the American Rescue Plan. Leading up to this event, honestly I was quite disappointed to see this letter from several banking associations, including the American Bankers Association, an organization that all of your banks belong to, sent to the USDA. The letter actually complained that the relief program will cut into the banks' profits and argued that USDA should deviate from its congressional mandate to quickly implement the debt relief for eligible farmers who have faced decades of discrimination at the hands of the Federal Government. The letter suggested that somehow paying the prepayment penalty which the USDA has already indicated it will pay, somehow that is not enough.

And so I want to give each of you a chance to clear the air and distance yourselves and your banks from the ABA's concerning position I would like one by one if you would tell me do you agree with the position taken in the letter, which would either hinder the relief or slow down the relief farmers would receive, or somehow suggest that the American taxpayers ought to do more than pay the prepayment penalty, which they are already doing. I would like a brief yes-or-no answer since I have a few more questions and limited time. Mr. Scharf, do you agree with the letter?

Mr. SCHARF. Senator, this is not an issue that we are involved in.

Senator WARNOCK. Pardon?

Mr. SCHARF. This is not an issue that we are involved in.

Senator WARNOCK. Do you agree with the letter? Yes or no.

Mr. SCHARF. Again, this is not our—I have not read the letter, but it is not our issue, and we are a significant lender in the agricultural sector.

Senator WARNOCK. Minority, do you agree with the letter? Like Mr. Scharf, your bank is also a member of the ABA.

Mr. SOLOMON. So it is not an issue we are involved in, Senator. We do not always agree with the ABA. We made a $130 million

commitment to Hope Enterprise Corp., which is a significant depository institution in that area, but it is not an issue we are involved in specifically.

Senator WARNOCK. Ms. Fraser.

Ms. FRASER. I think similar to my colleagues, Senator, I am afraid I have not read the letter. This is not an area that we are involved in, and as Mr. Solomon said, you know, we do not agree with everything that the ABA says.

Senator WARNOCK. Do you agree with this? Do you agree with that letter?

Ms. FRASER. I am afraid I have not read the letter, so I do not know, sir.

Senator WARNOCK. Mr. Dimon, do you agree with the letter? Do you think that we should deviate from the congressional mandate and slow-walk the payments that these farmers have been waiting on or that the American taxpayers ought to do more than pay the prepayment penalty, which is part of the provisions of the law?

Mr. DIMON. We did not fundamentally agree with the letter, and that was really our smaller-bank brethren. They do have some legitimate issue, but we did not fundamentally agree with the letter.

Senator WARNOCK. OK. Thank you.

Mr. Moynihan.

Mr. MOYNIHAN. Senator, it is not an issue that our company was involved in, and I think it is an issue for the smaller banks, and I think it would be better to hear their point of view on it. But it is not an issue we engaged in or had anything to do with.

Senator WARNOCK. Mr. Gorman.

Mr. GORMAN. I have not read the letter. It is not our issue. But I certainly do not agree with discriminating against farmers.

Senator WARNOCK. All right. Thank you so much.

Listen, I want to touch on a different issue in my remaining time. As we know, the financial crisis, while painful for everyone, has been particularly devastating for Black and Brown homeowners. Some of you may have seen recent media reports about Black and Brown homeowners receiving valuations significantly undervalued compared to White homeowners. One story in Indianapolis is particularly heartbreaking.

Mr. Scharf and Mr. Dimon, as the top two bank mortgage lenders in this country, when you consider the wealth gap and how that has exacerbated in the real estate market where most people have most of their wealth in their homes, will you each commit your banks to take action to help address racial disparities within the home appraisals market?

Mr. DIMON. Absolutely.

Mr. SCHARF. I agree, Senator.

Senator WARNOCK. Thank you so much. I think this is a critical issue, and it is the reason I am introducing the Real Estate Valuation Fairness and Improvement Act along with Senator Klobuchar to help remedy these appraisal disparities which increase the racial wealth gap.

Thank you so much.

Chairman BROWN. Thank you, Senator Warnock.

We are reaching the end of the hearing. Senator Toomey would like some closing remarks, as I will, and we will have you out as mostly promised by 1 o'clock, so thank you.

Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman, and thank you very much to all of our witnesses for attending and for your patience and for being here.

Listen, I cannot help but reflect on the fact that I think this hearing really demonstrated the very points that I was trying to make in my opening statement. What we just saw over the course of the morning was where stakeholder capitalism takes you. This morning, you all have been criticized for distributing capital to the owners of the institutions when you buy back stocks. You have been criticized for charging fees for providing financial services. You have been criticized for not supporting efforts to unionize your workforce. You have been criticized for serving lawful businesses like fossil energy companies. And my point is that if you concede the premise that shareholders do not rank above other stakeholders, then it is hard to explain in principle why those criticisms are wrong.

I think there is a principle to explain why they are wrong, and that is that your primary responsibility is to maximize value for your shareholders. And I have got to point out, when you were asked to endorse a proposal for Government-imposed price controls on credit, you did not object. In fact, some of you seemed to express support, at least in principle, and this is an antimarket proposal. And nobody stepped up and defended this fundamental principle of capitalism that we use markets to discover prices, not Government edicts.

So, again, I just want to close by urging you please defend the capitalist system that has worked so well for so many for so long.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

I again thank you all for your patience and for being here. I look forward to doing this more in the future. We have heard a lot today about how much you value your employees, and yet not one of you agreed to remain neutral if your workers want to unionize. You said you would allow their voices to be heard, but that is not what remaining neutral really means, not using your vast power to intimidate your employees.

You say you have focused on lending to small businesses and growing the economy, but I look at your actions, not your words. Instead, we see all of you spending billions on stock buybacks. You say that climate change is a threat to the entire economy, but you drag your feet when it comes to investing in new technology and the jobs of the future.

I am glad you raised wages. I appreciate your doing that. I am glad you made some investments in minority depository institutions and started to increase diversity in your senior leadership, in several cases leading right up to this hearing. I hope you all continue to do that throughout the year and not just before a Senate hearing.

It is also not even close to enough when you are the most powerful economic actors in the country. As I said, the six most impor-

tant business people in this country are on this screen right now. The signals your companies send influence workers at companies all over the country, not just your own employees. Before the pandemic, Bank of America downgraded Chipotle's stock because an analyst decided the company pays its workers too much. As a result, the company's share price declined by 3 percent.

When American Airlines announced pay raises for its pilots and flight attendants, Wall Street punished the company, dropping its stock price 5 percent.

A Citibank analyst actually wrote, "This is frustrating. Labor is being paid first again. Shareholders get leftovers."

"Leftovers." We might have thought that after the pandemic things might start to change a bit. No one could deny how much essential workers contribute, how our economy is supposed to reward people whose talents are in high demand. That is what we are all taught, and that is what corporate leaders always tell us, right? But this year, after Amazon defeated the Alabama workers' union-organizing efforts, the company's stock climbed. Just a few weeks ago, Wall Street sent Uber and Lyft and DoorDash stocks down when Labor Secretary Walsh said gig workers should be classified as employees. This sends a pretty clear message: the more you pay your employees, the worse you are going to do on Wall Street. The less power you give workers, the better you will do.

This view that American workers are a cost to cut instead of a valuable asset to invest in is what is wrong with this system. So-called analysts on Wall Street, often at your banks, make decisions for people in Ohio and Pennsylvania and across the country, decisions about whether workers they have never met in towns they have never been to are a good investment.

I hope you will make progress not only within your own institutions but in thinking about the role your banks play in leading the system and leading this economy.

Thanks to all six of you for being here today. Thanks for your patience and for 3 hours of answering questions.

For Senators who wish to submit questions for the record, they are due 1 week from today, Wednesday, June 2nd.

To the witnesses, we ask you to respond within 45 days.

Thank you again. With that, this hearing is adjourned. Thank you all.

[Whereupon, at 12:55 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

Today is the first time we have ever had the CEOs of the Nation's six largest banks together before the Committee.

Over a century ago, Louis Brandeis wrote about the concentration of corporate power and how it distorts the market. He called the book, "Other People's Money-and How the Bankers Use It". It's a subject Americans continue to have a stake in: how you, the Nation's largest financial institutions, use other people's money.

You are the six most powerful business leaders in this country. Your decisions affect the lives of millions of people—their paychecks, their job opportunities, their retirement savings.

And your power is so much greater than that of your predecessors 30, 40, 50 years ago.

Look what has happened to our country during that time.

Profits have gone up, stock prices have soared, your own compensation is stratospheric—but workers get a smaller and smaller share of the wealth they create and they're working harder than ever.

We have a racial wealth and income gap that has barely budged since we passed the Civil Rights Act.

In the aftermath of the 2008 Great Recession where millions lost their jobs, Wall Street still made record profits.

In a pandemic where half-a-million Americans died and we had the highest unemployment since the Great Depression, Wall Street still made record profits.

I sense a pattern.

Like most Americans, I want businesses to make money, and I don't mind that bankers are rich. Some people are going to be wealthy, and that's fine.

Here's the problem: under the current system, Wall Street profits no matter what happens to workers, because those profits now come at the expense of workers.

And your banks are the ones that largely built that system.

We often hear about the "invisible hand." But the economy isn't physics—it's not governed by scientific laws outside our control. It's made up of people making choices about our values and the society we want to live in.

The "invisible hand" doesn't lay off workers. The "invisible hand" didn't invent credit default swaps. The "invisible hand" doesn't decide to invest in private equity firms that buy up mobile home parks in Iowa and across the country, and jack up the rent.

Your banks—your lobbyists, and your fellow CEOs at some of the other largest companies—you all make those choices that dictate how our economy works.

Wall Street built this system, and they didn't build it for everyone—they built it for themselves.

When companies lay people off, when they move jobs to low-wage countries, when they cut paychecks, when they bust unions, when they subcontract work to lower-paying companies with fewer benefits, Wall Street analysts yell "buy.buy.buy."

And what you do sends a signal to every other company. If businesses want investment, they emulate you. They know they won't attract investment unless they repurpose all their funds into short-term profits for shareholders.

It hasn't always been like this.

When I was growing up, the CEO-to-median worker pay ratio was 20-to-1. That was good money.

Today, that ratio is 320-to-1.

From the mid-20th century through the early 80s, the financial sector made up 10 to 15 percent of corporate profits. Today it's 25 percent—yet it makes up only four percent of jobs.

A few decades ago, a majority of Wall Street capital funded the real economy—wages, machinery, research, new construction. Today, much of that capital goes to stock buybacks, dividends, and complex financial instruments—only about 15 percent goes to the real economy. [1]

Instead of investing in businesses that actually make things or provide useful services, and that create real jobs in towns all over the country, companies spend billions buying back stocks and handing out CEO bonuses.

Stock buy-backs used to be illegal market manipulation. Today, they're routine.

Wall Street's interests and Main Street's interests no longer match up. The current system treats workers as a cost to be minimized—instead of the engine behind our success.

Look at what's happened to places like where I grew up, in Mansfield, Ohio.

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[1] *http://time.com/4327419/american-capitalisms-great-crisis/*

Jobs shipped overseas to countries where companies can pay workers less. Declining union membership—by design. Crumbling roads, shuttered storefronts, and workers forced to choose between a hometown they love, and leaving in search of opportunity.

And that was all before 2008. You all know what happened to Americans then.

And Congress and too many in Washington have been willing accomplices—tax break after tax break. Gutting consumer protections. Trade deals written by corporate lobbyists.

So I come back to this. There's a reason towns across the country like Mansfield look the way they do. It's because our economy is no longer about workers and communities, and real investment in both of those.

And the six of you before us today are the most powerful economic titans in the country.

Your banks, and the system they built and uphold, bear some responsibility.

At the end of last month, we held our first-ever worker listening session. We heard from workers from all kinds of backgrounds, working all kinds of jobs—including as a former teller at one of your banks.

They talked about wage theft, about being laid off during a pandemic with no severance, about how dangerous their workplaces could be, about how companies busted their unions.

There was a common thread through all of their stories. Their hard work doesn't pay off—certainly not the ways yours does.

Pamela Garrison, a worker from West Virginia, said something that stuck with me—"'working poor' are two words that shouldn't go together."

I know you can't snap your fingers and fix all these workers' problems. But you also can't tell me the decisions you make have no effect on the factors that determine their job opportunities and their wages.

And yes, I know you work hard too. We all do—work is something that unites all of us. We're ALL trying to do something productive for our families, our businesses, our communities, our country.

Here's the difference: for most people, no matter how hard they work, if one thing goes wrong in their life—they get in a car accident, the plant where they work shuts down, their spouse gets sick—they're on their own.

They don't get a taxpayer bailout. And they all remember that Wall Street did.

And it hasn't only been the bailouts. No one can deny that the Nation has been good to the financial industry—deposit insurance, the Federal payments system, the whole financial infrastructure you rely on.

But your banks have not held up your end of the deal.

As far as I can tell, you haven't at all rethought this Wall Street system built on short-term profits, at the expense of long-term growth for everyone.

In fact, you continue to perpetuate it.

Wall Street gets second chance, after second chance, after second chance. Most workers don't even get one.

It's past time for the financial industry to be as good to the American people as the Nation has been to you.

The purpose of today's hearing is to show Americans that their Government is finally looking out for them. That we understand this economic system has betrayed millions of workers, that it holds our country back.

Here's what we want to hear from you today: what are you and the companies you run going to do—not just say, but actually do—to change.

We want to hear what concrete actions you will take to change the incentives on Wall Street, to reward work instead of wealth.

To pay for and work to undo the damage Wall Street has done, and continues to do, to communities of color.

To stop investing in corporations that fuel climate change, threatening people's communities and livelihoods.

To channel your vast resources into businesses that employ actual people in cities and towns, from Mansfield, Ohio, to Mansfield, Georgia.

To invest in our country's greatest asset—the American people.

I have heard many of you argue that you don't need Government rules forcing you to make any changes to your business model.

So show us some proof—prove to us that you are going to use your positions to change the Wall Street system, make our economy work for everyone—not just CEOs and the wealthy.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Thank you, Mr. Chairman.

Today's hearing is about the U.S. financial system. The financial system proved to be remarkably resilient during COVID, but I am concerned about increasing pressure on banks to embrace "wokeism" and appease the far Left's attacks on capitalism. I worry that continuing down this path may lead to distorted credit allocation, activists seeking to make political change through the financial system instead of the democratic process, and ultimately, diminished prosperity for Americans.

First, let's observe that the banking system proved to be extremely resilient during COVID. Last year, we had the worst pandemic in more than 100 years, the Government shutting down almost the entire economy, and the most severe recession since the Great Depression. Despite all this, banks remained stable and responded to their customers' needs for credit, because they were so well capitalized.

In fact, one of the best decisions we made during COVID was administering the Paycheck Protection Program (PPP) through the banking system. No other system had the scale or agility to run this program, and banks leveraged their relationships to deliver hundreds of billions of PPP dollars to millions of small businesses so they could keep their workers employed.

The financial system's contributions to America's economic growth—before and during the pandemic—are part of the larger success story of capitalism. No economic system has lifted more people out of poverty, created more opportunity, and produced a higher standard of living than democratic capitalism.

Thanks to capitalism, life is better for the vast majority of Americans today than it's ever been. In fact, before COVID, we had the best economy of my lifetime—as measured by the very metrics that my Democratic friends say are important. We had the lowest unemployment rate in 50 years for all Americans, record low unemployment rates for blacks and Hispanics, more jobs than people looking for work, and a record low poverty rate.

Contrary to the mischaracterizations of some of my Democratic colleagues, we saw across-the-board wage growth, and growing fastest for the lowest income earners, and a narrowing of the income gap. In fact, the very system of economic freedom that my colleagues condemn was creating unprecedented and shared prosperity across America.

That's why I've been surprised and troubled to see some banks taking actions that undermine the property rights at the heart of our system and politicize lending. Some bank leaders have embraced so-called "stakeholder capitalism"—which diminishes the primacy of shareholders in our economy and enables corporations to pursue a liberal social agenda rather than prioritize its responsibilities to its owners.

Well-run businesses always benefit their stakeholders, but management's responsibility is to do so in service to shareholders, who own the company. The people who own a company—through shares in their retirement accounts, pensions, college savings accounts, or otherwise—rely on a firm's officers to look out for their financial interests.

Making decisions based on social policy objectives—rather than profit maximization—deprives these shareholders of their rightful property. Worse yet, once the shareholders' rights are reduced to the level of all other stakeholders, how does a company's management decide whose interest to prioritize?

Some would invite the Government to step in and make those decisions—for example, those who would favor a prohibition on stock buybacks. After all, if the shareholders' interest is no longer paramount, the Government may determine that this capital would be more appropriately allocated to employees or the environment or other special interest groups.

It is a fallacy to think that if you are seeking profits, you are not serving people. In fact it's the exact opposite. Business can only profit when they satisfy customers and that can only be achieved with a satisfied workforce and good relationships with the community.

Finally, let me suggest a word of unsolicited advice. If there is an issue in the political realm that affects your bank, like taxes or regulatory policy, I would hope you would articulate your views on behalf of your shareholders. But, if there is a highly charged social or political issue that involves balancing competing values, such as balancing access to voting with election security: leave that to elected lawmakers. They were elected to make these difficult policy decisions and are directly accountable to the people who hire and fire them: the voters in their jurisdictions.

PREPARED STATEMENT OF CHARLES W. SCHARF

CHIEF EXECUTIVE OFFICER AND PRESIDENT, WELLS FARGO & COMPANY

MAY 26, 2021

Introduction

Chairman Brown, Ranking Member Toomey, Members of the Committee: good morning, and thank you for the opportunity to be here today.

Just over a year ago, when I last appeared before Congress upon assuming my role as CEO, we were on the verge of a global pandemic. I cannot help but look back and think how little we understood then of what 2020 would bring. When the pandemic struck, we all came together to stand up unprecedented assistance at a scale and speed that had never been done before. Though the process was not perfect, we, the Government, and others worked together to help our fellow citizens. Banks were a part of the solution to beat back the economic impacts of a global pandemic, and now we must continue to work together to ensure a fair and equitable recovery.

As we begin taking steps toward a healthier economy, I am proud of all that Wells Fargo has done to support our customers, our employees, and the communities we serve-all while continuing to transform our organization. There is much more work to do, but Wells Fargo wants to be a constructive partner to forge an inclusive recovery for all.

Our Response to the COVID–19 Pandemic

Throughout the pandemic, our focus has been on providing high levels of support for our customers and the broader communities we serve.

Support for Customers During the Pandemic. We deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people during these challenging times. We provided more than one million mortgage forbearances and suspended residential property foreclosures and evictions to keep people in their homes. And we processed approximately $80 billion in Federal stimulus payments. Further, we paused for 60 days the collection of negative balances existing at the time when Federal stimulus payments are deposited to customers, [1] and we cashed Federal stimulus payment checks for noncustomers in our branches—with no fees charged. Additionally, during the pandemic, the number of overdraft-related fees collected dropped by more than 35 percent.

We donated $225 million through the Wells Fargo Foundation to support economic recovery for communities and vulnerable populations affected by COVID–19. We helped more than 200,000 renters and homeowners stay in their homes through grants to nonprofits offering eviction and foreclosure prevention assistance, rental assistance, and financial counseling. We also undertook extensive efforts to keep at least 70 percent of our branches safely open, and we supported millions of customers through digital and mobile banking during the pandemic.

Paycheck Protection Program and Other Federal Stimulus Programs. We were also one of the leading lenders in the Paycheck Protection Program (PPP). To date, we have funded more than 275,000 loans, totaling over $13.7 billion to small businesses throughout the country, with an average loan size of approximately $50,000, making us an industry leader in providing support to the smallest businesses in need. This lending has supported more than 1.7 million jobs, and more than 40 percent of our loans were made to businesses in either low- and moderate-income (LMI) or majority–minority census tracts.

As part of our PPP commitment, we created the Open for Business Fund to donate more than $400 million we earned from PPP program fees in 2020. The Open for Business Fund shares the same goal as the PPP itself: to help small businesses survive the pandemic and navigate its impact. The fund will donate roughly $250 million to Community Development Financial Institutions (CDFIs) to help expand access to capital, $50 million to nonprofits focused on technical training and services for diverse entrepreneurs, and more than $100 million for long-term resiliency and other programs to strengthen the small business sector. We have already distributed more than $158 million to CDFIs around the country, which is projected to help more than 26,000 small businesses maintain an estimated 75,000 jobs nationwide.

Additionally, through the Federal Reserve's Main Street Lending program, Wells Fargo has originated $279 million in loans, helping more borrowers than any other large financial institution.

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[1] Where Wells Fargo has acted as garnishee and received third-party garnishment orders with respect to stimulus payments, our practice has been to follow Federal and State guidance.

Our Company and Its Transformation

Our Company. In 1852, our founders, Henry Wells and William Fargo, built an innovative start-up to help customers build businesses and manage money in a rapidly changing world. A lot has changed since then, but through prosperity, depression, and war, customers have turned to us to help them through any challenge. And we're committed to continuing the Wells Fargo legacy of looking forward by finding solutions and removing barriers to help our customers.

Today, with approximately $1.9 trillion in assets, we proudly serve one in three U.S. households and more than 10 percent of all middle-market companies in the country. We have more than 65 million customers and over 260,000 employees, and we are an industry leader in affordable housing, retail mortgage, and commercial real estate lending. We have also recently been recognized as being among the best corporate citizens in the U.S., a top company for philanthropy, and one of the most generous companies in America.

We are well-capitalized and have been a source of strength for our customers and the financial system throughout the pandemic and beyond.[2] Despite the challenging environment brought on by the COVID–19 pandemic, the strength of our balance sheet was evident throughout last year. Our capital and liquidity levels remained well above regulatory minimums, and the results of two Federal Reserve stress tests confirmed our strong capital position. Given the economic uncertainty, we took appropriate measures to maintain strong capital by voluntarily suspending stock buybacks in March of 2020 for the balance of the year and subsequently reduced our dividend to comply with the temporary restrictions imposed by the Federal Reserve. These actions contributed to a $9 billion increase in our capital since March of 2020.

More broadly, we have generally maintained large amounts of excess capital and have taken a number of measures since the financial crisis to reduce our complexity, enhance our risk management framework, and change our culture, particularly over the last year-and-half as part of our ongoing transformation. As a result, we are a safer, sounder institution today, and we are confident that our company presents minimal risk to the Government and taxpayers. We also believe we have contributed positively to the economy over the past 10 years.

We further recognize that, like so many companies and individuals, we benefit from our Nation's strong central banking system and the support provided by various Federal programs, facilities, and public financial infrastructure. And we are proud to support our customers and the American economy as a whole. For instance, even during the height of the COVID–19 crisis, we were able to extend significant credit to our clients. In fact, in March 2020 alone, our commercial customers utilized over $80 billion of their committed loan facilities.

Today, we provide a diversified set of banking, investment, and mortgage products and services, as well as consumer and commercial finance, through our four reportable operating segments: Consumer Banking and Lending; Commercial Banking; Corporate and Investment Banking;[3] and Wealth and Investment Management.

We believe these businesses, working together, form a differentiated platform that benefits all stakeholders. This vision has not always been realized in recent years, but we know our potential and have a roadmap to achieve it. We are committed to building the necessary foundation for a bank of our size and complexity; we recognize our responsibility; and we are committed to completing the work of making substantial changes in how we operate.

Our Transformation. Since I became CEO in October 2019, much has changed at Wells Fargo. While working to effectively serve our customers throughout the challenges of the last year, we have also been committed to advancing our regulatory work and implementing organizational and cultural change. While we still have significant work to do, we are committed to devoting the resources necessary to operate

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[2] Information regarding Wells Fargo's capital and leverage ratios as well as the annual amount of share buybacks and dividend payments for the past 10 years can be found in Appendix A and in our annual reports. (See, e.g., Wells Fargo 2020 Annual Report (Feb. 19, 2021), available at *https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2020-annual-report.pdf*).

[3] Corporate & Investment Banking delivers a comprehensive suite of advisory, capital markets, banking, and financial products and services to corporate, institutional, and Government clients around the globe. The division includes a commercial real estate finance and capital markets platform, as well as investment banking, leveraged finance, mergers and acquisitions, equity and fixed income sales, trading, and research solutions for large and middle market companies.

With respect to Archegos, Wells Fargo had a cash prime brokerage relationship with the firm. We were well collateralized at all times in late March and no longer have any exposure as of March 30, 2021. We did not experience losses related to closing out our exposure.

with strong business practices and controls, maintain the highest level of integrity, and have an appropriate culture in place.

We have new leadership. In particular, we made significant changes to our management team by elevating strong internal talent while bringing in people with the experience and skills necessary for our success. Since the fourth quarter of 2019, we have replaced more than 50 percent of our Operating and Management Committees and added at least 30 senior strategic hires in risk management, operational excellence, and other key areas across the company-including a new Chief Operating Officer; Chief Financial Officer; Chief Compliance Officer; General Counsel; Head of Sales Practices; Head of Operations; Head of Wealth Management; Head of Consumer Lending; Head of Home Lending; Head of Credit Cards; and Head of Diverse Segments, Representation, and Inclusion; among many others. Our broader group of senior leaders is also a new team. Over 40 percent of our top leaders are new to the company or their roles from the start of 2020. Our Board of Directors also appointed a new chairman and elected a new member to add additional financial services experience and support our transformation.

We have also implemented a flatter organizational structure. One of my early observations when I joined Wells Fargo was that we were not managing the Company at the level of granularity necessary. As a result, we made changes to the management structure, most notably having more of our businesses report directly to me.

We now have five principal lines of business—that operate within the aforementioned operating segments—to ensure clear authority, accountability, and responsibility. All of those line of business leaders now report directly to me and sit on our Operating Committee. These changes have created the right structure to build our businesses over the long term and increase our ability to successfully execute our top priority, which is our risk, regulatory, and control work. I am confident that this organizational model and our strengthened risk and control foundation has brought greater focus and accountability to the company. [4]

We are also simplifying the company. We identified certain businesses that aren't core to our mission and decided to exit them, opting to focus on our customers and our core, scaled businesses. In the past months, we have announced sales of or our intention to exit the student loan business, international wealth management, asset management, corporate trust, and direct equipment finance in Canada.

During my short tenure, our focus on these changes has begun to yield results. In January of this year, the OCC terminated an open consent order from 2015 related to our Bank Secrecy Act and anti–money laundering compliance program. This is a positive step, but I recognize that we still have multiple consent orders and regulatory matters that continue to require our urgent attention. [5] And we are continuing to commit significant resources to addressing them.

We are focused on making long-term, sustainable changes. And we know there is still much more to be done. As I've said before, this is a multiyear journey. As we execute on our commitments, we may have setbacks, but we believe we are doing what is necessary to move forward and satisfy our obligations.

Ultimately our regulators will decide when we have fulfilled our obligations. My commitment to them is that we are continuing to approach this work with the greatest sense of urgency, and we are intent on committing all necessary resources to diligently do what is necessary, issue by issue.

Our Commitment to Customers

Doing what is right for customers must be at the center of everything we do, and we acknowledge that we have fallen short of that standard in the past. We have been taking dramatic steps to embed a customer-centric approach in all of our decisions that impact customers. This extends from product design and pricing, to our coverage and service models, to how we approach complaints and remediation.

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[4] Our leaders are also held accountable by the Company's compensation policies. The Human Resources Committee of Wells Fargo's Board made a number of enhancements to our executive compensation program for 2020, including the adoption of a new clawback and forfeiture policy that significantly strengthens the Company's ability to hold certain senior executives and other employees accountable for misconduct or risk events though forfeiture or recovery of compensation. Our most recent compensation policies are discussed in detail in our 2021 proxy statement. (See Notice of Annual Meeting and Proxy Statement (Mar. 16, 2021), available at: *https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-proxy-statement.pdf.*)

[5] Since my testimony in March 2020, Wells Fargo has agreed to pay $20 million to settle claims by the Maryland Attorney General regarding residential mortgage-backed securities between 2005 and 2009. The Company also agreed to pay $7.8 million to resolve an inquiry by the U.S. Department of Labor into certain hiring practices at particular Wells Fargo locations between 2010 and 2018.

While we have more work to do, we are making strides. In 2020, we rolled out a new set of company expectations with "Do What's Right" as one of six core pillars. It sounds simple—but that is the point. These new expectations are clear and straightforward and guide how we lead ourselves, collaborate with colleagues, and make decisions; they apply to everyone at the company and are directly linked to how we evaluate performance.

Additionally, we deployed a new customer feedback program and complaints management platform to collect and react to customer feedback and improve the customer experience. We also built our Sales Practices Management and Oversight program, designed to make sales practices monitoring and reporting more robust and consistent across the company. And lastly, we just recently announced the launch of an Office of Consumer Practices, a consumer-focused advisory group that will partner with our businesses on consumer product development, policies, procedures, training and other areas. All of these efforts are designed to keep the customer front and center and embed that perspective into our decision making. They are also a critical part of strengthening our risk and control infrastructure.

We firmly believe that Wells Fargo is uniquely positioned to serve customers throughout the country. We operate at a local level, supporting consumers as well as small and larger businesses. We also actively support the communities where we do business. The quality, depth, and breadth of what we can offer customers are matched by few, and we continue to invest in a robust customer experience both digitally and through in-person interactions in our branches.

Branch Network. Our branch network provides local, in-person financial advice and planning. At the end of the first quarter of 2021, Wells Fargo had 4,944 branches[6] with more than 25 percent of those branches located in LMI census tracts. We have branches in 36 States and the District of Columbia and serve more markets than other major banks. Our branches are in 25 of the largest 30 markets in the U.S. and 27 of the 30 fastest growing markets in the country. And a Wells Fargo branch or ATM is within two miles of over half of the U.S. census households and small businesses in our footprint.

Financial Inclusion. In addition to our branches, Wells Fargo provides multiple choices for customers, including those who are not digitally connected, to conveniently access financial services and advice. We have an extensive ATM network and offer no-fee access for customers at approximately 13,000 ATMs for various banking services including withdrawing cash, transferring funds, checking account balances, and making deposits. Wells Fargo ATMs offer banking in English, Spanish, Chinese, Hmong, French, Korean, Russian, or Vietnamese and meet the Americans with Disabilities Act requirements. In addition, we offer free access to our ATM network for customers of our Minority Depository Institution (MDI) partners and make our ATM network available to noncustomers to pay their wireless bill with Visible, a Verizon subsidiary.

We provide 24/7, multilingual customer service over the telephone through our automated system as well as through our customer service representatives. This allows customers to get assistance with common needs, including asking questions about account balances and transaction history or initiating transactions like account transfers or stop payments. We also serve 32 million digital (mobile and online) active customers.

Wells Fargo further offers and continues to develop products and services to advance inclusion in the financial system. We are the number one mortgage lender in lower-income neighborhoods and to Black borrowers compared to other depositories. And we have made commitments to reduce the Black and Latino home ownership gap. For example, in 2015, we announced our support of the goals of the National Association of Hispanic Real Estate Professionals' Hispanic Wealth Project, which seeks to triple Hispanic household wealth by 2025.

In addition, we offer our Dream.Plan.Home. low-downpayment mortgage and closing cost assistance program for LMI borrowers with affirmative outreach to LMI communities and communities of color, and we provide significant grants in connection with the NeighborWorks LMI downpayment assistance program, NeighborhoodLIFT. Since 2012, Wells Fargo has invested $521 million in NeighborhoodLIFT and other LIFT programs to help more than 24,700 individuals and families buy homes through 80 program launches by providing homebuyer education and downpayment assistance. These efforts collectively seek to close the home ownership gap in key markets.

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[6] At year-end 2010, Wells Fargo had approximately 6,310 branches. At year-end 2000, Wells Fargo had approximately 5,500 branches. Please note, however, that the year-end 2000 number is a rough estimate, as the timeframe predates Wells Fargo's merger with Wachovia. A map of Wells Fargo's branches at year-end 2020 is included as Appendix B.

Wells Fargo also actively participates in the OCC's Roundtable for Economic Access and Change (Project REACh), which focuses on removing barriers to financial inclusion and providing greater access to credit and capital. We chair the REACh Homeownership Working Group.

We are committed to bringing the unbanked into the financial mainstream. For example, last week, we announced the Banking Inclusion Initiative, a 10-year commitment to help unbanked individuals gain access to affordable, mainstream, digitally enabled transactional accounts, a meaningful entry point to fully participating in the economy and achieving financial stability. It also will assist those who are underbanked or underserved—individuals who may have a bank account yet continue to use high cost, nonbank services and have similar needs. Overall, the initiative will focus in three areas: (i) access to affordable products and digital solutions; (ii) financial education and advice; and (iii) the launching of a National Unbanked Advisory Task Force that will feature representatives from leading organizations, including the League of United Latin American Citizens, the National Association for the Advancement of Colored People, the National Bankers Association, the National Congress of American Indians, UnidosUS, the National Urban League, and Hope Enterprise Corporation.

Additionally, we accept a range of alternative identification for account openings, including several consular cards, and we offer affordable and responsible products, such as Clear Access Banking, a checkless checking account with no overdraft or nonsufficient funds fees. The account is certified by BankOn, an organization led by the Cities for Financial Empowerment fund that works to ensure everyone has access to a safe, affordable transactional banking account. We also offer Everyday Checking, a full-service account for a $10 monthly fee that is waived if the customer is under 25 years old or maintains certain minimum balance or direct deposit amounts. The Everyday Checking account is equipped with our Overdraft Rewind feature, which automatically reverses overdraft fees assessed on prior business day transactions if the customer has a covering direct deposit credited to their account.

Arbitration. With respect to arbitration, we are in the process of removing confidentiality restrictions in all types of customer arbitration agreements that have them, thereby increasing the transparency of the arbitration process. Moreover, we will be updating all consumer arbitration agreements to provide for reimbursement of filing fees where the customer prevails. This is designed to ensure the costs of filing for arbitration do not prevent consumers from bringing justified disputes to the Bank's attention. These changes follow our decision last year to end the use of mandatory arbitration for future employee claims of sexual harassment. We are committed to maintaining a thoughtful approach to resolving disputes fairly and efficiently.

Our Commitment to Employees

To our employees: I am proud of the work you've done over the past year to support our customers and our communities during these uncertain times. We have prioritized safety and well being, and my deepest gratitude goes out to our frontline workers, who made it possible to keep branches safely open. I am also thankful for the more than 200,000 employees who efficiently adapted to a new and challenging remote work environment.

For those employees who continue to work in person, we have taken significant actions to support their safety, including mandating social distancing, enhancing cleaning protocols, increasing sanitation supplies, and requiring employee self-screening. We are providing safety kits to all employees working onsite in branches and offices, and we launched temporary onsite nursing services at 56 of our largest U.S. sites. We also offer free, voluntary onsite or self-administered COVID–19 testing for employees currently working in-office at a Wells Fargo location in the U.S. as well as additional paid time off for COVID–19 vaccine appointments.

We also made a cash award to the approximately 165,000 employees who make less than $100,000 per year and an additional special payment to those working on the front lines as a way of recognizing their unique contributions.

To support eligible employees who faced challenges with childcare, we granted additional days off to arrange for childcare and provided a $100 per day reimbursement for eligible employees seeking childcare through their own personal networks during the early phase of the pandemic. More than 22,000 employees benefited from this assistance. We also made a $25 million grant to the We Care Employee Relief Fund, which is available to employees affected by COVID–19 and who have limited resources. The fund helped more than 23,000 employees in 2020.

Compensation and Benefits. In addition to our pandemic-related efforts, in 2020, we raised minimum hourly pay levels in a majority of U.S. markets from $15 to $20

based on employee location. And we saw a nearly 13 percent increase in median employee pay for the year. [7]

We provide a 401(k) plan to help employees save for retirement, and we match employee contributions, dollar for dollar, up to 6 percent of their eligible pay on an annual basis, after they complete 1 year of service. Additionally, in 2020, we announced a new base contribution of one percent of certified compensation that will be made to the 401(k) plan accounts for eligible employees whose annual compensation is less than $75,000, which is in addition to the matching contribution. These and additional benefits and opportunities are outlined in our recently published commitment to our employees. [8]

Our Commitment to Diversity, Equity, and Inclusion

Our efforts to strengthen and improve Wells Fargo would be incomplete without a sustained commitment to diversity, equity, and inclusion, both for our customers and for our employees. These ideals are essential to our future and personally very important to me. I recognize that, as a bank and an industry, we can and must do better in this regard, and I am committed to making sure that we continue to make progress.

We have made significant strides to diversify our senior leadership, increase the pipeline of diverse talent inside Wells Fargo, and use our market position to increase the share of diverse suppliers and diverse asset managers. We also maintain sustained partnerships with third party stakeholders to drive positive outcomes for diverse communities. [9]

I am pleased that, in my short tenure, we have added three diverse executives to our Operating Committee, including our Head of Diverse Segments, Representation, and Inclusion, who reports directly to me. Additional new diverse leaders include our Head of Operations; Head of Strategy, Digital and Innovations; and CEO of Home Lending.

Among our U.S. employees, approximately 56.1 percent are female, and 44.6 percent are racially diverse. Our Operating Committee is currently 23.5 percent female and 17.6 percent racially diverse. And our Board of Directors is 25 percent female and 25 percent racially diverse.

Beyond particular roles, we are accountable for continuing to attract diverse candidates to all levels of our organization, including leadership. As part of the year-end evaluation process, Operating Committee members will be evaluated based on, among other performance metrics, their progress in improving diverse representation and inclusion in their area of responsibility. These evaluations will have a direct impact on year-end compensation decisions. Additionally, for the hiring of many senior roles, we have implemented guidelines that require a diverse slate of candidates (at least 50 percent) and a diverse interview panel.

We also continue to focus on early talent recruitment by working with historically Black colleges and universities (HBCUs), Hispanic serving institutions (HSIs), and other national partners to identify talent and build engagement. HBCUs and HSIs are national treasures that have been leading the way for generations in producing minority leaders in a variety of fields. We have deep and longstanding relationships with these institutions and related auxiliary groups. For example, since 2007, we have provided more than $38 million to support programming and scholarships for the Hispanic Scholarship Fund, the Thurgood Marshall College Fund, and the United Negro College Fund.

Our Commitment to the Communities We Serve

For the communities we serve, we have continued to invest in the institutions critical to their success. While we are encouraged to see signs of improvement, we realize that not all communities are benefiting equally in the recovery. That is why Wells Fargo has been working to support a more inclusive economic recovery, with a focus on racial and social equity, economic mobility, and investments in LMI communities.

Investments in CDFIs and MDIs. We are a proud investor in CDFIs and MDIs. In total, we have provided more than $2.4 billion in funding to support CDFIs and more than $40 million to support MDIs from January 2011 to May 2021.

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[7] Median employee pay for 2020 was $74,416, up from $65,931 in 2019—a 12.9 percent increase. Wells Fargo's ratio of CEO to median employee annual total compensation for 2020 was 274:1.

[8] See Wells Fargo: Our Commitment to Employees (May 6, 2021), available at *https://stories.wf.com/wells-fargo-our-commitment-to-employees.*

[9] See "Elevating Diversity, Equity, and Inclusion", 2020 Social Impact and Sustainability Highlights, at 13-26 (Apr. 2021), available at *https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/social-impact-sustainability-highlights.pdf.*

Within the last year, we made approximately $50 million of equity investments in Black-owned MDIs across the country.[10] Relatedly, we recently launched the Black Economic Alliance Entrepreneurs Fund, along with the Black Economic Alliance Foundation, to accelerate the growth of Black entrepreneurs and business owners. The $50 million evergreen fund will provide seed, start-up, and early-stage capital to businesses founded and led by Black entrepreneurs.

Additionally, through our Open for Business Fund, we have given more than $150 million over the past year to CDFIs around the country, which are providing grants to hard-hit small businesses with a focus on diverse-owned organizations. Our Diverse Community Capital (DCC) program has dedicated $175 million to CDFIs over 5 years to provide capital and technical assistance for diverse small business owners in the United States. The DCC program has enabled CDFIs to lend nearly $350 million to Black small business owners across the country since the program launched in 2015, according to Opportunity Finance Network. And on March 30, 2021, Wells Fargo closed on a $5 million patient capital loan to Hope Enterprise Corporation, a 501(c)(3) and certified CDFI that is dedicated to strengthening communities, building assets, and improving lives in the Delta and other economically distressed areas of the Deep South.

Investments in Underserved Communities. In the communities we serve, we focus on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. For instance, last week, we announced the issuance of a $1 billion Inclusive Communities and Climate Bond, our first Sustainability Bond, designed to drive both social and environmental impact. The bond will fund projects and programs that support housing affordability, socioeconomic opportunity, and renewable energy. And diverse underwriting firms will receive the bulk of fees from the bond.

I am also proud to share that Wells Fargo received a rating of "Outstanding" in its most recent Community Reinvestment Act performance evaluation, which covers the years 2012 to 2018. This rating reflects Wells Fargo's strong performance on the exam's components and the company's proven commitment to serving LMI communities.

These commitments and investments complement a host of additional initiatives we have undertaken in recent years that aim to support all of our customers and communities. For example, we committed $1 billion through 2025 to help address the U.S. housing affordability crisis. Additionally, in the 10 years spanning 2009 to 2018, Wells Fargo was the number one financier of home loans to Black individuals and originated more mortgages to help Black home buyers purchase homes than the four other largest bank lenders combined. Similarly, in 2017, we pledged to create 250,000 Black homeowners by 2027 through lending $60 billion for home purchases, increasing the diversity of the sales team, and supporting homebuyer education and counseling. In the first 3 years of the commitment, 60,527 Black homeowners have been supported with $15.2 billion in financing.

Our Approach to Risk and Societal Engagement. Beyond our investments, we know that in order to be a trusted partner in the communities where we operate and contribute in meaningful ways to the growth of the U.S., we must be guided by delivering for our customers every day in a manner that will make us, our employees, our customers, and our communities proud. Now more than ever, there is a renewed desire for businesses to operate with all stakeholders in mind.

In 2020, we launched a new Social Impact and Sustainability strategy designed to make a greater impact in communities by more effectively combining our financial resources and business expertise. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. Through our businesses and the Wells Fargo Foundation, we are using our resources, business expertise, ingenuity, and collaborations with public and private sector organizations to help solve complex problems. A major near-term focus is fostering an inclusive recovery from the COVID–19 pandemic and strengthening communities that have been disproportionately impacted.

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[10] As part of its $50 million equity investment commitment, Wells Fargo has invested in the following MDIs: Broadway Federal Bank (Los Angeles, California, and Washington District of Columbia); Carver Federal Savings Bank (New York, New York); Carver State Bank (Savannah, Georgia); Citizens Savings Bank & Trust (Nashville, Tennessee); Citizens Trust (Atlanta, Georgia); Commonwealth National Bank (Mobile, Alabama); First Independence (Detroit, Michigan); Harbor Bank (Baltimore, Maryland); Industrial Bank (Washington, District of Columbia); Liberty Bank & Trust (New Orleans, Louisiana); M&F Bank (Durham, North Carolina); Optus Bank (Columbia, South Carolina); and Unity National Bank (Houston, Texas).

Also last year, we began an effort to be more transparent and comprehensive in nonfinancial reporting and disclosures. The company moved from a single, annual corporate responsibility report to a suite of disclosures that more completely addresses our approach to environmental, social, and governance (ESG) risks and opportunities, and performance on related measures. Our inaugural ESG Report details how the company is working to create solutions for stronger communities through diversity and inclusion, economic empowerment, and environmental sustainability. [11]

Likewise, we recognize that our business decisions and those of our customers have the potential to impact communities and the environment. We believe it is important to evaluate and consider the environmental, social, and human rights impacts of our lending and investments along with the traditional financial risk. Our Environmental and Social Risk Management framework and policies are tied to our due diligence requirements, and they help us identify, evaluate, and manage the environmental and social risks associated with our lending and investments. [12] Similarly, in February 2021, we released our first Task Force for Climate-Related Financial Disclosures Report, which provides an update on the company's progress managing climate-related risks and opportunities. [13]

Recently, we made a significant announcement regarding our ongoing efforts to support the transition to a low-carbon economy. Climate change is one of the most urgent environmental and social issues of our time, and we are committed to helping transition to a net-zero carbon economy.

The risks of not taking action are too great to ignore, and collective action is needed to avoid significant impacts on our most vulnerable communities.

Accordingly, we set a target to achieve net-zero greenhouse gas emissions—including our financed emissions—by 2050. We will also launch an Institute for Sustainable Finance to manage the deployment of $500 billion of financing to sustainable businesses and projects by 2030, as well as support science-based research on low-carbon solutions and advocate for policies that enable client transitions. Our aim is to support our customers as they work to transform their businesses for success in a low-carbon economy and to support our communities as they work to adapt to and mitigate the impacts of climate change.

These goals build on efforts already ongoing. We recently surpassed $10 billion in tax-equity investments in the wind, solar, and fuel cell industries, having invested in more than 500 projects, helping to finance 12 percent of all wind and solar energy capacity in the U.S. over the past 10 years.

As we move forward, we will continue to approach critical issues such as these with the care and diligence they deserve.

Our Commitment to Cybersecurity, Privacy, and Responsible Technology

We recognize that cybersecurity is an area where we must remain ever vigilant to meet evolving threats. We invest heavily in cyberthreat management and controls aimed at preventing and preparing for cyberattacks, and we maintain tools to quickly detect and respond to adverse events, limiting their impact. Relatedly, we prioritize personal data privacy and support transparency in our information collection and use practices.

Finally, we believe safe and responsible use of emerging technology has great promise for our industry. Artificial Intelligence (AI), for example, has the potential to help detect and prevent harm from bad actors and greatly enhance customer experience and financial inclusion. Responsible use of AI at banks carries with it fundamental value propositions including making better business decisions, driving leaner and faster operations, enhancing customer experience, and detecting patterns or irregularities in data.

We have been involved in research and development in the area of distributed ledger technology (DLT) to facilitate next-generation settlement services in a variety of areas, including announcing a pilot that will begin soon. It will be an internal settlement service which will run on our internal DLT platform and allow us to complete internal book transfers of cross-border payments within our global branch network.

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[11] Environmental, Social, and Governance Report (Aug. 2020), available at *https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-governance-report.pdf.*

[12] Environmental and Social Risk Management Framework (June 2018), available at *https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/esrm-framework.pdf.*

[13] Task Force for Climate-Related Financial Disclosures Report (Feb. 2021), available at *https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/climate-disclosure.pdf.*

Finally, we continue to closely and actively follow developments around cryptocurrencies, which have emerged as alternative investments products, though their status as a currency and mechanism of payment remains fluid.

Conclusion

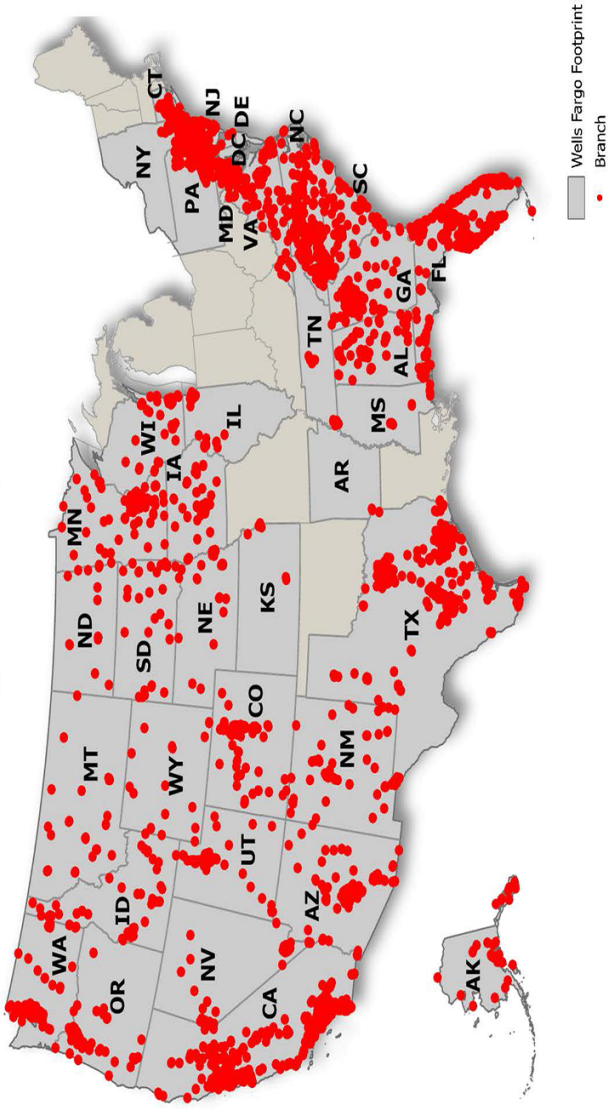
Last year was a challenging one for all, but I am proud of what Wells Fargo has done to support our customers, our country, and our communities throughout an incredibly difficult time. Even in the face of a global pandemic, we made progress in transforming our company, and we will continue to approach the work ahead with urgency.

Thank you, again, for the opportunity to testify. I look forward to answering your questions.

Appendix A Wells Fargo Capital & Leverage Ratio, Dividend, and Stock Repurchase Data 2011 – 2020[14]										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Common Equity Tier 1 Capital Ratio	11.59%	11.14%	11.74%	12.28%	11.13%	11.07%	11.04%	10.82%	10.12%	9.46%
Tier 1 Capital Ratio	13.25%	12.76%	13.46%	14.14%	12.82%	12.63%	12.45%	12.33%	11.75%	11.33%
Total Capital Ratio	16.14%	15.75%	16.60%	17.46%	16.04%	15.45%	15.53%	15.43%	14.63%	14.76%
Tier 1 Leverage Ratio	8.32%	8.31%	9.07%	9.35%	8.95%	9.37%	9.45%	9.6%	9.47%	9.03%
Supplemental Leverage Ratio[15]	8.05%	7.07%	7.7%	8.0%	7.5%	7.7%	–	–	–	–
Common Stock Dividends	$5.0 b	$8.4 b	$7.9 b	$7.7 b	$7.7 b	$7.6 b	$7.1 b	$6.1 b	$4.7 b	$2.5 b
Common Stock Repurchased	$3.4 b	$24.5 b	$20.6 b	$10.7 b	$7.9 b	$8.9 b	$9.2 b	$5.1 b	$3.9 b	$2.4 b

[14] All data reflected here appears in Wells Fargo's public annual reports.
[15] In April 2014, federal banking regulators finalized a rule that enhances the supplemental leverage ratio requirements for bank holding companies, like Wells Fargo, and their insured depository institutions. Wells Fargo began reporting its SLR calculations in its 2015 annual report.

Appendix B: Branch Map



PREPARED STATEMENT OF DAVID M. SOLOMON

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, GOLDMAN SACHS

MAY 26, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee, I appreciate the opportunity to testify before you today.

Overview of Goldman Sachs Goldman Sachs is a leading global financial institution that delivers a broad range of financial services across investment banking, securities, investment management and consumer banking. Our clients include pension plans and retirement funds, endowments and foundations, large and small businesses, financial institutions, Governments, start-ups, charities, nonprofits, and individuals. Founded in 1869, we are headquartered in New York and maintain offices in all major financial centers around the world. Over the course of more than 150 years we have evolved considerably from a small enterprise to a global institution.

At Goldman Sachs our purpose is to advance sustainable economic growth and financial opportunity. Specifically, as an investment bank, we advise companies on raising capital including through initial public offerings or lending, managing risks, and seeing opportunities for them to innovate and grow through acquisitions or divestitures. We also help local and State governments finance their operations so they can invest in infrastructure such as schools, hospitals and roads. As a market maker, we help our corporate or institutional clients (such as pension funds and other asset managers) manage risk in all key financial markets (including equities, bonds, currencies and commodities) and help ensure markets are liquid and efficient. We are also an asset manager preserving and investing assets for institutions, including mutual funds, pension funds, and foundations. We invest capital in private companies to help them grow their business and increase employment. And we act as a private wealth manager, providing advisory solutions, including financial planning and counseling, and managing assets for individuals.

In 2016, we launched a retail banking franchise that, while relatively small, has been recognized for its consumer-centric approach. Through our consumer banking digital platform, Marcus by Goldman Sachs, we offer personal loans, savings and CDs, investing services, free financial tools and trackers, and through associated partnerships like Apple Card, we issue credit cards to consumers.

As of the end of April 2021, we had 40,300 employees, with 51 percent based in the United States. We have offices in over 50 cities in the United States and in over 35 countries around the world. Our primary bank subsidiary, GS Bank USA, is headquartered in New York City. The Bank operates two domestic branches, which are located in Salt Lake City, Utah and Draper, Utah. The Bank also has a foreign branch in London. Given its small size, our branch network has not meaningfully changed over time.

Goldman Sachs Remains Well-Capitalized

As a result of Dodd–Frank, Basel capital and liquidity and other market reforms, today the U.S. financial system is substantially safer and more resilient against failure or disruptions in critical services than it was prior to the financial crisis. The largest financial institutions, including Goldman Sachs, are more able to withstand stress events and are also ultimately more resolvable without threatening the financial system or needing Government support, consistent with Dodd–Frank's resolution plan requirements. We have significantly more capital and usable total loss-absorbing capacity (TLAC), which could be converted to equity in the event that our equity capital falls below the regulatory required minimums. We have also reduced the percentage of our liabilities that consist of short-term wholesale funding, while at the same time significantly increasing the percentage of our assets consisting of cash and other high quality liquid assets since prior to the enactment of these reforms.

Goldman Sachs was well capitalized before and throughout this COVID–19 pandemic period. Our capital levels have allowed us to serve our clients and provide support for the economy (as described below), and the last two rigorous stress tests conducted by the Federal Reserve in 2020 attest to that fact.

Moreover, there has been a significant change to the firm's balance sheet and risk profile since the financial crisis, reflecting decreased risk and complexity. Specifically, at Goldman Sachs, since the end of 2007:

- Our common equity has more than doubled in absolute terms (from $40 billion to $88 billion); as of 1Q21, our common equity tier 1 ratio exceeded 14 percent under the Standardized approach and exceeded 13 percent under the Advanced approach

- Our gross leverage has decreased by 49 percent
- Our TLAC (i.e., loss-absorbing long-term debt and equity instruments) was 40.7 percent of our risk-weighted assets as of 1Q21, exceeding our minimum requirement of 22.0 percent
- Our average liquidity pool has more than quadrupled in absolute terms (from $64 billion to $299 billion) and increased 4x as a percentage of our average total assets (from 6 percent to 24 percent)
- Our deposit funding has increased approximately 19x (from $15 billion to $286 billion) and increased 10x as a percentage of our funding sources (from 3 percent to 33 percent)
- Our Level 3 assets, which are illiquid, have decreased by more than 50 percent (they were only 2.1 percent of our balance sheet as of 1Q21)

Goldman Sachs Has Reduced Its Complexity

Since 2009, we have devoted substantial resources across our firm to not only improve the resilience and resolvability of Goldman Sachs, but also to reduce complexity in our structure and make our firm more efficient. Additionally, we believe that resolution plans have become considerably more sophisticated as they have evolved over the past decade to effectively safeguard taxpayers from the failure of the largest U.S. banks, as we meet our internal requirement and demonstrate to our regulators that we have robust capabilities, an appropriate legal structure, and sufficient levels of capital and liquidity to facilitate an orderly wind-down.

As of today, we have taken several key actions since the financial crisis that have reduced our complexity:

- We reduced the total number of our legal entities
- We simplified our ownership structure and funding lines to our material operating subsidiaries, separated the ownership for our core and noncore legal entities and aligned staff, technology and other resources with the entities they serve
- We simplified the management of businesses by merging certain businesses together into our Asset Management Division and moving our consumer banking business and wealth management business into one combined division
- We realigned business segments to more closely align with how we manage the firm with clear lines of management responsibility and leadership over each segment, which also allows us to be more transparent, including about how we track our lending and financing activities across businesses
- We sold several noncore businesses and activities including:
  - Our Americas reinsurance and European insurance businesses
  - Our hedge fund administration business
  - Our mortgage servicing business
- Our investments in several commodities-related businesses that hold physical commodities, including a metals warehouse, a coal extraction facility, and power generation plants
- We sold our investment in the Industrial and Commercial Bank of China
- Pursuant to Volcker Rule requirements, and before the final rule went into effect, we exited all of our proprietary trading businesses

Moreover, in accordance with good risk management practices as well as the spirit of Dodd–Frank's Section 165 resolution plan requirements, when we have sought to enter new businesses or make acquisitions, we subject all decisions to our Firmwide New Activity Committee and other processes to ensure that the new business or acquisition would be properly capitalized, have sufficient funding support and would not unduly impede our resolution strategy.

Investing in Our People

As the pandemic hit, we transitioned our workforce to be 98 percent remote. To help our people during the pandemic, we added to and extended their benefits, including mental health support and an additional 10 days of COVID–19 family leave to allow time to care for family members or childcare needs, including homeschooling. In introducing telemedicine access to U.S. employees and covered dependents, we waived all costs of urgent-care visits, including COVID–19 consultations, and we provided virtual mental health counseling and fitness sessions. Most recently, we offered employees a half day of paid time off for each dose of the vaccine.

Throughout the pandemic, we have partnered with health care experts to develop policies and protocols that prioritized the health and safety of our people. Our comprehensive protocols have included regular testing (via either onsite testing or through at-home testing), mask usage, daily health attestations, temperature checks at arrival, and physical distancing.

Additionally, we have a lot of people who support our organization and operations through contracted and vendor services, including in our mail room, our cafeteria, our security guards, and our janitorial staff. We extended our support to onsite vendor staff to ensure they were paid during the pandemic, whether they worked or not. For those who came into work, we reimbursed transportation costs and provided in-office meals. Most recently, we paid a bonus to nearly 3,000 vendor staff who supported us in the office and enabled the continuity of our operations through the lockdowns that took place around the world.

Investing in Our Retail Customers

Goldman Sachs entered the consumer financial services market in 2016. We launched our digital consumer platform called Marcus by Goldman Sachs because we saw an opportunity to serve consumers through consumer-centric products that are simple and transparent and on the side of the consumer. We set out to build our consumer business from a clean sheet of paper. In designing Marcus, we spoke with more than 10,000 people across the country to understand their banking needs and have since spoken to more than 100,000 consumers. Value, simplicity and transparency are at the core of our consumer products, which is based on this feedback.

We have two primary channels through which we acquire and serve customers: through our consumer business Marcus by Goldman Sachs and through partnerships with large brands. Because we are not operating with an expensive branch infrastructure, we are able to deliver more value to the customer when compared to other traditional banks.

Through Marcus, we offer:

- Personal loans with fixed rates, customizable payment options and no fees. These loans range from $3,500 to $40,000, and because we fund our personal loans from our own balance sheet, we can provide more flexibility to consumers, allowing them to select from various monthly payment and loan length options
- Savings accounts/CDs that pay consumers a relatively higher interest rate on their savings than traditional banks offer, with no minimum balance and no fees (including no monthly fees, no transaction fees and no overdraft fees)
- Invest, which offers individuals the ability to invest as little as $1,000. This product combines the accessibility, simplicity and transparency of our Marcus platform with our firm's leading advisory capabilities
- Free financial tools and trackers that help customers aggregate their various accounts, track spending, and get a more holistic picture of their finances.

Although we are working to launch digital checking accounts in the United States, we do not currently offer consumer checking accounts.

Additionally, through our partnership with Apple via Apple Card, we are providing innovative financial services to millions of customers that help them to understand their spending and payment options better and seamlessly earn and redeem rewards.

Marcus was created to help millions of Americans take control of their financial lives with products that offer value, transparency and simplicity. That approach positions Marcus to meet the financial services needs of a broad range of consumers, including low-to-moderate income (LMI) consumers. Moreover, Marcus is a digital platform. Customers do not need to walk into a branch to open an account; they can do it directly from their mobile phone or call one of our Marcus Specialists. We believe that digital banking can be leveraged to be more inclusive, particularly with regard to communities that are underbanked. That being said, we understand that digital connectivity is a prerequisite to inclusion in the digital banking ecosystem. That is why we have incorporated digital connectivity as one of our key impact areas in our One Million Black Women initiative (described below). We are currently exploring ways to invest in increasing affordable high-speed internet access and to close the digital divide.

While still new to consumer businesses, we substantially increased our support for consumers during the pandemic across all of our major consumer products. For example, our consumer loans, credit card lines, and deposits each increased approximately 20 percent in 2020 during the pandemic, not decreased, including to those in LMI communities.

We also continued to invest in our consumer bank products and serve our Marcus clients throughout the pandemic. For example, we launched our Customer Assistance Program to help customers navigate through the pandemic, including by giving customers the flexibility to defer Marcus loan payments for four months or Apple card payments for 6 months at no cost, no interest accrued during the deferral period and no impact to their credit score. Moreover, Marcus customers were able to access funds in high-yield certificates of deposit early without a penalty. We focused on offering seamless digital enrollment, because customers should be able to get help quickly and easily when they need it. Around 10 percent of our customers enrolled in the program, and we are proud we were able to be there for them during a difficult time.

Investing in Our Clients and the Broader Economy

We have made a significant contribution to the annual growth of the nonfinancial economy by helping U.S. companies raise capital over the last decade. Additionally, over this same period, we have significantly increased the amount of financing provided through direct lending from our balance sheet to the real economy. As an underwriter, over the past 10 years, we have raised debt financing of over $850 billion for U.S. companies, and we have raised nearly $350 billion of equity capital for U.S. corporations during that time period. As a direct lender, our corporate loan book has more than quadrupled over the last decade, growing to nearly $50 billion as of 1Q21, with loans primarily held by U.S. clients.

This financing is in addition to the significant financing commitments that we have made as part of our investments in our communities and small businesses and our sustainability initiatives, as described below.

At the beginning of the pandemic, our economy plunged into the steepest economic decline since the Great Depression. However, there is no question that we would have had an even more severe recession had the Congress, the Treasury, and the Federal Reserve not taken swift, bipartisan action to support our economy through the CARES Act and related programs and subsequent actions.

We believe that our strong financial position allowed us to continue to provide financing to our clients throughout the pandemic, including during the peak of the market volatility and economic uncertainty last March, to our clients and the broader economy. We were also able to continue to support deep and liquid capital markets, while maintaining resilient operations without any major outages despite an unprecedented working environment. During the first six months of 2020, when uncertainty over the economic impact of COVID 19 was at its highest, we experienced historically elevated levels of client demand for access to equity and debt capital.

Over the first half of 2020, we raised approximately $180 billion of financing for our corporate clients, with two thirds of the activity in the United States. We led the largest capital markets offering for the cruise industry, and we worked with large U.S. airlines on significant financing transactions and led the first insurance deals post the start of COVID volatility last year. We also provided approximately $1 billion of lending commitments across the investment grade energy sector to provide them with additional liquidity during the pandemic.

As debt markets were largely closed to most borrowers in March and April 2020, we developed creative solutions to support clients who were most in need of immediate financial assistance, including by lending directly to clients from our own balance sheet. For example, from March through June 2020, we provided $20 billion of nonacquisition financing related credit to more than 200 clients. Of this financing, we provided $13 billion of direct financing that was specifically aimed at providing additional liquidity to clients in hard hit sectors to help them weather COVID-related stresses to their businesses, including to airlines, cruise lines, automobile companies, and the hospitality and entertainment sector.

In addition to corporate financing, we also supported pandemic relief efforts by underwriting nearly $66 billion in financings for sovereigns and multilateral institutions, designed to help alleviate the economic and social impact of the pandemic. These included a $2 billion sustainable development bond for the World Bank tied to addressing the United Nations Sustainable Development Goals, and a COVID–19 response bond for the New Development Bank, also for $2 billion.

Our financing and assistance helped enable businesses across the country and around the globe to pay their workers, operate their businesses and meet funding needs. We remain committed to continuing our support for American businesses and the broader economy to help build a robust, inclusive, and sustainable economic recovery.

Investing in Our Communities and Small Businesses

We started investing in underserved areas in 2001, well before we had a regulatory obligation to do so, because we strongly believed it made sense to invest in areas that others had overlooked and deploy our capital to make a real difference in these communities.

Our Urban Investment Group (UIG)'s entire purpose is to make investments and loans that benefit underserved people and places. The team has a comprehensive approach to closing opportunity gaps, predominantly by making direct investments, rather than investing in funds. This approach allows us to engage directly with community leaders and stakeholders impacted by our investments.

Specifically, through UIG, we finance the creation of affordable housing, space for educational and health facilities, and grocery stores in food deserts. To date, UIG has committed more than $9.8 billion to benefit underserved people, places, and small businesses. Since UIG was founded, our investments have spanned 101 cities in 33 States across the country, bringing affordable housing, quality schools, new jobs, and growth capital for small businesses to neighborhoods in need. Approximately 70 percent of UIG's investments are located in or serve minority communities.

Goldman Sachs has deployed over $200 million in capital to support Black-led Minority Depository Institutions (MDIs), starting with our investment in Carver Bancorp, one of the largest African-American operated banks in the United States, in 2011. Our partnerships with and investment in MDIs has continued to evolve since then and, most recently, we announced a $130 million commitment to Hope Enterprise Corporation, a leading Black-led MDI and Community Development Financial Institution (CDFI) in the South, to establish the "Deep South Economic Mobility Collaborative", a public–private partnership with seven cities and nine historically Black colleges and universities across the South. This Collaborative will provide credit and support services to entrepreneurs of color, particularly Black women entrepreneurs, in historically disadvantaged neighborhoods.

Most recently, UIG stood up a loan program in partnership with the City of New York which will provide funding to support staffing New York City's safety-net hospitals related to the COVID–19 vaccination process and potential additional COVID–19 patient care throughout the remainder of 2021. The program aims to support safety-net hospitals, all of which are located in low-income neighborhoods and treat the City's poorest and most vulnerable patients. As we know, COVID–19 has disproportionately impacted Black communities.

Goldman Sachs Partnerships With CDFIs and MDIs

We also provide access to capital to small businesses and high-achieving low-income students by partnering with CDFIs, MDIs and other types of mission-driven lenders. Given their long track record of serving small businesses in low-income and minority communities, partnering with and helping build infrastructure for CDFIs has been core to our small business lending efforts for the last 10 years. Importantly, since the beginning of this pandemic, our response efforts have been guided by our belief in partnership and collaboration, and our ability to respond quickly and creatively and remain nimble in the face of evolving challenges.

Unlike most of the banks appearing before the Committee, our bank is not an approved Small Business Administration (SBA) lender and therefore did not have the systems in place to comply with the SBA rules under which Paycheck Protection Program (PPP) loans were made. Rather than participating directly in the PPP, we felt that we could provide the greatest value most quickly by committing $1.25 billion in capital to CDFIs and mission-driven lenders to facilitate emergency lending, including PPP loans, to underserved and minority-owned small businesses. We recognize lending capital is not the only need facing the small business ecosystem, so we paired that lending capital with $25 million in philanthropic support to CDFIs and community-based organizations that were on the frontlines helping businesses navigate the unprecedented crisis.

As a result of this intentional, local-partnership approach, our small business lending capital deployed during the pandemic reached very small businesses. To date, the current median employee count among recipients is around two and our average loan size is $43,000. The program reached businesses that serve underserved communities. Nearly half (approximately 45 percent) of the capital was deployed to businesses located in minority communities.

In addition to our $1.25 billion CDFI commitment, we recently committed an additional $1 billion in partnership with the SBA and our CDFI partner Lendistry to fund approximately 40,000 PPP loans, over half of which will benefit minority-owned businesses. We moved expeditiously to ensure these applicants were able to have their loans processed and approved before the PPP funds were exhausted. The

commitment to Lendistry, one of the most active SBA Community Advantage lenders in the country, will be the largest ever to a Black-led CDFI and will provide much-needed capital to underserved small businesses, especially Black-run small businesses and communities, who have been disproportionately impacted by the massive economic, health, and social disruption over the last 16 months.

To amplify the reach and impact of our capital, we engaged with stakeholders in the public sector to identify opportunities to partner to support the efforts that were already undertaken to support small businesses hit the hardest in the early days of the pandemic. As a result, we were able to support emergency funds with New York City and Chicago, which has served as a model for other relief funds across the country. Additionally, to ensure the furthest reach of this capital to underserved small businesses, we partnered with organizations such as the National Urban League, the U.S. Hispanic Chamber of Commerce, and the New Voices Foundation to deploy capital, critically important information, and technical assistance, to small businesses owned by entrepreneurs of color.

We applaud Congress's move to expand PPP late last year by injecting additional funding into the program so that the hardest hit businesses could get a second PPP loan, and importantly, the decision to provide for a $15 billion set aside for CDFIs and community-based lenders, which is something we advocated for from the very beginning. As a result of this expansion of the program, we expanded our commitment by providing an additional $500 million to our CDFI partners to fund PPP loans in 2021, bringing our total commitment to $1.25 billion.

10,000 Small Businesses Program

Through our 10,000 Small Businesses program, launched in 2010, we deliver a comprehensive business education to small businesses by partnering with more than 100 community colleges and business support service providers. To date, we have graduated 10,800 small business owners, with 73 percent of graduates reporting revenue increases and 54 percent adding jobs within 30 months of graduation. I am particularly proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States.

Additionally, our commitment to and investments in CDFIs and MDIs is at the core of our strategy to facilitate access to capital and technical assistance to underserved small businesses and a key pillar of our 10,000 Small Businesses program. At the launch of this program, we committed $300 million in lending capital and grant support for CDFIs, MDIs and other mission-driven lenders. Through this investment and partnerships, we have been able to build the capacity of CDFIs across the country, including enabling them to expand to new markets, launch new lending programs and develop the tech infrastructure that many of them were able to leverage during the pandemic to deliver capital and technical assistance to small businesses at scale at a critical time.

In 2020, we announced an additional $250 million commitment to the program to serve 10,000 more entrepreneurs.

One Million Black Women

Building on our history of investing significant capital in Black communities through our 10,000 Small Businesses program and our Urban Investment Group, we recently launched a new investment initiative, One Million Black Women. In partnership with Black women-led organizations and other partners, we will commit $10 billion in direct investment capital and $100 million in philanthropic support to address the dual disproportionate gender and racial biases that Black women have faced for generations, which have only been exacerbated by the pandemic.

One Million Black Women has, in part, been shaped through research, including a new report, Black Womenomics, published by Goldman Sachs Investment Research. The research shows that Black women are one of the most marginalized groups in the country, and if we can reduce the earnings gap for Black women we would see U.S. GDP increase by $300 billion a year. We believe if we can narrow opportunity gaps for Black women, we will narrow opportunity gaps for all groups and drive economic progress for the country as a whole.

Our investments will focus on increasing opportunity at key moments in Black women's lives, whether by expanding access to quality health care, modernizing daycare and primary school facilities in Black communities, or providing access to capital to grow a business, among other things. For example, the New York City safety-net hospital loan, described above, is part of this initiative and we expect thousands of Black female health care workers and patients will benefit from the GS loan.

To date, we have announced that we will provide investment capital and philanthropic grants to 12 organizations nationwide, as listed in the Appendix.

This effort cannot succeed without advice and counsel from the broadest range of Black voices possible, so we have created a new advisory council of prominent Black leaders from a wide range of fields including Dr. Ruth Simmons (President, Prairie View A&M University), former Secretary of State Condoleezza Rice, Dr. Valerie Montgomery Rice (President and Dean, Morehouse School of Medicine) and Rosalind G. Brewer (CEO of Walgreens) and Darren Walker (President, Ford Foundation). There has never been an investment of this size focused on Black women, and we are proud to bring people together in this historic effort.

Launch With GS

Three years ago, we developed Launch With GS, a $500 million investment strategy that aims to increase access to capital and facilitate connections for women, Black, Latinx, and other diverse entrepreneurs and investors. Since its inception, Launch With GS has deployed more than $500 million globally to companies and funds with diverse management teams. In early 2021, we announced an additional $500 million commitment to Launch With GS, for a total of $1 billion toward investing in these entrepreneurs and funds.

Launch With GS is grounded in our belief that diverse leadership teams outperform if they are given access to capital and the resources to drive their businesses forward. In addition to deploying capital, we are fostering a global ecosystem of founders, investors and clients. In early 2020, Launch With GS announced Goldman Sachs's first Black and Latinx Entrepreneur Cohort, comprising a group of high-growth start-ups from across the United States. Beyond access to capital, these businesses participate in a customized 6-week virtual experience—including one-on-one and sector-specific workshops with our research, banking and investment teams, and interaction with start-up experts across key areas, including legal services, capitalization, marketing, and branding.

Philanthropic Initiatives

A dedication to service and a commitment to using our expertise and convening power to help address broader issues has long been a core element of our culture. Moreover, since the onset of the pandemic, we have been focused on how we can help communities around the world, including those where we live and work.

As a key element of the firm's overall impact investing platform, we established our Goldman Sachs Gives program to coordinate, facilitate and encourage global philanthropy by our most senior leaders—partners. GS Gives is committed to fostering innovative ideas, solving economic and social issues, and enabling progress in underserved communities globally. Since 2010, GS Gives has granted more than $1.8 billion to over 8,000 nonprofits in 100 countries around the world. In 2020, GS Gives deployed nearly $200 million in grants to support pioneering nonprofit organizations and firm initiatives such as the COVID–19 Relief Fund and the Fund for Racial Equity.

The Goldman Sachs COVID–19 Relief Fund was designed to address the most pressing challenges brought on by the pandemic in the world's hardest-hit communities. Grants deployed provided assistance for health care providers on the front lines, aid for the most vulnerable populations, including underserved children and families, economic relief for reduced and lost work, and support for accelerated medical research. The fund has deployed a total of $42 million to date, supporting 305 nonprofits working directly on COVID–19 relief and response efforts in more than 30 countries around the world.

Additionally, in response to the COVID–19 pandemic, we facilitated the donation of more than 2.5 million surgical masks and 700,000 N95 masks to hospitals worldwide. In New York, we connected Mount Sinai Hospital with our ground transportation partner and donated cleaning supplies to help the dedicated car service safely transport health care workers to and from three local hospitals.

Most recently, we announced an additional $10 million commitment to support relief and recovery efforts in India, which is home to three Goldman Sachs offices and thousands of our people. Our funding will be deployed to support frontline health facilities that are leading the fight against COVID–19, including ongoing vaccination efforts. It will also be used to support initiatives promoting mental health in several cities across India and to support communities with economic recovery.

In addition to our COVID–19 relief and recovery efforts, last June we created a $10 million fund, the Goldman Sachs Fund for Racial Equity. Through GS Gives, the fund supports the vital work of leading organizations addressing racial injustice, structural inequity, and economic disparity. To date, the fund has donated to (among others) the NAACP Legal Defense Fund, the Black Economic Alliance Foundation, the United Negro College Fund, Equal Justice Initiative, Black Girls Code, and the Innocence Project.

Investing in Diversity and Inclusion

Improving our diversity and inclusion efforts in every aspect of the work we do at the firm is a top priority. Since becoming CEO, I have been vocal about the importance of advancing our firm's diversity, including with respect to gender, race, sexual orientation, gender identity, veterans, and disability or whatever contributes to who we are. Effectively serving a broad and diverse set of clients means having an appreciation and understanding of their different experiences, interests, and values, and we are committed to building a team capable of that critical work. I believe a core part of my tenure as CEO will be defined by our progress on this front. I believe that we should have a company that looks like the regions and communities we serve.

We are focused on driving accountability and transparency as it relates to these efforts and ensuring we have impact not only on the people of Goldman Sachs but also on the communities where we operate. For the first time, we published in April our inaugural People Strategy Report, which provides a comprehensive overview of our approach to attracting, developing, retaining, and rewarding diverse talent. The Report also discusses how we hold managers and senior leadership accountable for our diversity and inclusion commitments, including by our global, regional, and divisional committees.

Board Diversity

We have been, and will continue to be, committed to diversity on our Board, and in recent years, have maintained a particular focus in our director searches on diverse candidates. Our Governance Committee aims to develop a Board that, as a whole, reflects diverse viewpoints, backgrounds, skills, experiences, and expertise.

As of July 1, 2021, our five most recently appointed independent directors will be women: Kimberley Harris, Jessica Uhl, Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Of our 13 directors who will be in place on July 1, our Board will include: six directors who are women, two directors who are Black, including our Lead Director and our newest director Kim Harris, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Overall, our Board will be 62 percent diverse by race, gender, or sexual orientation.

Diversity of Senior Leaders

Having a diverse Board is not enough to achieve where we want to be on our diversity efforts. Our most recent partner class had the highest percentage of women (27 percent, up 4 percent from 2016) and Black partners (7 percent, up 3 percent from 2016) in our history. We also recently added two women and one ethnically diverse leader to the Management Committee, bringing the total on the committee to seven women and four non-White leaders out of 28 committee members.

Most recently, I announced a number of new leadership positions within our firm—many of whom are women. These include the Chief Legal Officer and General Counsel, the Global Co-Head of our Consumer and Wealth Management Division, the Head of Investor Relations, the Chief Operating Officer for our Asset Management Division, and our Deputy Chief of Staff for the firm. I have also recently promoted a number of Black professionals into leadership seats in the last year, including our Chief Strategy Officer, our Global Head of Corporate and Workplace Solutions, our Co-Head of Investment Banking in Asia (ex-Japan), our Global Chief Operating Officer of Global Investment Research and our Private Wealth Management New York Region Head.

However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

Increasing Diverse Representation

Increasing the diversity of our people is a business imperative and is essential to our ability to serve our clients, generate long-term value for our shareholders and contribute to our broader communities. In 2019, we set forth ambitious aspirational goals and a comprehensive action plan to increase diverse representation at all levels and create an even stronger culture of inclusion for all of our people. We are aiming to achieve representation in entry-level hiring of 50 percent women globally, 11 percent Black professionals and 14 percent Hispanic/Latino professionals in the Americas, and 9 percent Black professionals in the U.K.

With consistent and persistent focus, we have attracted more diverse talent to Goldman Sachs than ever before. In our 2020 campus analyst class in the Americas, 55 percent were women, Black talent made up 11 percent of the class, Hispanic/Latinx talent made up 17 percent, and Asian talent made up 31 percent. The posi-

tive results we have achieved demonstrate the power of setting aspirational goals and holding ourselves accountable.

In addition to setting clear aspirational goals, we continue to find innovative ways to democratize access to the people, opportunities and culture of the firm through our various diversity recruiting programs. Building upon our long-standing commitment to developing and recruiting students from HBCUs, we launched a $25 million commitment to HBCUs over the next 5 years. The commitment is tied to the Market Madness: HBCU Possibilities Program, a 4-month training in finance fundamentals. Students receive in-depth training, mentorship from Goldman Sachs professionals, a $10,000 stipend, and the ability to participate in a final case study competition with grand prizes ranging from $250,000 to $1 million in grants for their institutions. Our goal is to double the number of campus analysts that the firm recruits from HBCUs by 2025, and over time we believe that this expansion in our long-term investment in HBCUs will help us better serve our clients and contribute to a more inclusive and dynamic economy and society.

But we know it is not enough to recruit talent; we also need to make sure they can realize their potential, so we've set additional representation goals to hold ourselves accountable and do so transparently in the public domain. By 2025, we aim for 7 percent of our vice presidents in both the Americas and the U.K. to be Black, 9 percent of our vice presidents in the Americas to be Hispanic/Latinx, and 40 percent of our vice presidents across the globe to be women. By increasing the diversity of our vice president population, we pave the way to increase the representation of our most senior roles at the firm.

We have also embraced our responsibility as a leader in our industry to promote change. In July 2020, we began a new policy to only underwrite initial public offerings for companies domiciled in Western Europe and the United States that have at least one diverse board member. The feedback we've received from clients and investors has been overwhelmingly positive, and in July 2021 we will raise that figure to two.

Promoting the Use of Diverse Contractors and Vendors

Our firm has a long history of working with small and diverse businesses as part of our vendor diversity program, which began in 2000 and seeks to drive opportunities with small, minority and women business owners. We continue to discover and partner with exceptional businesses through the program in our efforts to achieve a supply chain that reflects the diversity of our people and clients. For example, when constructing our global headquarters in New York, which opened in 2009, we spent more than $300 million with minority- and women-owned businesses, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.

Moreover, we actively encourage our sourcing teams to include small and diverse businesses in competitive bids and encourage our larger, nondiverse vendors to do the same. Our Vendor Code of Conduct, which all of our vendors must acknowledge, also states the expectation we have of our vendors to provide diverse companies with the opportunity to compete on a fair and equal basis for business. In 2020, in an effort to minimize barriers to entry, we built a new website to increase transparency on doing business with Goldman Sachs and simplified our online application form to encourage more prospective diverse vendors to submit their details as to expertise and experience, which is then shared with our strategic sourcing teams.

In recent years, we have further expanded our program globally and firmwide. In addition, we continue to partner with our 10,000 Small Businesses program, 10,000 Women program, Launch With GS and One Million Black Women initiatives, among others, to identify diverse vendors for upcoming sourcing opportunities.

This year, for the first time, we publicly reported our spend with small and diverse businesses. In 2020, we bought goods and services worth over $265 million from small and diverse vendors globally. Seventy percent was with minority-women-owned businesses and 30 percent with small businesses. Twenty-eight percent was subcontracted through our nondiverse prime vendors to multiple smaller diverse vendors.

Over the course of 2021, we are further enhancing our reporting capabilities and we remain committed to holding ourselves and our vendors accountable in our efforts to increase activity with small and diverse businesses from our 2020 baseline by 50 percent by 2025.

Use of Diverse Asset Managers

Our asset management business works with nearly 40 external asset managers that are majority women-owned or ethnically diverse-owned firms. This number has almost doubled over the last 2 years due to a focused effort to increase our pipeline

and onboard more diverse managers. These firms manage equity, fixed income, hedge fund and private equity assets for Goldman Sachs institutional and private clients.

In addition, we are continuing to refine and enhance our diverse manager sourcing across all asset classes to further increase the number of diverse-owned managers on the platform. We are increasing the training of our manager selection team on diversity, equity, and inclusion and will be hiring additional professionals with experience in sourcing diverse managers. We also plan to partner with diverse industry trade organizations to connect to smaller diverse-owned managers and have partnered with organizations focused on creating an asset management investor pipeline.

Use of Diverse Broker-Dealers

Goldman Sachs is one of the largest issuers of corporate bonds in the investment grade capital markets, and we have had an established diverse broker-dealer program for many years. Specifically, in the last 10 years, we have employed a range of diverse firms on every new syndicated USD benchmark and preferred financing we have issued for ourselves, representing over $156 billion of aggregate issuance. We have endeavored to be inclusive across all diverse firm types with strong representation from Black, Hispanic, disabled veteran and women owned and operated firms.

The majority of these transactions have included four diverse firms, with some including as many as 12. Over this period, we have asked 23 different diverse firms to join our underwriting syndicate, and we are proud to support these firms and their underwriting and distribution businesses. We manage our relationships with diverse firms on a continuous basis and regularly review our partner firms based on numerous criteria, including the commitment each makes to their community, the proportion of their employees that are diverse and representative of their demographic, and their distribution capabilities.

Moreover, in 2020, our Federal Instruments Fund—designed to direct the bulk of its trading to diverse broker-dealers—raised $3.1 billion, more than twice the prior year. This stands as the leader among all diversity and inclusion-related money market fund flows during 2020. Despite that significant inflow, the fund maintained 61.8 percent of purchases with diverse-, women-, or veteran-owned broker-dealers who benefited from the increased trading volumes.

Investing in Sustainability and a Transition to a Green Economy

At Goldman Sachs, we have a long-standing commitment to sustainability. We view climate transition and inclusive growth as drivers of risk and opportunity for us and our clients.

I am proud of our established track record of focusing on environmental matters. We were the first major U.S. bank to come forward in 2005 with a comprehensive Environmental Policy Framework, where we acknowledged the scientific consensus that climate change is real and that it is one of the most significant environmental challenges of the 21st century. In 2015, we updated that Framework to underscore our commitment to leveraging our people, capital and ideas to find solutions to address climate change, including by developing a target to finance and invest $150 billion in clean energy by 2025.

In 2019, we developed a sustainable finance framework to put climate transition and inclusive growth at the forefront of our work with clients. We have set clear targets and remain committed to reporting and providing transparency on our progress. For example, as part of our commitment, we announced that we would target $750 billion in financing, investing, and advisory activity on our sustainability priorities by 2030. In the first year, we far surpassed what we thought possible, reaching $156 billion in commercial activity, which includes $93 billion dedicated to climate transition.

We have been carbon neutral across our own operations and business travel since 2015, 5 years earlier than our goal, and we recently extended that carbon neutral commitment to include our supply chain, targeting net-zero greenhouse gas emissions by 2030. This commitment aligns our financing activities with a net-zero-by-2050 transition pathway, in line with the goals of the Paris Agreement.

And, because we cannot possibly confront the challenges of climate change and structural inequity on our own, we have gone beyond our commercial work to partner with our peers and other organizations to effect real change. For instance, we are working with the Bloomberg-sponsored Climate Finance Leadership Initiative to help attract more private capital to sustainable infrastructure projects in emerging markets.

Increasingly, we advise corporates seeking to integrate ESG or related principles into their strategy and help them identify sustainability-related risks and opportunities as levers of growth. This includes financing opportunities that fund investment in our clients' transition to a lower-carbon-intensity business model, participating in the scaling of sustainable finance in equity capital markets, and facilitating M&A opportunities to accelerate climate transition and inclusive growth.

For example, in August 2020, we brought to market Alphabet's first-ever sustainability bond issuance and the largest-ever such bond issued by a corporate. Proceeds will be targeted toward sustainability projects, including clean energy and transport, circular economy and design, energy efficiency, and affordable housing. Additionally, we launched in February 2021 our inaugural sustainability bond issuance. This $800 million commitment is aligned with our sustainable finance framework for future issuances and further demonstrates our belief that building a low-carbon, inclusive economy is a business imperative.

These initiatives are very much market driven, good for business and a way for us to help our clients transition to a low carbon future, and we are staying the course.

Appendix

One Million Black Women First Round of Capital Investments and Philanthropic Grants

On May 21, 2021, we announced that investment capital and philanthropic grants will be provided to the following organizations as part of our One Million Black Women program:

- **Archer Towers** *(New York, NY)* will receive an investment to fund the construction of a mixed-income residential development in Jamaica, Queens consisting of 181 affordable units, 424 market rate units, 13,900sf of retail space, and 224 parking spaces. Housing is intrinsically connected to better health outcomes, economic mobility, and employment prospects for Black women. This investment will provide stable, quality, affordable housing in a traditionally cost-prohibitive metro area.
- **Birth Center Equity** *(National)* will receive a grant to support Black women led community birth centers in providing access to new resources that ensures Black women's collective vitality, sustainability, and growth.
- **BlocPower WiFi** *(New York, NY)* will receive an investment to expand broadband services across the Bronx and Upper Manhattan with a focus on low-income neighborhoods. The lack of affordable broadband access leads to barriers to education, employment, banking services, healthcare, social networks and other services for Black women.
- **Buy From A Black Woman** *(Atlanta, Georgia)* will receive a grant to continue website development, social media education content, technical assistance and grant funding to small Black-women owned businesses.
- **Center for Maternal Health Equity at Morehouse School of Medicine** *(Atlanta, Georgia)* will receive a foundational grant to directly address the disproportionate maternal mortality that Black women face in comparison to white women. 60% of maternal deaths are preventable and this investment will seek to reverse this troubling statistic.
- **Collab Capital Fund I** *(National)* will receive an investment to fund investments in Black founders building innovative, high growth companies. Currently, Black women start businesses at the fastest rate of any demographic, but receive 0.27% of venture capital funding.
- **Columbus Urban League** *(Columbus, Ohio)* will receive a grant to fund the pilot launch of Incubate Her, which will create meaningful change in the economic health and outlook of Black women in Central Ohio.
- **NYC COVID-19 Loan Facility** *(New York, NY)* will receive an investment to fund critical staffing needs related to the COVID-19 vaccination process and patient care at New York City's safety-net hospitals which serve the City's underserved Black communities.
- **Prosp(a)rity Project** *(East Palo Alto, California)* will receive a grant to fund the development of the 35*2 Free Initiative, which provides personalized financial coaching and retroactive scholarships for "Prosperettes" to help manage student loan debt.
- **Sadie Collective** *(Washington, District of Columbia)* will receive a grant to fund the creation of high school economic clubs for young Black girls to participate in the annual Federal Reserve Challenge.
- **Springboard To Opportunities: Magnolia Mother's Trust** *(Jackson, Mississippi)* will receive a grant to fund the next iteration of the Magnolia Mother's Trust program, which provides Black mothers living in extreme poverty with a $1,000 monthly stipend to help lift them out of poverty.
- **Women's Fund of Central Ohio** *(Columbus, Ohio)* will receive a grant to fund the Enduring Progress Initiative to fill the systemic funding gap faced by non-profits led by women of color.

Compliance with Applicable Laws

Goldman Sachs is committed to a best-in-class legal and compliance framework that not only responds decisively to issues that arise, but supports a proactive mindset to look around corners for the issues that are to come. We acknowledge that we have been party to enforcement actions by federal agencies, and we believe it is our obligation to be self-reflective and self-critical. We are in compliance with the terms of each applicable settlement, and we continue to strengthen firm controls, processes and culture to help ensure compliance with all applicable laws and regulations.

We recognize that industry risks continue to evolve, so we will never be done enhancing our compliance program and reputational risk framework. We will continue making enhancements to ensure appropriate controls are in place to minimize the risk of reputational consequences, taking into account lessons learned from internal and external events. We will continue to hold ourselves to the highest standards, through a culture rooted in integrity, shaped by a long-term mindset and guided by a sense of personal accountability and responsibility for our actions.

Since 2015, we have made significant enhancements to compliance and internal controls. These include:

- re-designing our framework for addressing reputational risk, including the creation of a firmwide reputational risk committee that is made up of predominantly control-side members who are empowered to stop any transaction
- uplifting and relaunching our Code of Business Conduct and Ethics to clearly and unequivocally message our highest standards that every employee is responsible for living up to our core values
- strengthening anti-bribery and anti-corruption controls for intermediaries and third parties
- expanding the required due diligence for transactions directly or indirectly involving sovereigns in high-risk jurisdictions or growth markets
- exercising heightened scrutiny of senior level people engaged in high risk areas, business or products
- ensuring greater focus and additional actions when "red flags" are identified
- further developing targeted e-communication surveillance based on new emerging technology
- improving training on compliance responsibilities firmwide
- enhancing the firm's systems and controls to prevent and detect money laundering and bribery-related behavior by the firm and its clients
- establishing a firmwide market conduct risk framework
- broadening our supervisory oversight in the businesses
- strengthening our compliance risk program and assessments
- providing ongoing training and communication on market conduct risks and related duties and responsibilities
- establishing a range of additional surveillance tools to monitor trading activities and detect any employee misconduct

Goldman Sachs End of Year Capital and Leverage Ratios and Capital Distributions

Year-End CET1 Capital Ratios and SLRs *(on a fully-phased in basis)*[1]								
	Y/E 2013	Y/E 2014	Y/E 2015	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020
Standardized CET1 Ratio	9.2%	10.2%	12.9%	14.0%	11.9%	13.3%	13.3%	14.7%
Advanced CET1 Ratio	9.8%	11.1%	11.7%	12.7%	10.7%	13.1%	13.7%	13.4%
SLR	~5%	5.0%	5.9%	6.4%	5.8%	6.2%	6.2%	7.0%

Annual Common Share Repurchases, Common Dividends and Preferred Dividends *($ in millions)*										
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Common Share Repurchases	$6,036	$4,637	$6,175	$5,469	$4,195	$6,069	$6,721	$3,294	$5,335	$1,928
Common Share Dividends	$769	$903	$988	$1,054	$1,166	$1,129	$1,181	$1,226	$1,544	$1,795
Preferred Dividends – Excl, Series G Redemption	$ 289	$183	$314	$400	$515	$311	$601	$599	$569	$544
Preferred Dividends – Series G Redemption[2]	$1,643	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[1] Effective January 2018, Goldman Sachs was subject to the fully phased-in Common Equity Tier 1 (CET1) capital ratio requirements, calculated in accordance with both the Standardized and Advanced Capital Rules, and a supplementary leverage ratio (SLR) requirement. The table presents our fully phased-in CET1 capital ratios and SLR going back to the earliest year end reported, including periods prior to the effective date. Prior to 2018, Goldman Sachs was subject to the consolidated regulatory capital requirements that were in effect at the time of each respective year, and reported on such basis.

[2] FY2011 included a $1.64 billion preferred dividend related to the redemption of our Series G Preferred Stock, held by Berkshire Hathaway.

PREPARED STATEMENT OF JANE FRASER

CHIEF EXECUTIVE OFFICER, CITIGROUP

MAY 26, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee: I would like to thank you for this opportunity to represent Citi here today. I am Jane Fraser and I have been Chief Executive Officer of Citi since March.

Citi believes deeply in its mission of responsibly providing financial services that enable growth and economic progress. We believe banking is the foundation of economic empowerment and mobility and we are committed to expanding access to financial services for all communities. The past year, and all the challenges it has brought, has been an opportunity for us to walk the walk. As the world's most global bank, we continue to support many of the most iconic American businesses as they navigate the uncertainty of markets abroad. And working in concert with Federal assistance programs, we continue to serve as a source of strength for our customers and communities here at home. We are laser-focused on driving a sustainable and equitable recovery to the pandemic.

Who We Are as a Bank

The origins of this global crisis are very different to the last one: this is not a financial crisis, but a public health crisis with severe economic consequences. Likewise, Citi has shown during the pandemic that we are a very different bank than the one that entered the financial crisis more than a decade ago.

Right-Sizing the Bank To Increase Our Impact

As my predecessor, Mike Corbat, shared with you in 2019, since the financial crisis Citi has worked to become a smaller, safer, stronger, and far less complex institution. We have gone back to basics as a bank and today we have two primary lines of business: our Global Consumer Bank and our Institutional Clients Group. An ongoing effort to simplify our structure has resulted in us shedding over 70 businesses and divesting more than $800 billion of noncore assets.

By divesting these noncore assets, we increased the efficiency in our use of capital and reduced our deferred tax assets by more than half, generating $7 billion of regulatory capital in the process. Even as we continue to meet the needs of our customers and communities during the pandemic, we remain well capitalized. We ended 2020 with a Common Equity Tier 1 Capital ratio of 11.7 percent and a supplementary leverage ratio of 7 percent. This allowed us to resume the repurchase of common stock this year, which we had voluntarily paused at the onset of the pandemic. (See Appendix for more information.)

Like our peers, Citi has benefited from Government programs and facilities, including FDIC insurance and access to the Federal Reserve's Discount Window. But in turn, we provide a tremendous benefit to the Government and the broader economy through the services we offer. We also support the Federal Government in much of its financial activity overseas.

Over the past four decades, Citi is proud to have financed more of America's public infrastructure than any other bank. Last year alone, we spurred the investment of more than $27 billion across the U.S. in projects including bridges, hospitals, airports, water, and public power, on behalf of a wide range of municipal and nonprofit clients. Many of these large projects would not be possible without the heft of a balance sheet like Citi's to finance them. In fact, over the past 10 years, Citi has been the source of $508 billion in financing for local governments, nonprofit health care institutions, public works, affordable housing and other anchors necessary for strong communities. Combined with the $77 billion we lend on average each year to companies in industries outside of the financial sector such as manufacturing, agriculture, retail and energy, Citi aspires to be an essential catalyst for growth and progress throughout American life.

Our Core Franchises

The U.S. economy needs banks of all sizes, scaled to support a full range of businesses and households. Today, Citi is right-sized to serve clients wherever they do business. Our Global Consumer Bank serves roughly 70 million customers in the U.S., where we operate just under 700 retail branches concentrated in the six metropolitan areas of New York, Washington, DC, Miami, Chicago, San Francisco, and Los Angeles. Our current branch count, while fewer than the approximately 1,000 branches we had 10 years ago, is greater than the 450 we operated at the turn of the millennium. Roughly 29 percent of our branches are in low- and moderate-income census tracts, which is commensurate with our peers. And through investments in our digital capabilities, new and expanded partnerships and our role as

the world's largest credit card issuer, we have been able to extend our reach beyond our core, physical footprint to serve communities across the country and deepen customer relationships.

Our Institutional Clients Group serves clients across more than 160 markets and jurisdictions, and has a physical presence in nearly 100 of them. We provide a full range of wholesale banking products and services to our clients via six main business lines including banking, capital markets and advisory; commercial banking; global markets; securities services; treasury and trade solutions; and wealth management and private banking. Working together, our Institutional Clients Group provides solutions to meet the needs of corporations, financial institutions, public sector entities, investment managers and high-net worth individuals and families. [1]

We are the leading financer of affordable housing in the country—and have been for 11 consecutive years. Our commercial bank serves many mid-sized American companies, including numerous firms looking to expand and grow across the country and the globe. We also help many State and local governments finance critical infrastructure, such as schools and health facilities. We endeavor to provide stellar execution to lead transformation for our clients as they navigate evolving global factors including environmental, social and corporate governance (ESG) issues, wellness, mobility and fintech. Our network-driven strategy and global presence allow us to provide products and services to clients who value a partner that can help them grow in any country they do business. This includes multinationals who are expanding globally, particularly in emerging markets, and emerging markets companies who are growing beyond their home market or region. We also assist 90 percent of global Fortune 500 companies in their daily operations and help them to hire, grow, and succeed.

Serving as a Source of Strength During COVID–19

Because of the steps we have taken to invest in our resilience and improve our safety and soundness, we are on a strong footing from a liquidity and capital perspective to support our customers, colleagues, and communities through this pandemic. The prudent decisions we made in the wake of the last crisis have proved their full value in this one.

At the onset of the pandemic, Citi quickly took action through a comprehensive, approach to provide immediate, on-the-ground relief. We were one of the first banks to announce temporary assistance measures. To date, we have provided assistance to 2.7 million consumers and small businesses in the U.S. who have suffered the impacts of the pandemic, and we significantly ramped up our capital support for corporate clients in the hardest-hit sectors such as retail and the airline industry.

Our credit card customers last year were eligible for waivers on late fees and could defer minimum payments for 2 months, with the option to re-enroll if necessary. There was no negative credit bureau reporting during the waiver period for accounts that were previously not delinquent. For retail bank customers adversely affected by the pandemic, we refunded certain banking fees, including penalties for early CD withdrawal and monthly account maintenance fees, upon request. In addition, we allowed free cash withdrawals at other banks' ATMs.

For our small business customers, we offered waivers on monthly service fees and remote deposit capture fees, as well as penalty waivers for early Certificate of Deposit withdrawals. Citi exited the direct mortgage servicing business in 2019, however, our mortgage subservicer, Cenlar FSB, continues to offer forbearance, loss mitigation, foreclosure, and eviction practices in compliance with the CARES Act, GSE, and other governmental pronouncements.

We are also proud to be the conduit for the extraordinary consumer and business aid that Congress and the Federal Reserve have provided. We helped deliver this aid across many Government-sponsored programs, including the Small Business Administration's Paycheck Protection Program. To date, we have funded more than $5.1 billion in loans to small businesses in the hardest-hit sectors and in the hardest-hit areas of the country. Businesses such as Dinah's Chicken in Glendale, California, and the Maryland Youth Ballet survived partly on the help Congress enabled and banks like ours delivered. The average size of loans we disbursed was $100,711, and nearly 80 percent of those loans have gone to small businesses with 10 or fewer employees.

Earlier this year, we launched a series of PPP webinars, including one in Spanish, to help small businesses in communities across the country complete the PPP application and loan forgiveness process. We have also shared the webinars with 180 community-based organizations and promoted them on our social media channels.

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[1] Citi does not have a trading or prime brokerage relationship with Archegos, nor did we have any exposure to Archegos in our private bank.

To provide further support, we are donating all net profits from our participation in the PPP to Community Development Financial Institutions (CDFIs) and small businesses. To date, we have contributed, or are in the process of contributing, $50 million in net profits, with at least another $40 million expected over the coming year.[2]

Mindful of the ever-changing COVID–19 landscape and its impact on our customers, Citi deployed protocols to enable consumers to receive full access to stimulus dollars, including applying temporary provisional credits so that customers can access deposited stimulus funds. Overdraft fees in 2020 were less than 0.1 percent of our total revenue and fees were down 18 percent compared to 2019.

We also expanded access to check cashing services for noncustomers, eliminated surcharges for prepaid debit cards issued for stimulus payments and adjusted policies and procedures covering the garnishment of customer stimulus payments. For internal matters (i.e., where a customer owes funds to Citi), Citi continues to prohibit levying on any CARES Act or stimulus payments identified by the bank. For third-party garnishment orders, Citi complies with applicable State and Federal laws and acts in conjunction with regulatory guidelines.

Our Priorities Going Forward

As CEO, I have set several priorities for our firm, including continuing to support our customers and communities through the pandemic and recovery, establishing a standard of excellence in the way we manage risk and ensuring we are best positioned to deliver for our customers in the digital era.

1. Building on Our Record of Financial Inclusion To Support an Inclusive Recovery

We are already seeing the shoots of a K-shaped recovery in which some will do better and others will struggle. Unfortunately, those who will struggle have been economically disadvantaged historically, and they will need special attention from our industry. At Citi, we have a strong record of breaking down barriers impeding access to financial services and helping direct the flow of capital into communities that have traditionally lacked it. Our partnerships with CDFIs and Minority Depository Institutions (MDIs) are emblematic of this work.

In the face of a broader consolidation of the banking industry, there is an important role for institutions of all sizes. Indeed, we are focused on ways we can support smaller banks, such as CDFIs and MDIs, because they often can serve communities in more effective and enduring ways than we can on our own or through our branch footprint. CDFIs level the playing field for underserved communities and populations, especially communities of color. That's why, in the last 5 years, Citi and the Citi Foundation have provided $173 million in capital and $79 million in philanthropic funding to more than 80 CDFIs across the U.S. in support of their small business and community development efforts. As noted earlier, we also are donating net profits from the PPP to CDFIs to provide further support to small businesses and households hit hard by the pandemic.

MDIs also are critical to the financial services ecosystem in diverse communities and are important partners of Citi. We are a founding partner bank for the Department of Treasury's Financial Agent Mentor-Protege program, in which we are currently mentoring nine MDIs. Last year, Citi announced a partnership with the National Bankers Association, through which Citi created a purchasing facility to assume up to $50 million in PPP loans from MDIs. To date, five MDIs have taken part in the program, allowing them to free up capital that can be used for other lending activities. In addition, as part of Citi's Action for Racial Equity initiative to close the racial wealth gap, we have committed $100 million in support of MDI growth and revenue generation, allocating nearly $50 million in growth capital to MDIs to strengthen their ability to serve racially diverse and underserved households and entrepreneurs.

At Citi, we are also harnessing our capabilities in other ways to expand financial inclusion and make a direct impact on communities. Although we have a smaller branch footprint compared to some of our peer banks, across the Nation Citibank customers have access to more than 65,000 fee-free ATM locations, including ATMs at Costco, CVS Pharmacy, Duane Reade, Target, Rite Aid, and most Walgreens. In addition, our Citi ATM Community Network program helps eliminate one of the biggest barriers to banking by removing surcharge fees at Citibank ATMs for more than 440,000 customers of 28 minority-owned banks and credit unions.

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[2] Citi participated in the Main Street Lending Program (MSLP), opening the program to existing customers on July 20, 2020. Only two customers, totaling $86.3 million, met all conditions for MSLP approval and were successfully funded prior to the program's cessation. Citi's fees were $650,000.

One of Citi's fastest growing products is our Access Account, an FDIC-insured checkless account with low or avoidable monthly charges and no overdraft fees, launched in 2014. We recently partnered with the National Urban League to promote this account in additional underserved communities. Additionally, 10 years ago, we began working with the City of San Francisco to establish the Nation's first universal, publicly funded college savings account program for every family in that city's public school system. We are now expanding the program to San Jose and Los Angeles. [3]

We are especially proud of our role as the country's leading affordable housing lender. In 2020 alone, we worked with State and local governments across the country to provide more than $7 billion in financing for affordable rental housing projects. That includes the financing to renovate six developments in Cambridge, Massachusetts, for lower-income seniors and disabled residents and a brand new 480-unit housing complex reserved for low-income families and seniors in Las Vegas.

2. Achieving Excellence in Our Risk and Control Environment

The pandemic is irrevocably changing many things about banking, including accelerating customers' adoption of digital channels. At Citi, we are embracing this opportunity to transform our business and achieve a state of excellence in how we operate and in our ability to serve our customers. A major part of this agenda is improving our risk and controls infrastructure. In 2020, compared to 2019, we invested an additional $1 billion towards modernizing our technology, simplifying our processes and improving and automating controls. We also hired our first chief administration officer to oversee these efforts.

We understand a world-class risk and controls infrastructure is critical to our ability to handle the volumes and scale of the new digital era and reaffirm the trust and faith our customers put in us. These efforts are also addressing the issues identified in consent orders by the OCC and Federal Reserve in October 2020 and are intended to reduce the risks that have led to other enforcement actions. We take pride in our role as a global leader in financial services and are fully committed to addressing the issues identified by our regulators. (Please see the appendix for additional information on public actions taken since Citi last testified in 2019.)

3. Delivering for Our Customers in the Digital Era

From financing the first transatlantic cable to developing the first mobile banking app from a major U.S. bank, Citi prides itself on both financing emerging technologies to enable progress and leveraging them responsibly to better serve our customers. In our approach to today's newer technologies, we remain guided by a focus on risk and controls. We were one of the world's first companies to develop our own set of ethical principles for artificial intelligence, which aim to ensure effective governance, risk management and responsible innovation in our use of AI. We recently launched an AI Center of Excellence to share and drive adherence to best practices across the firm.

Similarly, before we engage with cryptocurrencies, we see it as our responsibility to ensure we have clear governance and controls in place. Citi is focusing resources and efforts to understand changes in the digital asset space and the use of distributed ledger technology, including demand and interest by our clients, regulatory developments and technology advancements. These developments and important risk and control considerations are guiding our measured approach.

With the proliferation of new technologies, the use of mobile and cloud and managed services to conduct financial transactions, and the increasing sophistication of threat actors, prominent financial institutions such as Citi have been and will continue to be subject to cyberincidents. Recognizing the significance of these risks, Citi employs a threat-focused, data-driven strategy to protect against, detect, respond to and recover from cyberattacks. We actively participate in industry, Government and cross-sector knowledge-sharing groups to enhance our resilience. We also devote significant resources to implement, maintain, monitor, and regularly upgrade our systems and networks. In addition, to protect Citi's and our customers' assets and information, we have implemented multiple layers of controls, including intrusion detection and prevention, endpoint detection and response, as well as various other prevention, detection, and response processes. [4]

We invest in advanced technology to safeguard data and customer information. For instance, the Citi Virtual Card Account provides a secure, business-to-business

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[3] For additional details on our work with CDFIs, MDIs, and support for the unbanked and underbanked, please see Helping Advance Racial Equity in the Financial Services Industry and pp. 72–80 in Citi's 2020 ESG Report.

[4] For more information about Citi's cybersecurity efforts, see pp. 55–56 and 116 of Citi's 2020 Annual Report.

digital solution for large workflows through the generation of one-time account numbers. The virtual card technology enables real-time transactions that are automated and secure, safeguarding against fraud and potential misuse. The account eliminates the need for paper-based payments but still leaves an electronic trace, which allows for easy reconciliation and reporting. In addition, our Citi Payment Outlier Detection solution uses analytics, artificial intelligence, and machine learning to find transactions that do not align with typical patterns of activity. These outliers are then investigated to determine whether they indicate fraud. Each year, we provide our employees with training on how to properly handle and maintain the security and privacy of Citi's and our customers' information.

Bringing Our Mission to Life

The events of this past year are a stark reminder that companies like ours have a role to play in helping tackle the world's toughest problems. Citi's mission of enabling growth and economic progress is not just a nicety we put up on our website; it is something we take very seriously and bring to life through our day-to-day work across all parts of our business and our philanthropy.

Over the past decade, Citi and the Citi Foundation have provided more than $870 million to hundreds of community partners across the U.S. to support vibrant and equitable local economies in the communities where we do business. In addition to our financial support, we harness the passion and expertise of our employees to enhance our impact and engagement, with an average of 450,000 in total volunteering hours in the U.S. each year.

To illuminate the challenges affecting communities and to inform solutions, we have underwritten critical research including the groundbreaking U.S. Financial Diaries project, which tracked the financial lives of hundreds of low-income families over a year, and the annual Menino Survey of Mayors, the only nationally representative survey of U.S. mayors. We have also collaborated with leading national civil rights and advocacy organizations on policy developments that support financial inclusion and wealth creation in low-income communities of color.

1. Sustainability

Citi manages and mitigates credit and reputational risk through a number of internal initiatives, including Citi's Environmental and Social Risk Management (ESRM) Policy. The ESRM Policy provides the framework for how Citi identifies, mitigates and manages the potential environmental and social risks associated with customers' activities that could lead to credit or reputational risks to the company. [5]

Climate change presents risks to Citi and its clients that will only increase over time. We are committed to helping our clients mitigate these risks and transition to cleaner energy. For instance, we have worked with oil and gas clients to support next-generation carbon capture and sequestration technology, and we have partnered with others on innovative loans that are linked to their sustainability performance.

The market continues to drive demand for sustainable finance, an area in which Citi has long been a leader. We helped create the Equator Principles in 2003 and the Green Bond Principles in 2014, both establishing important industry standards. In 2018, Citi became the first U.S. bank to report on our efforts to implement the Taskforce on Climate-related Financial Disclosures framework, providing transparency about the impact climate change has from a risk management perspective. And knowing how important it is to manage our own footprint, last year we fulfilled a goal of sourcing 100 percent renewable electricity for our facilities globally.

We recently committed to financing $500 billion in environmental projects and activities by 2030. This is a tenfold increase over our first environmental financing commitment made back in 2007. And on my first day as CEO in March, we committed Citi to net zero emissions by 2050. We know that to truly address the risks of climate change, we need to help our clients—which include many of the world's biggest multinationals, as well as investors and even countries—responsibly transition to net zero. [6]

2. Equity

The global pandemic has laid bare the systemic inequities that have impeded communities from reaching their full potential, and we cannot ignore the role our own industry has played in contributing to these disparities. In the aftermath of George Floyd's death in Minneapolis, as calls for racial justice intensified across the U.S., we launched Action for Racial Equity, more than $1 billion in strategic initiatives to help close the racial wealth gap and increase economic mobility. As part of this

[5] See Citi's 2021 Proxy Statement for more information.

[6] For more information about Citi's sustainability agenda, see pp. 24–58 in Citi's 2020 ESG Report.

initiative, we are tackling the home ownership crisis in communities of color and are in the final stages of committing $200 million of equity to the preservation of affordable and workforce housing projects that will be comanaged by five Black investment managers.

We have set a target of directing $1 billion annually by 2023 to diverse suppliers to help more minority and women-owned entrepreneurs get the financing they need to start and grow their businesses. As part of that effort, 27 percent of third-party broker fees paid in 2020 went to minority- and women-owned firms. Our new, globally unified wealth business will increase the number of minority-owned third-party asset managers investing in minority-owned businesses offered to Citi clients, with a target of onboarding 5–15 diverse fund managers and seeking $200 million of capital investment into these funds by the end of 2023. These are investments that promise to pay tremendous dividends: recent research by Citi found that if key racial gaps for Black Americans had been closed 20 years ago, U.S. GDP could have increased by an estimated $16 trillion. [7]

3. Diversity

We are also making sure we maintain a culture that embraces the diversity of our people and the communities we serve. Today, our board of directors is 50 percent women and 19 percent minority. I am proud to be the first woman to run a global financial institution, and equally proud that we have one of the most senior Black executives in our industry, Mark Mason, as our CFO. Of my U.S.-based direct reports, five are women, one is Black, one is Hispanic and three are members of the AAPI community.

We are notable in our industry for recognizing the importance of transparency and accountability to our diversity efforts. In 2018, Citi was the first major U.S. financial institution to publicly release the results of a pay equity review comparing compensation of women to men and U.S. minorities to U.S. nonminorities. To close these gaps, we have set goals to increase our representation at senior levels of our firm. We are focused on increasing female representation to at least 40 percent globally, up from 37 percent when we established our goals in 2018, and to boost the representation of Black employees in those same roles in the U.S. to at least 8 percent, up from the 2018 baseline of 6 percent.

To help us recruit more racially diverse talent, we have established pipelines from historically Black colleges and universities and have expanded the diverse slates of candidates we interview for open roles. To help solve the two-pronged issues of representation and pay equity, we must have more women and minorities in senior, high-paying roles. Career development is one of our top priorities, and we promote from within to continue developing our existing talent. In 2020, 33 percent of open positions at Citi were filled with internal candidates. [8]

4. Human Rights

We are committed to identifying, preventing, and disrupting human rights wherever we do business, regardless of a Government's human rights record. As part of this effort, we engage human rights experts, clients and peers in line with the U.N. Guiding Principles on Business and Human Rights, a global framework for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

We regularly initiate investigations concerning illicit activity related to sexual exploitation and human trafficking. Red flags may be the result of information received from law enforcement, NGOs or various global public–private partnerships that track activity suggesting human trafficking and child sexual exploitation. In addition, Citi was one of the first financial institutions to engage with the U.N. on their Survivor Inclusion Initiative, in which we provide financial services to survivors to help them transition back into society. [9]

I thank you for the opportunity to respond to your questions and to discuss our support for our customers, clients, and the communities hit by the crisis.

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[7] "Citi GPS Report: Closing the Racial Wealth Gaps—The Economic Cost of Black Inequality in the U.S.", September 2020.

[8] For more information on Citi's diversity and racial equity efforts, see pp. 60–91 in Citi's 2020 ESG Report.

[9] For more information on Citi's work regarding human rights, see pp. 118–124 in Citi's 2020 ESG Report.

APPENDIX

Arbitration clauses in contracts with consumers, employees, investors, and contractors

Select consumer products offer arbitration as a way to resolve disputes with an opt-out right for consumers, and there are no arbitration clauses in our mortgage products. We do require arbitration of employment disputes for U.S. employees, as permitted by law and as is customary in many firms in our industry and others. Our arbitration agreements with our employees specifically state that they are not prohibited from reporting their concerns to government agencies, such as the Equal Employment Opportunity Commission, other state and local human rights agencies, or our regulators.

Compensation, including minimum wage, and clawback policies.

Citi's compensation policy is designed to encourage prudent risk-taking and management of controls while attracting the world-class talent necessary to our success. Our approach is summarized by the following five objectives: reinforce a business culture based on the highest ethical standards; manage our risks by encouraging prudent decision-making; reflect regulatory guidance in compensation programs; attract and retain the best talent to lead us to success; and align compensation programs, structures, and decisions with stockholder and other stakeholder interests.

To support compensation decisions and to promote accountability among executives, we use a proprietary tool that evaluates their performance across four pillars – risk and control, financial, client and franchise and leadership. The results of these evaluations, combined with the market rates of pay adjusted to reflect each executive officer's experience and the scope of his or her role in our system, form the basis for our compensation committee's determination of incentive compensation amounts.

We provide an hourly minimum wage of $15 for all U.S. employees, and the median hourly wage is $43.52. In 2020, during his last full year as CEO, Mike Corbat's pay compared to the median pay of U.S. employees was a ratio of 213 to 1. In 2020, as president of Citi, Jane Fraser's pay ratio was 155 to 1.

Our robust clawback policies are applicable to incentive awards to executive officers and all other employees eligible for similar awards. The clawback provisions provide us with the right to cancel unvested deferred incentive compensation under a range of adverse outcomes. We will also consider making public disclosures whenever a decision has been made to cancel deferred compensation payable to an executive officer because he or she had significant responsibility for a material adverse outcome or otherwise.

Share buybacks, dividend payments, and other capital distributions

See attached

Federal and State enforcement actions since April 2019

See attached

Risk-based capital and leverage ratios at year-end for each of the past 10 years, as reported in Citigroup's FR Y-9C:

	Common Equity Tier 1 Capital ratio[1][2][3][4]	Tier 1 Capital ratio[2][3][4][5]	Total Capital ratio[2][3][4][5]	Tier 1 Leverage ratio[3][4]	Supplementary Leverage ratio[3][4][6][7]
December 31, 2011	N/A	13.55%	16.99%	7.19%	N/A
December 31, 2012	N/A	14.04%	17.25%	7.48%	N/A
December 31, 2013	N/A	13.65%	16.63%	8.19%	N/A
December 31, 2014	13.07%	13.07%	14.51%	9.01%	N/A
December 31, 2015	14.60%	14.81%	16.69%	10.18%	N/A
December 31, 2016	14.35%	15.29%	17.33%	10.09%	7.58%
December 31, 2017	12.99%	14.48%	16.77%	8.82%	6.77%
December 31, 2018	11.86%	13.43%	16.14%	8.32%	6.40%
December 31, 2019	11.79%	13.33%	15.87%	7.96%	6.20%
December 31, 2020	11.73%	13.31%	15.61%	7.37%	7.00%

(1) For periods presented prior to December 31, 2014, Citigroup's Common Equity Tier 1 Capital ratio was not reported in the FR Y-9C.

(2) Commencing in 2014, Citigroup's Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios reflect application of the U.S. Basel III rules, including the "capital floor provision" of the so-called "Collins Amendment" of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires Advanced Approaches banking organizations, including Citi, to calculate each of the three risk-based capital ratios under both the Standardized Approach and the Advanced Approaches, and to comply with the lower of each of the resulting risk-based capital ratios.

(3) Commencing January 1, 2014, the U.S. Basel III rules contain several differing, multi-year transition provisions, with various "phase-ins" and "phase-outs." With the exception of non-grandfathered trust preferred securities, which do not fully phase out of Tier 2 Capital until January 1, 2022, all other transition provisions have occurred and were entirely reflected in Citigroup's regulatory capital ratios beginning January 1, 2018.

(4) Commencing January 1, 2020, Citi's risk-based capital and leverage ratios reflect certain deferrals based on the modified regulatory capital transition provision related to the Current Expected Credit Loss (CECL) standard. For additional information, please refer to the "Capital Resources" section of Citigroup's 2020 Form 10-K.

(5) Citigroup's Tier 1 Capital and Total Capital ratios as of December 31, 2011 and December 31, 2012 reflected the application of Basel I credit risk and market risk capital rules. Citigroup's Tier 1 Capital and Total Capital ratios as of December 31, 2013 reflected the application of Basel I credit risk capital rules and Basel II.5 market risk capital rules.

(6) For periods presented prior to December 31, 2016, Citigroup's Supplementary Leverage ratio was not reported in the FR Y-9C.

(7) As of December 31, 2020, Citigroup's Total Leverage Exposure (the denominator of the Supplementary Leverage ratio) temporarily excluded U.S. Treasuries and deposits at Federal Reserve Banks. This temporary Supplementary Leverage ratio relief expired as scheduled on March 31, 2021. During the fourth quarter of 2020, as a result of the temporary relief, Citigroup's Supplementary Leverage ratio benefited 109 basis points. For additional information, please refer to the "Capital Resources" section of Citigroup's 2020 Form 10-K.

Annual amount of share buybacks and dividend payments by Citi during each of the past 10 years:

In millions of dollars, except per share amounts

Years ended December 31,	Common Share Dividends (per share amounts)	Common Share Dividends (total dollar amounts)	Common Share Repurchases	Preferred Stock Dividends	Preferred Stock Repurchases[1]
2011	$ 0.03	$ 81	$ 1	$ 26	$ -
2012	0.04	120	5	26	-
2013	0.04	120	837	194	94
2014	0.04	122	1,232	511	-
2015	0.16	484	5,452	769	-
2016	0.42	1,214	9,451	1,077	-
2017	0.96	2,595	14,538	1,213	-
2018	1.54	3,865	14,545	1,174	793
2019	1.92	4,403	17,875	1,109	1,980
2020	2.04	4,299	2,925	1,095	1,500

(1) Represents all repurchases and redemptions prior to maturity, regardless of whether the capital instrument was fully replaced during the same quarter in which the repurchase or redemption was announced.

Public enforcement actions against Citi by a Federal or State government agency since April 2019

Matter	Date	Regulator	Description of Allegations	Economic Sanction	Number of Customers	Settlement Document
Debts Previously Contracted OCC Civil Money Penalty	October 11, 2019	OCC	On October 11, 2019, the OCC issued a $30 million civil money penalty for violations of 12 USC 29 and 12 C.F.R. 34.82. This statute and regulation govern the length of time a bank may hold property acquired in satisfaction of a debt previously contracted. Prior to the receipt of the civil money penalty, Citibank self-disclosed violations of the requirements.	$30 million penalty	None	https://www.occ.treas.gov/news-issuances/news-releases/2019/nr-occ-2019-118.html
Flood Disaster Protection Act OCC Civil Money Penalty	January 21, 2020	OCC	The OCC found the bank engaged in a pattern or practice of violating 42 U.S.C. § 4012a(e) and 12 C.F.R. § 22.7(a). Specifically, the bank failed to purchase regulatory required flood insurance on behalf of borrowers with loans secured by buildings and mobile homes located in special flood hazard areas where flood insurance is available in a timely manner.	$17,998,510 penalty	None	https://www.occ.gov/news-issuances/news-releases/2020/nr-occ-2020-5.html
In the Matter of Citibank N.A., Citigroup Energy, Inc., and Citigroup Global Markets, Inc.	September 28, 2020	CFTC	CFTC enforcement settlement involving three Citi swap dealers (one of which which is also a futures commission merchant), alleging Citi failed to diligently supervise the operation of its audio preservation system because, after Citibank received a subpoena for information, audio recordings were inadvertantly deleted by an unexpected functioning of vendor-provided recording software.	$4.5 million civil penalty	None	https://www.cftc.gov/PressRoom/PressReleases/8257-20
Longstanding Deficiencies in Risk Management and Internal Controls	October 7, 2020	OCC, FRB	On October 7, 2020, the FRB and OCC announced enforcement actions against Citigroup, requiring the firm to correct several longstanding deficiencies in enterprise-wide risk management, compliance risk management, data governance, and internal controls.	$400 million penalty	None	https://www.federalreserve.gov/newsevents/pressreleases/enforcement20201007a.htm https://www.occ.gov/news-issuances/news-releases/2020/nr-occ-2020-132.html
State Attorney General Consumer Protection Law Settlement	February 8, 2021	Select State Attorney Generals	The Attorneys General for Iowa, Massachusetts, New Jersey, North Carolina and Pennsylvania alleged that Citi's self-identified issues related to APR reevaluation methodologies violated their states' consumer protection laws.	$4,207,500 settlement payment	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.attorneygeneral.gov/wp-content/uploads/2021/02/2021-02-08-Com_-v.-Citibank-AVC.pdf

PREPARED STATEMENT OF JAMIE DIMON

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, JPMORGAN CHASE & CO.

MAY 26, 2021

Chairman Brown, Ranking Member Toomey, and distinguished Members of the Committee, I appreciate the invitation to appear before you to talk about JPMorgan Chase, the strength and resilience of the U.S. financial system, and the people, businesses, and communities we serve.

JPMorgan Chase is a global financial services firm with assets of $3.4 trillion and operations worldwide. We are a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management. We serve millions of customers in the United States and many of the world's most prominent corporate, institutional, and Government clients. More information about our financial performance and shareholder information can be found in our 2021 Annual Proxy Statement, and in previous annual filings.

Banks play an essential role in a community, with the potential of bringing people together, enabling companies and individuals to reach their dreams, and being a source of strength in difficult times. Our 160,000 U.S. employees serve over 63 million households including more than 4 million small businesses. Over the last 20 years, we have grown our branch footprint through both organic growth and mergers with other banks. Today from nearly 4,900 branches located in 38 States and the District of Columbia, and through mobile and digital banking platforms, we serve customers with deposit products, wealth management, mortgages, auto loans, and credit cards. Since 2017, we have expanded our branch footprint from only 23 States, and will be in all 48 contiguous States by this summer. We open 30 percent of our new branches in low- to moderate-income neighborhoods. Today, nearly one-third of all our branches are in communities of color, and one-third of our small business banking customers are in majority–minority census tracts. We have about 150 branches in the Southwest Border region, and nearly 100 branches in rural communities, with more to come as we expand into our new markets.

Our Support for the Real Economy Through the Pandemic

We are living through extraordinary times, for which history will judge the leaders of Government and industry by the actions we take to address the health crisis, support the people and businesses suffering from the devastating economic impacts of the pandemic, and address longstanding structural inequities and racial economic inequality.

At JPMorgan Chase, our focus has been on what we, as a company, could do to serve. We entered this crisis from a position of strength, and leveraged our size and scale to contribute to stability in our country and ongoing support for the "real economy"—our customers, clients, employees, and communities impacted by the global crisis:

- In 2020, we extended credit and raised capital totaling $2.3 trillion for consumers and businesses of all sizes, helping them meet payroll, avoid layoffs, and support operations.
- We have delayed payments and extended forbearance options for about 2 million mortgage, auto, and credit card accounts, and refunded $120 million in fees on consumer deposit accounts, including overdraft fees, for over 1 million customers—all with no questions asked.
- Under the SBA's Paycheck Protection Program, we funded well over 400,000 loans to small businesses supporting over 3 million jobs, for more than $40 billion in total funding. About 80 percent went to businesses with fewer than 10 employees, and 90 percent to those with fewer than 20. Around one-third of Chase-facilitated loans went to businesses in communities of color.
- Outside of the PPP program, we provided $18 billion in new and renewed credit for U.S. small businesses in 2020. We delayed payments for 21,000 loans and refunded $24 million in deposit fees for more than 130,000 small businesses hit hard by the crisis.
- We took steps to make sure those in need, including those without access to traditional banking services, received each round of stimulus payments quickly. We deposited funds into our customers' accounts immediately after receiving them from the IRS, and temporarily credited any overdrawn accounts so customers could use the full value of their relief. We also cashed noncustomer stimulus checks at our branches and waived the check cashing fee. We did not garnish checks unless compelled to by law.

- We provided more than $70 million in loan relief for owners of multifamily properties housing more than 27,000 tenants, offering these landlord borrowers periods of interest-only payments and mortgage deferrals so they could more easily offer rental payment relief to their tenants.
- We committed $250 million in business and philanthropic initiatives with a focus on helping underserved small businesses and nonprofits access low-cost capital.
- And we supported our own employees—especially our own frontline workers who continued to show up to their jobs in branches, call centers, lock boxes, and for other roles that could not be performed at home. We gave special payments, provided additional paid time off to manage personal challenges at home and additional paid time off for illness or precautionary situations. We continued to pay branch employees for their regularly scheduled hours, even if hours were reduced or branches temporarily closed, and offered additional childcare support, including additional days of back-up childcare, discounts for childcare and subsidized full-service childcare in our 14 U.S. childcare centers.

There is no doubt that the bold and swift action taken by Congress, the Federal Reserve, and the Administrations over the last 15 months was instrumental in reversing financial panic, avoiding a deep and lasting economic crisis, and providing vital emergency aid directly to individuals and small businesses. While real damage was done, particularly for those at the lowest ends of the economic spectrum, the size and scope of the programs mitigated further economic deterioration and put this country on a path for a healthy economic recovery. We were proud to have participated in various Federal Reserve emergency programs, such as the Paycheck Protection Program, Primary Dealer Credit Facility, Commercial Paper Funding Facility, Money Market Mutual Fund Liquidity Facility and the Secondary Market Corporate Credit Facility, among others. We are very appreciative of the partnership with the Small Business Administration on PPP and proud of our thousands of bankers who worked around the clock to get funds to businesses as quickly as possible.

Our Commitment To Advancing Racial Equality

Events of the last year highlighted and exacerbated longstanding inequality, particularly among Black and Latinx families, increasing barriers to wealth creation and holding us back as a country. We believe it's our collective responsibility to address this, and why JPMorgan Chase recently committed an additional $30 billion over 5 years to advance racial equity, building on our past investments. Our commitment includes:

- Promoting and expanding affordable housing and home ownership for communities of color by committing to originate $8 billion in mortgages and up to $4 billion in refinancing loans for Black and Latinx households, and financing $14 billion for an additional 100,000 affordable rental units.
- Growing Black and Latinx owned businesses by delivering $2 billion in loans to small businesses in majority Black and Latinx communities, and by spending an additional $750 million with new and existing Black and Latinx owned suppliers to the firm.
- Improving financial health and access to banking in underserved communities—including helping 1 million people open low-cost accounts—by opening new Community Center branches, hiring local Community Managers, and investing at least $50 million in Minority Depository Institutions to help them better serve their communities.
- Building a more equitable and representative workforce through recruiting, development, and retention efforts, holding senior managers accountable for diversity and inclusion priorities, and providing our employees with access to the skills training they need to advance their careers.

These are new business commitments that will help to drive real change. We have made solid progress since our announcement late last year and are on track for our 5-year commitment. We have already refinanced over $2 billion in mortgages for Black and Latinx households and have funded equity investments and loans for construction or rehabilitation of an incremental 5,500 multifamily affordable housing units. We have funded over $60 million in investments in nine Minority Depository Institutions, already exceeding our initial 5-year goal.

At the same time, we are building the foundation that will help us grow new relationships in communities of color to meet our aggressive commitments. We expanded our Homebuyer Grant program to up to $5,500 to help more customers with

closing costs and a downpayment when buying a home in more than 6,700 minority communities nationwide. We opened our first Community Center branch in New York's Harlem community, and have replicated that model in minority communities around the country, including Chicago, Minneapolis, New Orleans, Dallas, and the Crenshaw neighborhood in Los Angeles, with many more coming in the next year. We have hired Community Managers, Home Lending Advisors and small business bankers in these communities, with many more to come.

We have also made other notable announcements in recent months that will materially and expeditiously contribute to addressing the racial wealth gap:

- *Bringing visibility to credit invisibles:* We recently announced that we are building a new utility in partnership with the OCC's Project REACh that will begin to address the 50 million Americans who are "credit invisible" and cannot access affordable loans. Working with Early Warning Systems and the three credit bureaus, a number of banks will soon pilot the utility that allows lenders to use deposit data to improve their ability to assess the creditworthiness for customers with no credit history or score. We expect a short-term impact on hundreds of thousands of Americans with no credit file, and that is just the beginning of new opportunities for more Americans to access the credit that is essential to building wealth.
- *Investing in midsized entrepreneurs of color:* JPMorgan Chase is coinvesting up to $200 million alongside Ariel Investments to create an entirely new class of middle market Black and Latinx entrepreneurs that are positioned to scale their businesses.
- *Diverse venture capital funds:* We launched a new initiative aimed at providing capital to funds managed by diverse, emerging asset managers, including minority-led and women-led venture capital funds and other private funds. Called "Project Spark", we invested an initial $25 million in five funds managed by diverse senior executives across JPMorgan Asset Management.
- *Supplier diversity:* The firm is working to increase business with certified diverse businesses. By working to increase diversity within our supply chain, we are both creating a supply chain that reflects the diversity of our customers and driving growth in communities where we do business. Our commitment to spend an additional $750 million on Black and Latinx businesses will fuel this priority.
- *Affordable housing:* We recently launched a program to provide our new and existing multifamily clients an interest rate discount on their loan if they commit to not increasing rents in a portion of their property. The more affordable the property, the greater the discount. To date, this program has financed nearly 20,000 multifamily units, and our goal is to finance $10 billion or 100,000 units over the next 5 years. Additionally, early next month, we look forward to sharing additional steps and a new commitment we are making to promote affordable housing and home ownership. We have also begun expanding FHA lending at a hopeful and measured pace in key markets, and want to continue to expand, but further FHA reforms—including servicing reforms, employment and valuation relief, waivers for face-to-face meetings, and addressing appraisal bias—are still needed.

While our investment commitment is significant, we know there's more work to do. We are actively tracking our investments over time to evaluate their impact and partnering with outside experts to assess our performance and hold our business accountable so we can better understand trends and contributing factors that could hold us back.

Our Employees

At JPMorgan Chase, we consider our global workforce a competitive advantage, and our 260,000 employees our greatest strength.

- *Increasing wages.* We have been increasing starting-salary wages for thousands of employees. In early 2021, for the third time in the last 5 years, we increased our internal minimum wage to between $16 and $20 an hour, up from $12 to $16 in 2017, while providing an annual benefits package worth about $13,000. Career mobility from entry level roles is also critical, which we promote by offering 300 skills and education programs. Nearly 70 percent of employees who started at JPMC before 2017 with salary of less than $40k are still at the company and have experienced an average increase of 40 percent since that time.
- *Women at JPMorgan Chase.* Globally, women are paid 99 percent of what men are paid at our firm, considering factors such as role, tenure, seniority, and ge-

ography. We conduct periodic reviews of compensation and, for business segments where women are paid less than expected, we proactively address it where appropriate. And unlike in other sectors, we did not see increased attrition by women—in fact, this improved in 2020. Women make up nearly half of the firm's Operating Committee.

- *Improving ethnic diversity.* We also know that attracting the best talent can only be achieved through a dedicated focus on inclusive recruiting and internal advancement opportunities. We have made progress in this area with programs such as Advancing Black Pathways, a program focused specifically on increased hiring, retention, and development of Black talent. In year two of the program, we are currently at 63 percent of our 5-year goal to hire 4,000 Black students. Over the past 5 years, we have increased the number of Black professionals in our most senior ranks, with the number of Black Managing Directors and Executive Directors up by more than 50 percent. We have more work to do in increasing diversity in our most senior ranks and will be aggressive in pursuing our goals.
- *Transparency in reporting diversity.* We believe being transparent about our workforce data will help drive progress. Since 2010, we have publicly shared Equal Employment Opportunity Commission information about our workforce on our website. Starting in 2019, we began publishing global workforce data for our employees and Board of Directors, with demographics that include the LGBTQ+ community, veterans, and people with disabilities. Starting this year, we will publish our consolidated EEOC reports on our public website for the first time.
- *Accountability in executive compensation.* We have an equitable and well-governed approach to compensation, including pay practices that attract and retain top talent and encourage a shared success culture in support of our business principles. Our executive compensation program is designed to hold our senior leaders accountable for long term business performance and, starting last year, for diversity and inclusion efforts and outcomes. Executives are also held accountable, when appropriate, for meaningful actions and issues that negatively impact business performance in current or future years. We comply with SEC rules and disclose our CEO Pay ratio annually in our Proxy Statement.
- *Second Chance Initiative.* We have also expanded opportunities for individuals with a criminal background. In 2020, we hired about 2,100 people who have paid their debt to society—representing roughly 10 percent of all new hires in the United States. We recently expanded our efforts by enhancing our recruiting strategy, which started in Chicago in collaboration with local community organizations, into Columbus, Ohio, to build a hiring pipeline in the city. JPMorgan also joined a group of 29 major employers and national organizations to launch the Second Chance Business Coalition that will expand opportunities for more people to reenter the workforce.

Risk Management—How We Do Business

We have unwavering principles that are not just about a fortress balance sheet, but also about risk management and culture. We must manage over two dozen capital and liquidity requirements while serving our clients. To do this, we have $202 billion in tangible common equity and $1.43 trillion in liquid assets, both of which have increased dramatically in recent years. While we are still awaiting the 2021 results, we agree with the Federal Reserve's conclusion following last year's stress tests that "the banking system has been a source of strength during the past year and stress test results confirm that large banks could continue to lend to households and businesses even during a sharply adverse future turn in the economy." Our capital and liquidity requirements have increased dramatically in recent years, and notably in 2020 when a combination of monetary and fiscal stimulus swelled bank balance sheets by $10 trillion, largely in low- to no-risk assets. We continued to meet the borrowing needs of our clients—households, businesses, and municipalities—providing more than $1 trillion in credit in 2020, despite low loan demand.

We devote specialized attention to compliance with the laws and regulations governing anti–money laundering and terrorist financing, economic sanctions and anticorruption efforts. We have robust Know Your Customer and Anti–Money Laundering controls, processes, and technology, with thousands of employees dedicated to this important function. We applaud the work of Congress to reform AML oversight, and believe the AML Act, including a new centralized beneficial ownership directory and the improved use of artificial intelligence, will improve law enforcement's ability to identify and stop criminal activity.

Cybersecurity is also an incredibly important priority for us, and for America—a priority I cannot overemphasize. At JPMorgan Chase, we invest over $700 million annually and dedicate thousands of employees to maintain our defenses and enhance our resilience to this ever-increasing threat. But attacks are increasing in number and sophistication across all sectors, including Government, utilities, technology companies, electrical grids, and others. This is a serious national security concern that requires partnership and collaboration to address. To this end, designated critical infrastructure from Financial Services and the Electricity sectors have invested significant resources to create a collaborative organization for the analysis of cyber risk to the financial system. We need the Government to meet us halfway and provide dedicated national security resources to collaborate with critical infrastructure companies and defend the national interest from cyberattacks. Also, as evidenced by the SolarWinds incident, we need appropriate reforms to ensure the data that is held by financial regulators is properly secured and that policies are in place to guide timely and meaningful notification and response to impacted firms when a breach does occur.

Climate change is also one of the defining issues of our time. JPMorgan Chase first announced its Paris-aligned financing commitment in October 2020, which includes establishing carbon reduction targets for 2030 for some of the most carbon-intense sectors. We have created the Center for Carbon Transition to help our clients invest in lower-carbon solutions, and help them set a path for achieving net-zero emissions by 2050. We also recently targeted $2.5 trillion over 10 years to advance long-term solutions that address climate change and contribute to sustainable development. And we have publicly advocated for market-based, carbon policy solutions, including a price on carbon, and investments in innovative technology to help companies transition to a cleaner future. The bottom line is this: Abandoning fossil fuels is not an option right now. Instead, we must work together, across public and private sectors, in a bipartisan fashion, to manage risk and invest in new solutions and technologies.

We have robust processes in place and are constantly evaluating with whom we do business, taking into consideration many factors when we make our decisions. In line with regulatory expectations, we use risk-based frameworks to determine our tolerance for a client's level of legal, credit, or regulatory risk. We serve businesses that can demonstrate adherence to the law, whatever the industry.

JPMorgan Chase has invested significantly in artificial intelligence and machine learning capabilities. We already use AI successfully in fraud and risk, marketing, prospecting, idea generation, operations, trading and other areas, but are still at the beginning of this journey.

Over the years, when we have faced legal and regulatory issues, we consistently acknowledged our mistakes, often self-identified them, and improved our controls where necessary. Where inappropriate behaviors have been identified, either by us or by our regulators, we have taken action to address them. In the last 2 years, there have been two regulatory resolutions of legacy issues. One of these matters related to past misconduct by certain former employees that occurred prior to 2016 relating to market manipulation. Their conduct was unacceptable, and we took action, including termination and canceling millions in compensation. We also recently settled a matter with the OCC related to past deficiencies that were identified in our internal controls and audit over certain fiduciary activities. By the time the settlement was announced, we had already enhanced our controls to address the deficiencies. Over the years, we have meaningfully improved our control environment and simplified our business, which the Department of Justice and the OCC noted in their recent announcements in connection with these resolutions.

Policy Recommendations

America is poised for a strong economic rebound. But we must ensure that the economic recovery benefits all, and that we address longstanding inequities that threaten the promise of America. Access to affordable health care, an education system failing too many of our children, crumbling infrastructure, climate change, and racial economic inequality are just some of the problems challenging our great Nation. All of us—Government, business, and civic society—must work with a common purpose to address these challenges. We must unleash the extraordinary vibrancy of the American economy.

Economic growth will give us the wherewithal to deal with the issues stemming from inequality in ways that are sustainable. The actions we take today will determine the future of our country for generations.

Earlier this year, JPMorgan Chase released a set of data-driven policy recommendations informed by research from the JPMorgan Chase Institute and the work of the JPMorgan Chase Policy Center to provide immediate support to those

most impacted, as well as longer-term policies to increase the financial health and stability of households and small businesses. Solutions that address longstanding racial and economic inequities will require efforts by all of us, including in these areas:

- *Households and the Social Safety Net:* There are large racial gaps in take-home income and liquid assets that persist across age, income, gender, and geography. This disproportionately impacts Black and Latinx families who, when faced with a negative income shock such as job loss, must cut their spending and consumption more than other groups. To address racial disparities in income and wealth and reduce household financial volatility, we support Federal policies that boost earnings, improve job-quality, and increase access to good jobs, as well as reduce expenses that disproportionately burden Black and Latinx families. This includes increasing the Federal minimum wage; reforming the Earned Income Tax Credit (EITC) by raising the maximum credit and income limit, extending the credit to childless adults, and eliminating the age cap; supporting side car savings accounts; ensuring workplace benefits and protections such as paid sick and family leave are available to as many working Americans as possible, as well as piloting portable benefits tied to and that move with the worker regardless of employer; and reducing barriers to employment for individuals with criminal backgrounds—one in three working-age adults—to expand economic opportunity to millions of Americans, which is part of JPMorgan Chase's Second Chance initiative.
- *Small Businesses:* Minority- and women-owned small businesses have faced historical barriers to accessing credit, and the COVID–19 pandemic only exacerbated it. Although Federal law requires fair lending, many hurdles remain for both minority and women entrepreneurs. We must better align Federal programs to meet the needs of the most vulnerable small businesses, enhance access to capital for minority and women entrepreneurs, and support an inclusive economic recovery in communities. This includes increasing resources for the Small Business Administration (SBA) Microloan program; making permanent the SBA Community Advantage program; increasing the Department of Treasury's Community Development Financial Institution Fund to $1 billion with a set-aside for Black-led CDFIs; and improving Government procurement programs and policies to provide greater opportunity for underserved small business owners to secure Government contracts.
- *Affordable Housing:* Many Black and Latinx households face a housing affordability crisis. Home ownership rates are lowest for Black families—30 points lower than for white families. As COVID–19 created more financial instability, Black and Latinx households are more likely to be cost-burdened than White households and are at the highest risk for eviction. We must work together to reform Federal programs to expand affordable housing and home ownership for underserved communities and provide the support needed to weather economic uncertainty. This includes considering additional rental assistance funding to stabilize families facing continued economic hardship; ensuring all homeowners have access to mortgage forbearance; supporting comprehensive housing reforms such as modernizing the Federal Housing Administration (FHA) to increase access to sustainable home ownership; and increasing Federal funding for affordable housing programs such as Low-Income Housing Tax Credit, Housing Trust Fund, Emergency Solutions Grants, Community Development Block Grants, and HOME.

I want to close by thanking our employees for the tireless work, ingenuity, and singular focus on doing right by our customers. Over the last year, they performed their jobs with integrity and excellence, often remotely, while also navigating personal challenges. By working together and focusing on our mission, we proudly served our customers, communities, and our country through an extraordinary year.

I look forward to working with all of you to solve big challenges and foster healthy and inclusive economic growth. There will be areas where we disagree, but we all share a common purpose of creating a more perfect union. We have proven repeatedly that when we work together—Government, business, and civic society—we can solve seemingly intractable problems and ensure we are a country of unlimited opportunity for all.

Thank you for your time, and the work you do for our country. I welcome any questions that you may have.

PREPARED STATEMENT OF BRIAN MOYNIHAN

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BANK OF AMERICA

MAY 26, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee:

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

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

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

2010–2020: A Decade of Transformation

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

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

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

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

Coming out of the financial crisis, we adopted a straightforward strategy, serving three groups of customers—people, companies of all sizes, and institutional investors—through eight lines of business. All of those lines of business operate within the United States. Outside the United States, we operate those lines of business serving companies and institutional investors.

We also took significant steps to reduce the scope and complexity of our company, as envisioned in the Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd–Frank). We divested more than $80 billion of noncore activities and businesses, including private equity holdings, an insurance company, an asset management company, equity positions in non-U.S. financial institutions, and businesses outside the United States that served consumers and retail investors. We consolidated our capital to support the U.S. consumer, small and mid-sized companies, corporate clients and institutional investors we serve.

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

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

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

As a result of these improvements, the Federal Reserve has modeled Bank of America's loan loss rate in its annual Comprehensive Capital Analysis and Review (CCAR) stress tests to be the lowest among peers in seven of the last 8 years. Bank of America also had the lowest loan loss rate (6.1 percent) in the additional Decem-

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

ber 2020 CCAR stress test, which was prompted by macroeconomic uncertainties caused by the global pandemic.

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

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

Delivering for Clients, Teammates, and Communities

Supporting Our Clients When and Where They Needed Us

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

Client Support Programs

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

Client Assistance Program

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

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

Paycheck Protection Program

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

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

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

We also took immediate measures to implement SBA guidance related to some of the smallest businesses—sole proprietors, independent contractors and single-member LLCs—allowing them to use gross income, instead of net profit, in the PPP ap-

plication process and potentially benefit from a higher loan amount. We have provided PPP loans to more than 10,000 of these small businesses, with an average loan amount of under $20,000.

Bank of America's process for the PPP allowed any business client with an existing credit relationship, or a business client that had no credit relationship with Bank of America or another bank, to apply online for a PPP loan, because we could provide financial assistance more quickly to those with whom we already had a relationship. To assist businesses in underserved communities that weren't Bank of America clients, we partnered with dozens of community development financial institutions (CDFIs) to assist them in providing PPP loans to more than 10,000 small businesses in the communities they serve.

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

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

Stimulus Payments

Since the start of the pandemic, we have supported clients and nonclients through three Federal stimulus programs as well as two State programs and one local program. Through these efforts, we have processed over 43 million stimulus transactions totaling $73 billion.

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

To help nonclients access the full amount of their payment, we waived nonclient check cashing fees for stimulus checks.

We continue to process stimulus payments pursuant to all applicable Federal and State regulations on garnishments, including Executive orders on garnishments issued in several States during the pandemic.

Unemployment Insurance

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

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

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

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

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

Supporting Clients' Day-to-Day Financial Needs

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

Ongoing Support Through Our Financial Centers

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

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

Staying Connected Through Digital Platforms

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

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

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

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

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

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

Supporting Underserved Communities

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

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

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

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

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

Sustained Outreach and Engagement

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

- We sent tens of millions of emails and placed outbound phone calls to Consumer & Small Business clients;
- We held thousands of calls, meetings, and broadcasts to actively advise and connect with our Wealth Management clients; and
- We issued guidance and market insight from our BofA Global Research and Investment Insights teams through multiple channels, including virtual investor conferences.

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

Taking Care of Our Teammates and Their Families

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

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

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

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

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

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

More than 1 year into this health crisis, we recognize that COVID–19 vaccines are key to returning to a more normal way of life—for our company and for the world. We continue to share extensive information and resources, including local tip sheets, to help our teammates learn more about vaccines and find out where they can get one. And we are providing all employees up to two half-days of paid time off to complete vaccination appointments in 2021.

Helping Our Communities Move Forward

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

Promoting Local Health and Safety

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

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

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

Racial Equality and Economic Opportunity

Last year, we saw intensified passion to address the obstacles to true racial equality in the United States and around the world. In June of 2020, we accelerated our longstanding work to promote racial equality and economic opportunity for all underrepresented groups with a $1 billion, 4-year commitment. We recently expanded that to $1.25 billion over 5 years.

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

- MDIs and CDFIs—We have completed equity capital investments in 17 minority depository institutions (MDIs) and CDFIs as part of a $50 million commitment made in 2020. As part of this commitment, we have acquired up to 4.9 percent of common equity in MDIs and CDFI banks facilitating benefits in the communities that these institutions serve through lending, housing, neighborhood revitalization, and other banking services. These equity investments are in addition to approximately $100 million in deposits from Bank of America in MDIs as well as our $1.8 billion CDFI portfolio, discussed earlier in this testimony.
- Private equity funds—We recently increased our target for equity investment in minority-focused funds to $350 million, and have already committed more than $250 million to 90 private equity funds across the United States. These funds provide capital to Black, Hispanic-Latino, Asian, Native American, other underrepresented minority and women entrepreneurs to help them establish and grow their businesses. These investments help advance racial equality and economic opportunity on several levels. The investments we make in the funds themselves provide capital to underrepresented minority and women investors who own and manage the funds. These investors, in turn, are helping fund minority-owned businesses, and we anticipate the private equity funds investments we have already made will lead to more than 2,000 minority-owned operating companies getting the investments they need to hire employees, including, of course, underrepresented minorities and women.
- Higher education institutions—Through our partnerships with 21 historically Black colleges and universities (HBCU) and Hispanic-serving institutions (HSI), we have worked to enhance up-skilling and reskilling for Black and Hispanic-Latino students and create pathways to long-term career success.
- For example, in February, we partnered with the Black Economic Alliance Foundation, Morehouse College, and Spelman College to launch the Center for Black Entrepreneurship (CBE), the first-ever academic center of its kind. Our $10 million anchor funding will support the development of an academic curriculum, faculty recruitment, cocurricular programming, modernization of existing facilities, and the development of new physical space. The CBE will be located on the campuses of Spelman College and Morehouse College in southwest Atlanta.

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

Affordable Housing

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

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

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

In April 2021, we committed $60 million–$30 million in loans and $30 million in equity financing—to support Enterprise Community Partners' Equitable Path Forward, a 5-year initiative to help facilitate racial equality in housing. The investment will increase access to capital and career opportunities for diverse leaders developing multifamily, affordable and supportive housing across the country. Through this initiative, we will help provide much-needed Low Income Housing Tax Credit capital and debt financing to directly source, structure and close deals with diverse developers, especially emerging developers seeking both flexible capital and technical assistance.

Responsible Growth

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

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

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

1. Grow in the Market

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

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

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

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

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

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

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

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

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

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

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

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

Benefits Provided by the U.S. Federal Government

Bank of America benefits from its status as a nationally chartered financial institution as well as from Government support for, and assistance in, the safeguarding of our physical and digital security. Prudently enacted fiscal and monetary policy fosters a strong national economy and the well-being of our population. We are fortunate to play a part in a robust U.S. banking system, and our ongoing success as a business relies on a strong, stable and predictable U.S. regulatory environment coupled with appropriate and rigorous oversight and supervision.

The U.S. regulatory framework in place prior to the health crisis put Bank of America and the industry on a strong footing, and we applaud the swift and comprehensive actions that Congress, Treasury Department, Federal Reserve and other U.S. Federal Government agencies took to mitigate the economic impact of the coronavirus. Those actions—quantitative easing, stimulus programs, financing facilities, and preemptive regulatory relief—combined to ensure the continued health of our citizens, our markets and our economy. Overall, the Government's robust response bolstered confidence and ensured the health crisis did not evolve into a financial one.

Adjustments to U.S. financial regulations in response to the pandemic were sensible given the heightened uncertainty, and would have been even more meaningful to provide stability to the sector if the financial impacts of the crisis been more severe:

- Temporarily excluding U.S. Treasuries and central bank reserves from the consolidated Supplementary Leverage Ratio (SLR) made sense, given the uncertain amount of bank balance sheet expansion that quantitative easing could have caused. While that exclusion has now sunset—with no firm having breached its minimums—it will be important for regulators to revisit that requirement, since the relationship between low-risk assets and risk assets has changed meaningfully since the leverage backstops were calibrated. While the temporary exclusions increased Bank of America's SLR, as of the first quarter of 2021, our company's more binding constraint was the common equity tier 1 capital ratio. Excluding the temporary relief, our SLR at the end of the first quarter 2021 was in excess of the minimum 5 percent requirement.
- Allowing an optional extended phase-in of the regulatory capital impact of the Current Expected Credit Loss (CECL) accounting standard helped ensure capital was available for customers and markets.
- Permitting banks to offer forbearance to borrowers without causing those loans to be characterized as troubled debt restructurings helped preserve capital for those who needed it.

Additionally, the U.S. Federal Government's relief measures were beneficial to markets generally, and to consumers including our clients.

- While quantitative and monetary easing pressured our net interest income due to lower interest rates, we saw high deposit inflows as liquidity flooded into the system.
- The funding facilities for various types of assets helped stabilize the markets for those assets (although Bank of America did not need to access these facilities).
- As a major facilitator of PPP lending, discussed earlier in this testimony, we saw first-hand how PPP loans helped businesses across the country weather the storm and continue paying their workers.
- Stimulus checks and supplemental unemployment payments helped keep our clients current on their loan payments, even if temporarily displaced from the workforce.

Finally, Bank of America's clients also benefit from protections, such as deposit insurance, that safeguard depositor assets and increase consumer confidence in the

banking system. Bank of America pays into the Federal Deposit Insurance Corporation (FDIC) Deposit Insurance Fund, which is used to protect the depositors of insured banks and to resolve failed banks. We paid approximately $585 million in premiums to the FDIC in 2020, and nearly $13 billion over the past decade.

2. Grow With a Customer Focus

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

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

Our Branch Network

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

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

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

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

In 2010, we reviewed our branch network and identified a number of locations that we felt could be better served by more local financial institutions. We sold more than 350 branches to nearly 30 other financial service institutions. That gave these local providers the opportunity to strengthen their local networks while preserving access to those branches for the people they serve.

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

All our financial centers are staffed with professionals who can readily assist clients with any financial need. Each center provides free Wi-Fi for our clients' convenience, giving them the opportunity to connect to our leading digital and mobile resources and tools. At the same time, 72 percent of our financial centers are multilingual, reflecting the communities we serve.

Seven hundred of our financial centers are designated community financial centers focused on meeting clients' and communities' unique needs by connecting them to products and services, jobs and capital that will increase financial resilience and help our local communities thrive. Many community financial centers also include enhancements such as local art and cultural exhibits prominently featured in the lobby; kiosks with interactive, self-guided financial education content; and conference rooms where clients can attend Better Money Habits financial education seminars in English and Spanish. Many clients have appreciated the additional resources and support our community financial centers provide, and client satisfaction rates in these centers is at an all-time high.

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

Digital Banking

Complementing our high-touch offerings, our high-tech digital capabilities help us serve clients when and where they need us. Today, we have more than 40 million

digital customers. In the first quarter of 2021 alone, these clients made 2.6 billion digital logins. In the first quarter, approximately 70 percent of Consumer & Small Business households actively used digital platforms and roughly half of all Consumer Banking sales came through digital channels. Of those clients, 61 percent are now fully paperless.

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

On the commercial side, our CashPro platform continues to enable businesses and corporations to efficiently manage their finances from the office, home, or somewhere in between. CashPro sign-ins were up 37 percent in the first quarter of 2021 compared to 1 year earlier.

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

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

Emerging Technologies

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

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

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

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

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

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

Erica continues to gain new capabilities and learn new ways to support our clients. This, in turn, has driven increased client engagement. In the first 3 months of 2021, clients interacted with Erica 100 million times, whereas it took 18 months for Erica to reach the first 100 million interactions.

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

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

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

Data Privacy

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

Consumer-Focused Products and Services

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

For example, we have cut the number of credit cards we offer from 25 to 6 today, and condensed 22 checking accounts into 1 operating account.

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

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

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

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

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

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

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

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

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

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

arbitrations, subject to oversight and approval of the Securities and Exchange Commission.

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

Supporting Small Businesses

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

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

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

Capital Markets Activity

Our capital markets businesses include Global Banking and Global Markets.

Global Banking, which includes Global Corporate Banking, Global Commercial Banking, Business Banking and Global Investment Banking, serves middle-market and large corporate clients. We help clients raise capital and hedge risks. When markets are volatile and clients are trying to manage their business, they turn to us for help. When markets are stable and there is less client activity or volatility, our revenues may be lower.

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

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

Since the financial crisis, we have positioned this business to deliver steady and sustainable returns across the range of market conditions, while taking less risk. Over the years, our performance bears that out. Over the past 5 years and with all of the volatility in markets and trading activities during that period, Global Markets has delivered annual sales and trading revenue within a range of $12.9 billion and $15.2 billion. The average over that period was $13.6 billion. This relative stability reflects our leadership positions across multiple products and our ability to maintain the appropriate business mix during market shifts.

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

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

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

3. Grow Within Our Risk Framework

Growing within our established risk framework is integral to how we drive Responsible Growth. Our principled approach to risk management allowed us to con-

tinue supporting our customers and clients against the backdrop of one of the worst economic declines in U.S. history, driven by the global pandemic.

Our risk management begins with the board of directors. The directors set the risk appetite for the company. That cascades through the company and defines the risk we take in credit risk, operational risk, trading, or otherwise. The Enterprise Risk Committee of the board reviews dashboards quarterly to review compliance with the risk appetite.

The risk function is an independent control function that is outside the lines of business hierarchies. The 7,000-plus teammates in the Risk & Compliance group report to the Chief Risk Officer, who has a reporting relationship to the Chief Executive Officer and to the Enterprise Risk Committee of the board. Other control functions, also outside the lines of business and reporting to the CEO, include the 1,100 person audit team that reports to the Chief Auditor (who reports to the Audit Committee of the board), the Chief Financial Officer, the head of Global Human Resources, the Global General Counsel, and the Chief Technology and Operations Officer.

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

As a global systemically important bank, Bank of America's business operations, resiliency and financial strength have the potential to both bolster and affect the stability of the financial system and the economy as whole, as the current health crisis demonstrated. Managing systemic risk is a priority for Bank of America, as it is for our regulators. It important to both external stakeholders and the company's core business strategy. To avoid passing these risks onto the Government and taxpayers, Bank of America maintains billions of dollars in additional capital; plans extensively for the possibility of economic, financial or market stress; and expends substantial resources to meet heightened supervisory expectations for risk governance. As our balance sheet and external testing reflects, we are much stronger than we were 10 years ago, having transformed the company in the wake of the financial crisis: We reduced scope and complexity, improved risk management, and are fully committed to growing responsibly.

Cybersecurity

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

Our cybersecurity framework is designed to prepare, prevent, detect, mitigate, respond to, and recover from cyberthreats. We maintain strong, ongoing relationships with Government partners, including the Department of Homeland Security, the Department of the Treasury, law enforcement, and the intelligence community. Coordination within our industry and across other industries is also critical to mitigating and managing today's cyber challenges. We continue to invest in partnerships to build a trusted community for cyberthreat information sharing, and are leading efforts across the financial services industry to define resilience and recovery in today's marketplace.

We helped drive the creation of the first financial sector organization focused specifically on systemic risk and analysis, the Analysis and Resilience Center for Systemic Risk (ARC, formerly the Financial Systemic Analysis & Resilience Center). We hold or have held leadership/board positions in financial sector organizations working to improve the security and resilience of the sector. These include the ARC, FS–ISAC, FSSCC, and Sheltered Harbor.

We also participate in industrywide exercises, along with Government partners, to test the resilience of our crisis management plans and response to threats and incidents. We are leveraging our leadership role to help ensure that the financial sector is truly resilient. We are also working with partners in the electricity and communications sectors on these topics, given our mutual dependencies with them.

Compliance Commitment

Since 2019, Bank of America has continued to take steps to improve compliance and prevent violations of laws and regulations. We have made important progress, and our work continues. Based on readily accessible public information, we entered into three settlements with Government regulators valued at greater than $1 million since the last hearing: (1) in June 2019 Merrill Lynch Commodities Inc. agreed to pay $36.5 million to the U.S. Department of Justice and the Commodity Futures Trading Commission to resolve allegations that former precious metals traders mis-

led the market for precious metals futures contracts; (2) in September 2019, Bank of America agreed to pay $4.2 million in back wages and interest to resolve allegations of hiring discrimination violations between 2008 and 2013 at six branches, as identified by the U.S. Department of Labor's Office of Federal Contract Compliance Programs; and (3) in December 2020, Merrill Lynch paid $2 million to the New Hampshire Bureau of Securities Regulation, and $24.3 million to an affected investor to resolve claims of unauthorized and excessive trading by a former financial advisor. To the extent a settlement included restitution to investors or consumers, the relevant terms are set forth in the respective settlement agreement. Two Foreign Exchange Consent Orders, one issued by the Office of the Comptroller of the Currency (OCC) and one by the Federal Reserve Board (FRB), were terminated in April and December of 2019, respectively.

4. Grow in a Sustainable Manner

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

Driving Operational Excellence

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

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

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

Being a Great Place To Work

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

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

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

Diversity and Inclusion. Another way we make our company a great place to work is by fostering a diverse and inclusive workplace. We want our workforce to reflect the communities we serve across all dimensions. As highlighted in our 2020 Human Capital Management Report, we have continued to make progress in our goal to ensure diverse representation at all levels of our company. That begins with our board, which is 50 percent diverse and one of only a handful of S&P 100 boards with six or more women. Looking across our company, 50 percent of our management team is diverse, more than half of our global workforce is women, and 45 percent of our U.S.-based teammates are people of color. And over the past decade, the number of people of color we hire in the U.S. from universities has increased by 50 percent.

In 2018, we made a 5-year commitment to hire and train 10,000 employees from LMI communities through our Pathways program, a program designed to provide the opportunity for long-term careers. To date, we've already hired more than 11,000 teammates through the program—well ahead of our commitment to do so by 2023.

We also surpassed our 5-year pledge in 2014 to hire 10,000 veterans, National Guard and reservists, and continue to maintain that hiring momentum today by attracting, developing, and retaining military talent.

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

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

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

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

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

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

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

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

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

We offer ongoing training and resources to support our teammates' continuous development. That includes providing up to $7,500 (up to $5,250 tax-free) tuition reimbursement per year for eligible undergraduate or graduate courses and discounts at

a number of universities—plus free, unlimited individual academic advisory services. These resources help our teammates grow and thrive within our organization and, in 2020 alone, we helped more than 18,000 employees find new roles within the company.

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

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

This commitment to fair compensation has benefited all our employees, regardless of their position in the company. That includes our move to a minimum hourly rate of pay for U.S. teammates of $20, as described above, and our planned move to $25 per hour by 2025.

For our senior-level employees, we have developed a strong pay-for-performance governance framework that rewards long-term, sustainable results that are aligned with stockholder interests. And, for 2020, we recognized approximately 97 percent of our teammates globally with special compensation awards—the fourth year in a row we've done so.

Consistent with the principles embedded in Dodd–Frank, including a requirement for an annual shareholder "Say on Pay" vote, the company's CEO is compensated through base salary, cash-settled restricted stock units, performance-restricted stock units and time-based restricted stock units. From 2013 to 2020, CEO base salary was $1.5 million, while from 2010 to 2012 base salary was $950,000. The vast majority of CEO compensation (93.9 percent in 2020) was variable and directly linked to company performance. As has been the case since 2010, all variable compensation was awarded in equity-based awards. Each year, the CEO pay structure is put before shareholders for an advisory Say on Pay vote. In our most recent annual shareholder meeting (2021), 94.4 percent of the 6.4 billion votes cast voted in favor of the structure. Since 2011, the shareholder vote in support of the company's compensation plan has averaged 94.2 percent.

The CEO's direct reports receive a portion of their total compensation as base salary and the remainder as variable pay—a majority of which is delivered as deferred equity-based awards. Finally, the Board of Directors' Compensation and Human Capital Committee oversees all compensation plans and practices with periodic input from the Chief Risk Officer. Additionally, compensation plans are reviewed and certified annually by our risk management team and Management Compensation Committee of which the Chief Risk Officer is a member, and all variable pay awards are subject to clawback policies.

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

Our Corporate Governance Guidelines require the CEO to hold at least 500,000 shares of common stock, and for executive officers other than the CEO to hold at least 300,000 shares of our common stock. The Guidelines also require that (i) our CEO retain at least 50 percent of the net after-tax shares from future equity awards until 1 year after retirement and (ii) our other executive officers retain at least 50 percent of the net after-tax shares until retirement. This ensures that executive officers have a significant and long-term financial stake in the company.

Furthermore, since 2011, certain executive officers have received a portion of their incentive compensation in the form of performance restricted stock units (PRSUs). Our performance-based awards continue to use a re-earn approach, meaning 100 percent of the award is the maximum that can be earned, and vest only if performance standards are met over a 3-year period. Future performance below these standards will decrease the amount paid, and no PRSUs will be re-earned if results are below the minimum standards. As has been consistent practice, the Committee does not exercise discretion to change payouts.

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

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

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

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

Sharing Our Success With Our Communities

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

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

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

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

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

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

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

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

Third, we help our larger corporate clients raise capital to fund the restructuring of their operations, new facilities and clean energy. That includes helping fossil fuel companies—and others with business activities related to "brown energy"—make their own transition. We are a top underwriter in Environmental, Social and Gov-

ernance (ESG) capital markets globally and a leading underwriter of green bonds. We have supported the sustainable business needs of more than 225 clients by raising in excess of $300 billion through more than 400 ESG-themed bond offerings—including green, social and sustainability bonds. We also raise equity for innovative new companies to fund their technologies and growth.

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

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

Driving Profits and Purpose. The principles of stakeholder capitalism—a concept created by the World Economic Forum (WEF) half-a-century ago, and discussed anew today by groups like the U.S. Business Roundtable—are embedded in Responsible Growth. We must deliver for our shareholders, our clients, our teammates, our communities and, at the same time, help deliver progress on important issues facing society. More details about our company's commitment to the principles of stakeholder capitalism are available in my 2020 Letter to Shareholders, which is included with this testimony.

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

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

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

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

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

IV. Appendix

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital and leverage ratios at year end[1]										
Tier 1 common capital ratio	9.7%	10.8%	10.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Common equity tier 1 capital ratio	n/a	n/a	n/a	12.3%	10.2%	11.0%	11.8%	11.6%	11.2%	11.9%
Tier 1 leverage ratio	7.4%	7.2%	7.7%	8.2%	8.6%	8.9%	8.6%	8.4%	7.9%	7.4%
Tangible common equity[2]	6.6%	6.7%	7.2%	7.5%	7.8%	8.0%	7.9%	7.6%	7.3%	6.5%

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

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

Capital distribution (millions)											Total (2011 - 2020)
Dividends	$ 413	$ 437	$ 428	$ 1,262	$ 2,091	$ 2,573	$ 4,027	$ 5,424	$ 6,146	$ 6,289	$ 29,090
Repurchases	-	-	$ 3,220	$ 1,675	$ 2,374	$ 5,112	$ 12,814	$ 20,094	$ 28,144	$ 7,025	80,458
Total	**$ 413**	**$ 437**	**$ 3,648**	**$ 2,937**	**$ 4,465**	**$ 7,685**	**$ 16,841**	**$ 25,518**	**$ 34,290**	**$ 13,314**	**$ 109,548**

Table 2

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

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

Table 2 (continued)

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

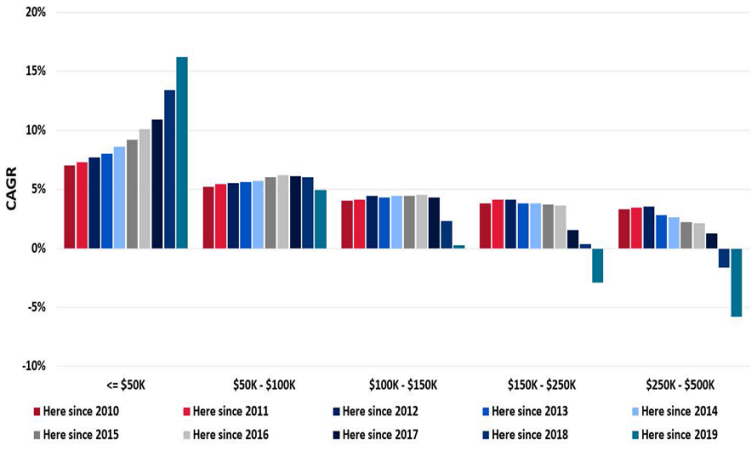
Reconciliation of year-end assets to year-end tangible assets			
Assets	$ 2,281,234	$ 2,188,067	$ 2,144,606
Goodwill	(68,951)	(69,744)	(69,761)
Intangible assets (excluding MSRs)	(2,312)	(2,989)	(3,768)
Related deferred tax liabilities	943	1,545	1,716
Tangible assets	**$ 2,210,914**	**$ 2,116,879**	**$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

Table 2 (continued)

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

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

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



A letter from Chairman and CEO Brian Moynihan

To our shareholders and clients,

To my teammates,

To leaders and partners in the communities we serve across the U.S. and around the world,

I hope this finds you safe and well.

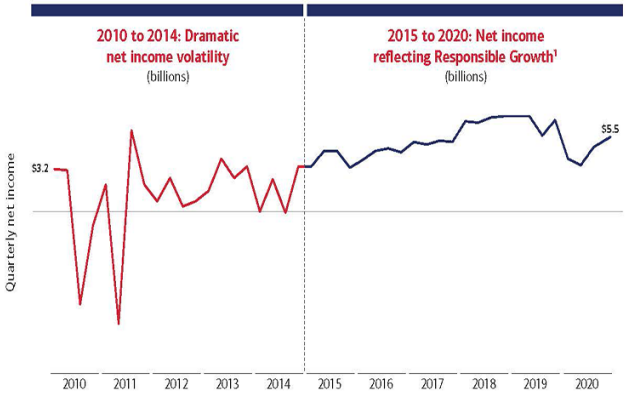
It is my pleasure to share with you the 2020 Bank of America Annual Report. Our report documents how your company responded to the impacts—both humanitarian and financial—of the global health crisis. It describes how we responded to the social and racial justice issues that moved to the forefront in 2020. The pages also tell the story of how our company came together in new ways to deliver for our shareholders, our teammates, our clients, our communities *and* to help address society's biggest challenges.

I begin this letter by thanking my 213,000 teammates and our senior management team. I thank them for their extraordinary efforts over the past 12 months, and for everything they do to support our clients, and each other, every day.

I would also like to thank our Board of Directors for their leadership and guidance throughout 2020. In particular, I would like to extend my gratitude to our outgoing Lead Independent Director, Jack Bovender, for all he has done for our company and those we serve. As we announced in September 2020, Lionel Nowell III takes over this important role. Lionel is an experienced leader and has been a valued member of our Board for the past eight years. **Jack and Lionel share their perspectives on the past year, and what lies ahead, on page 11.**

Looking at our 2020 results, one thing is clear: Our decade-long focus on Responsible Growth prepared us well for this crisis. It allowed us to be a source of stability for our customers and clients during challenging times, to continue supporting the communities in which we work and live and deliver more consistent results for our shareholders through a well-understood risk framework. You can see the impact of Responsible Growth in the chart below.

Despite the impacts of the global health crisis, which resulted in a historically low interest rate



[1] 4Q 2017 net income of $5.3B represents a non-GAAP financial measure. GAAP net income of $2.4B excludes $2.9B related to the adoption of the Tax Cuts and Jobs Act.

environment and a period of market volatility, your company earned $17.9 billion in net income, or $1.87 per share. Moreover, we ended 2020 with more capital, more deposits, record liquidity and improved capital ratios. We did this while increasing support for our clients.

In March of 2020, the stock price for banks in general saw a sharp drop as the health crisis unfolded and investors contemplated potentially large credit losses and revenue declines from interest rates and a paucity of economic activity. From those lows, bank stocks made a steady recovery as fears moderated, ending the year modestly down from the start of the year.

Our stock price declined 49% in March from the beginning of 2020 and then saw a 68% recovery, ending the year down 14%. This was in line with the broader bank index but below the broader market rise of 16%. Despite the 2020 decline, our stock price has outperformed the broader bank index on a 3-year and 5-year basis. As we prepare to issue this report in late February 2021, the price is up 14% this year, reflecting the improved economic outlook.

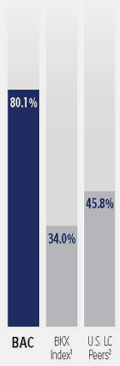
During 2020, we delivered $12 billion in capital back to shareholders through dividends and net share repurchases. We did this even as we halted share repurchases late in the first quarter of 2020 in line with additional federal bank regulatory restrictions. We have resumed share repurchases in the first quarter of 2021 from a position of strength with $36 billion of capital above our minimum regulatory requirements.

Our results in 2020 built onto a solid foundation established by focusing on Responsible Growth for the past decade. We have a strong balance sheet, a best-in-class suite of products and capabilities — including our industry-leading digital capabilities — and a global team of dedicated professionals that is second to none. We are well-positioned to continue delivering for our shareholders, and all those we serve, in 2021 and beyond.

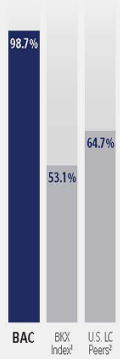
We believe we must continue to deliver these strong results *and* help make progress on important societal priorities. That is core to how we run our business and drive Responsible Growth.

In 2020, we also continued to make meaningful progress on important issues that affect us all. During the year, we accelerated our longstanding work to promote racial equality and economic opportunity, with a $1 billion, four-year commitment aimed at supporting jobs, healthcare, housing and businesses. While we were pleased to see commitments being made by other companies and organizations, we have moved quickly to get money moving to our priority areas of focus. So far, we have invested in jobs and skills training at 11 historically Black colleges and universities and 11 community colleges. We have delivered over 20 million masks and other personal protective equipment (PPE) to

5-year stock performance



5-year total shareholder return



[1] The BKX Index consists of 24 stocks selected from the largest U.S. regional and nationwide banking companies.

[2] Total shareholder return includes stock price appreciation and dividends paid. U.S. Large Cap (LC) Peers include JPM, C, WFC, GS and MS.



community partners, nonprofits, and other venues. We have invested in 14 Minority Depository Institutions (MDIs) to help them grow and serve their communities. We have increased our overall commitment to Community Development Financial Institutions (CDFIs) to $1.7 billion—making Bank of America the largest private sector CDFI funder. And, we have agreed to invest in 61 minority-owned or -focused venture capital or private equity funds in communities around the U.S., which will deliver more equity into thousands of minority-owned small businesses. **You can find out more about our commitment to racial equality and economic opportunity on page 33.**

We also continued to support the transition to a low-carbon, sustainable economy, through our operations, our business activities and our partnerships. This includes our commitment to a goal of achieving net-zero carbon emissions by 2050.

Responsible Growth

There are four pillars to Responsible Growth.

- We must grow in the market, no excuses.
- We must grow with a customer focus.
- We must grow within our risk framework.
- We must grow in a sustainable manner.

I'll discuss each of these in turn, and the ways our team in 2020 delivered on these pillars.

Grow in the market, no excuses

What could we do in an economy to help our clients and grow?

We supported our clients in lockdown with our various customer assistance programs. We supported small businesses with Paycheck Protection Program (PPP) loans. We supported wealth management clients with advice, expertise and execution in

volatile markets. We supported commercial clients with our strong balance sheet that provided more than $70 billion in loans in a few-week period, and raised $772 billion in capital over the course of the year. For institutional investors, it meant having the market expertise and insights, trading capabilities and access to enable them to navigate through.

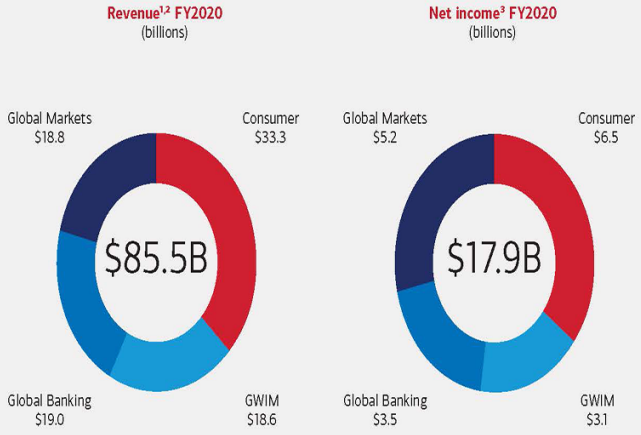
But we believe it was our planning and investments over the past decade that made this all work. We supplied needed capital and liquidity to borrowers. Our investments in digital client interfaces across our client groups allowed us to maintain a close relationship with our clients, as they moved seamlessly to digital check deposits, payments, banking and investing. On the commercial side, we had invested in our CashPro application, which allowed our clients to safely and securely move billions of dollars every day. We used automated signature capabilities to allow clients to complete estate plans, borrow or invest — all with the same security as doing it in person. With institutional investors, we moved quickly to supply liquidity and a strong and resilient platform to support their activities and help assure stability of the financial system.

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

And we grew.

In 2020, average deposits increased 18% year-over-year to approximately $1.6 trillion. In Consumer Banking, we added $115 billion in average deposits during the year, cementing our position as the #1 bank in the U.S. by retail deposits. We leveraged our leading digital capabilities to serve our consumer clients how, when and where they chose to bank with us. Across all consumer sales in 2020, 42% of sales came through digital channels.

During the year, we also enrolled more than one million clients into our flagship loyalty program, Preferred Rewards, driving total membership to 7.2 million. Preferred Rewards recognizes



Note: Amounts may not total due to rounding.
[1] Business segment results are reported on a fully taxable-equivalent (FTE) basis with remaining operations recorded in All Other with revenue of ($3.6B).
[2] Total revenue, net of interest expense, on a GAAP basis is $85.5B and $86.0B on an FTE basis, a non-GAAP financial measure. The FTE adjustment is $499M.
[3] Net income of $17.9B includes a net loss of $407M in All Other.

and rewards clients for their entire relationship with us, and we continue to see 99% retention rates from our members.

We brought our top retail bank brand to new markets in the U.S., including markets in Ohio and Utah, while building our presence in existing markets. According to our internal research, we continued to gain share in key markets. In 25 of the top 30 markets across America—representing over half of the U.S. population—we now hold the #1, #2 or #3 position. That is twice as many markets as our closest peer and includes 14 markets in which we hold the #1 position.

During the year, our wealth management team found new ways to connect with, and deliver for, our Merrill and Private Bank clients. **On page 22, we take a closer look at how our advisors continued to support clients and helped them navigate a changing environment.** We added roughly 22,000 Merrill and 1,800 Private Bank relationships in 2020, and ended the year with client balances at all-time highs of $3.3 trillion.

For the companies we serve, we begin with our small business clients. Apart from the role we played as the largest lender in the federal government's PPP by number of loans, we also continued as the largest small business lender in the country overall, ending the year with more than $32 billion in small business loan balances. We also deployed our new merchant services capabilities.

For our commercial clients, the year was difficult as they had to absorb massive changes to the business cycle brought by the health crisis. We were there for them. Early in the year, we supported their borrowing rush as they sought liquidity in February, March and April. As conditions stabilized, we helped with market access for them to raise needed and permanent capital. We continued to bring digital capabilities to ensure their businesses could run smoothly, even in a work-from-home environment. The results for us were a surge in loans to these businesses. We peaked at $585 billion in commercial loans; by year-end those were down to $499 billion.

Our investment banking team recorded $7 billion in total investment banking fees and posted three of the strongest investment banking quarters in our history. Our performance in this business helped us gain market share and retain the #3 market position, thanks to the efforts of our talented team. **Matthew Koder, President of Global Corporate & Investment Banking, looks back on his team's accomplishments on page 20.**

In Global Markets, full-year sales and trading revenue for 2020 increased 18% year-over-year to $15 billion. During the year we continued to push our innovative capabilities in electronic trading forward to help win mindshare with some of our largest clients. At the same time, our own research team was again ranked as one of the top Global Research Firms by Institutional Investor—placing as one of the top two firms for each of the past 10 years. **You can read more about our award-winning research capabilities on page 23.**

Each of our businesses contributed to our results, and the diversity of our offerings served us well through a dynamic market environment. It will continue to serve us well as we look forward.

Grow by focusing on our clients

Last year, thanks to the commitment of our teammates, the strength of our platform and our focus on Responsible Growth, we achieved the highest client satisfaction scores in company history. That is a credit to each and every member of our global team, who work hard to serve our customers and clients—and exceed their expectations—in every interaction.

In 2020, that included far-ranging measures to support those impacted by the health crisis, through our own relief programs and those provided by the federal government. We processed approximately 2 million payment deferral requests as part of our Client Assistance Program. We processed more than 16 million Economic Impact Payments (EIP), totaling more than $26 billion in the initial round of U.S. government stimulus payments—and continued processing additional payments following subsequent relief legislation.

As the largest PPP lender by number of PPP loans in the first three rounds of the program, in 2020 we helped more than 343,000 small business clients—in every industry, every market—receive PPP loans, delivering more than $25 billion in PPP loan funds to businesses in need. We began accepting applications for PPP loans once again in January 2021, in line with a new round of federal PPP lending. Once again, we are among the top lenders in the program.

At the same time, we remained focused on supporting the everyday financial needs of millions of clients. With additional health and safety measures in place, our teams continued to serve individuals and businesses across our nationwide network of approximately 4,300 financial centers and 17,000 ATMs. I'd like to offer a special thanks to my teammates in the financial centers who have played an essential role for our clients and communities through this health crisis.

Not surprisingly, we also saw a growing number of clients choose to connect with us digitally during 2020. Our ten-plus years of sustained investment into technology—such as

39.3M

digital customers
at year-end, up 3% over 2019

artificial intelligence (AI) — and our award-winning digital platforms ensured we could continue to serve our clients when they needed us most.

In Consumer Banking, we ended 2020 with 39.3 million digital customers, up 3% over 2019. They connected with us nearly 11 billion times. Our roughly 13 million active Zelle® users, both consumers and small businesses, sent approximately $141 billion in transfers in 2020. To put that into perspective, that's almost 50% of the payments made by our 38 million consumers and small businesses using their credit cards.

More than 17 million of our digital banking clients use Erica®, our AI-based virtual financial assistant, to do everything from checking their balances to paying their bills. Erica will also reach out to help if, for example, a client's balance is at risk of going below $0 in the next week, or if a merchant charges them twice. Erica continues to gain knowledge and evolve in response to client needs. For example, at the beginning of the health crisis, Erica learned 60,000 new pandemic-related intents in a matter of days. In 2020 alone, Erica completed 135 million client requests.

In September, we launched LifePlan®, which gives clients the power to select what's most important to them and receive personalized insights — through both high-tech and high-touch interactions — to help them achieve their financial needs and goals. By the end of 2020, our clients had created more than 2 million plans, one of the fastest product rollouts in our history.

Our digital platforms also allow us to extend further into our communities, allowing millions of clients to access services and connect into the broader economy. In 2020, we added Balance Assist™, a low-cost, digital-only alternative to payday-type loans. Balance Assist, which allows clients to borrow up to $500 for a $5 flat fee, joins our existing suite of safe banking solutions, including SafeBalance™ and Secured Card. **D. Steve Boland, President of Retail, joins Aron Levine, President of Preferred and Consumer Banking & Investments, to discuss how these products can help provide financial freedom and stability for clients on page 18.**

$1B

In 2020, our team generated more than 1,700 ideas to drive operational excellence, **saving the company nearly $1 billion.**

Digital connectivity was also fundamental to our success in wealth management, and we saw digital engagement for wealth management clients climb to record levels. By the end of 2020, 77% of Merrill Lynch households and Private Bank clients were using online or mobile banking. Our digital platforms also allowed for effective advisor-client communications, which became a critical part of relationship building as the pandemic continued.

In Global Banking, our CashPro® platform helped more CFOs and other business leaders efficiently and securely manage their cash flow from their offices and homes—and on their mobile devices. Our roughly 500,000 CashPro users drove a 40% increase in platform sign-ins in 2020. Here, too, we applied the power of AI for our clients, digitally matching 19 million incoming receivables in a 12-month period using our Intelligent Receivables® solution.

Stepping back, what we saw in 2020 was the impact of years of investment in capabilities and digital access across our platform and our businesses. And what was unique is that even in areas where we had heretofore experienced customers or employees traditionally preferring to operate in a face-to-face, physical world, we saw dramatic changes. We had a record year in new $10 million or higher relationships in Global Wealth & Investment Management (GWIM), yet we were unable to have many face-to-face meetings. We had a record year in investment banking fees, yet all of our "pitch" meetings with clients were virtual. We saw record movement in money by our consumer customers yet we had up to 30% of our financial centers closed for safety. The implications for the long term are yet to be borne out. But we are confident that the investments we have made set us on the correct course.

I want to call out our technology and operations team, who showed creativity and excellence in execution by positioning all of our client-facing teammates to be able to operate in a work-from-home environment. In four weeks, our tech and ops team deployed 100,000 computers and screens to those teammates. It was no small task, and it enabled us to continue to serve clients who themselves were adjusting to the pandemic conditions.

Grow within our risk framework

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

At the onset on the health crisis, we took immediate action to strengthen our reserves for credit losses. We ended 2020 with nearly $21 billion in credit reserves, more than twice what we had at the end of 2019. Together with our existing capital, we have substantial reserves available to manage potential losses. Credit losses were much lower than many expected, but we were confident our underwriting would hold up, and it did. In fact, our actual charge-offs moved from $3.6 billion in 2019 to $4.1 billion in 2020, a slight increase.

On the markets side, our team led by Tom Montag and Jim DeMare navigated the markets very well and we had a strong year of trading revenue. More importantly, we provided support for our institutional clients. And we had only a handful of days with trading losses.

We continue to actively monitor and assess the impacts—both direct and indirect—of the health crisis and other potential risks through our risk management framework. And we continue to drive out operational risk from the company through our focus on operational excellence.

Grow in a sustainable manner

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

Driving operational excellence

While "operational excellence," "organizational health," "simplify and improve" and other terms we use may sound a little mechanical, they are instrumental to our success. In 2015, your company had $57 billion in expenses. In 2020, we had $55 billion, including roughly $1.5 billion in net coronavirus-related costs. Compared with 2015, we have more customers and clients and more transactions—so more work. Yet costs are down and headcount is down. During those six years, we invested about $18 billion in technology initiatives, added 15% more sales teammates, opened 300 financial centers and refurbished 2,000 more. All of these investments were made while costs came down. We continue to apply the practice of operational excellence to enable us to produce strong returns above our cost of capital while investing back into our company and our capabilities. This will provide powerful leverage as interest rates rise and the economy continues to recover and grow.

Operational excellence is as much a mindset as it is a program. It describes the ways in which we drive continuous improvement, reduce operational risk and seek to find faster, simpler and more efficient ways of working and serving our clients.

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

For example, savings from operational excellence help fund the ongoing modernization of sites across our real estate portfolio, including renovating our financial centers to deliver a client-focused interior and exterior design and full support for digital transactions.

It's important to note we made investments like these in 2020—and many more described throughout this report—while at the same time returning $12 billion in net capital to our shareholders. And—as you will see discussed elsewhere in this report—we invested in our team, including the fourth consecutive year of company-wide supplemental bonuses, increasing our minimum hourly rate of pay for U.S. employees and keeping medical expenses down for our lesser-paid teammates.

Being a great place to work for our teammates

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

We strive to make Bank of America a great place to work for all teammates. And we fulfill this commitment by being a diverse and inclusive workplace, attracting and developing talent, recognizing and rewarding performance and supporting teammates' physical, emotional and financial wellness. **On page 26, Sheri Bronstein, our Chief Human Resources Officer, shares her thoughts on our progress in 2020 and what it means for the future.**

Our workforce must reflect the communities we serve. As highlighted in our 2020 Human Capital Management Report, we have continued to make progress in our goal to ensure diverse representation at all levels of our company. Fifty percent of our management team is diverse, and Bank of America is one of only five S&P 100 companies with six or more women on the Board. And over the past decade, the number of people of color we hire in the U.S. from universities has increased by 50%.

1 of 5

Bank of America is one of only five S&P 100 companies with **six or more women on the Board.**

$20

In 2020, we **raised our minimum hourly rate** of pay for U.S. teammates to $20.

We want our teammates to build long-term careers with Bank of America. And that starts with a competitive starting wage and benefits. We moved to our minimum hourly rate of pay for U.S. teammates of $20—roughly $42,000 per year—one year earlier than planned. And we offer ongoing training and development resources to help those teammates grow and thrive within our organization. We hire with a career mindset. And we work to reskill our teammates.

For teammates earning lower salaries, we provide higher company subsidies for medical premiums. Since 2012, there has been no increase in medical premiums for teammates earning less than $50,000.

To support our teammates during the health crisis, at work and at home, we expanded many of our benefits and resources. This included additional support for mental health, free virtual consultations and no-cost coronavirus testing.

As the pandemic hit, we knew our teammates were going to be under pressure at home. For most of them, home was their workplace. For our 40,000 teammates with children, home was often a school or daycare. For many teammates with aging parents, home became an assisted living space. Our teammates needed help. We offered them $100 per day to hire that help. More than 3 million days of care have been provided. This helped our teammates immensely—they have told us. And it also allowed them to serve our clients better.

In 2020, we came together to support one another like never before. It was a great reflection of the commitments, the compassion and the people that make our company a great place to work.

$2B

We issued a **$2 billion equality progress sustainability bond** designed to advance racial equality, economic opportunity and environmental sustainability.

$1B

We launched a **$1 billion corporate social bond**, the first issued by a U.S. commercial bank to entirely focus on fighting the pandemic.

Sharing our success with our communities

One of the ways we ensure our growth is sustainable is by sharing our success with the communities in which we work and live. We invest significant time and money to help address issues facing our local communities and society at large, and commit all of our business activities and operations to the task.

This begins with our $250 million in annual corporate philanthropy. To this, we added another $100 million in 2020 to increase access to food and medical supplies in local communities.

Individual giving by my teammates, combined with matching gifts from Bank of America, amounted to more than $65 million in additional philanthropic support in 2020. To maximize the impact of each employee gift, we lowered the employee matching gift minimum to $1 and doubled our match for employee donations to 17 organizations through 2020.

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

In May of 2020, we launched a $1 billion corporate social bond, the first issued by a U.S. commercial bank to entirely focus on fighting the pandemic. We followed that up with an industry-first $2 billion equality progress sustainability bond designed to advance racial equality, economic opportunity and environmental sustainability.

Our commitment to racial equality and economic opportunity demonstrates the way in which we approach major societal issues and align all of our resources to help drive progress locally. Our investments and partnerships in this work are targeted at strategic areas in which we already are a leader: jobs, healthcare, housing and businesses. By providing even sharper focus, we seek to make a lasting impact on underserved minority entrepreneurs and communities. **You can read more about how we are executing on our $1 billion commitment and a broader update on our work in sustainable finance in the discussion between Vice Chairman Anne Finucane and Global Sustainable Finance Executive Karen Fang on pages 33–35.**

The most important way we shape our engagement in local communities is through our market president organization. Our network of 90 presidents is responsible for leading an integrated team to deliver for clients, teammates and the community, serving as the chief executive for Bank of America in that market. **We talk more about how our presidents support our clients and communities on page 25.**

Driving profits and purpose

The principles of stakeholder capitalism are embedded in Responsible Growth. We deliver for our clients, our employees, our communities and our shareholders and, at the same time, do our part to deliver progress against society's biggest challenges. This includes our work to support the health and safety of our teammates, the many ways we help the communities we serve grow and prosper, our efforts to promote racial equality and economic opportunity and our ongoing drive toward a clean energy future.

Stakeholder capitalism is not a new concept, even if its recent focus makes it seem that way. As a financial institution, our success has always been tied to the success of the communities and markets we serve. In recent years, business organizations including the U.S. Business Roundtable, the World Economic Forum and others have helped create broader awareness of the ways that companies must think about delivering long-term value — for shareholders, of course, but for all of our other stakeholders, too.

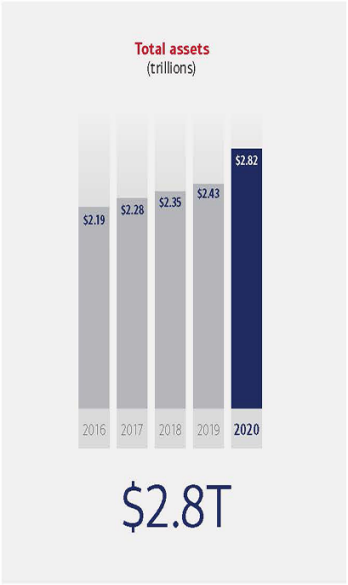
Helping address societal issues can stimulate the commitment of private sector capital to help drive even more progress. And there's growing evidence to back that up. As our Global Research team has found, companies that pay close attention to environmental, social and governance (ESG) priorities are much less likely to fail than companies that do not, giving investors a significant opportunity to build investment portfolios for the long-term. And — through research and our own lived experience — we know that ESG commitments can translate into a better brand, more client favorability and a better place for our teammates to work.

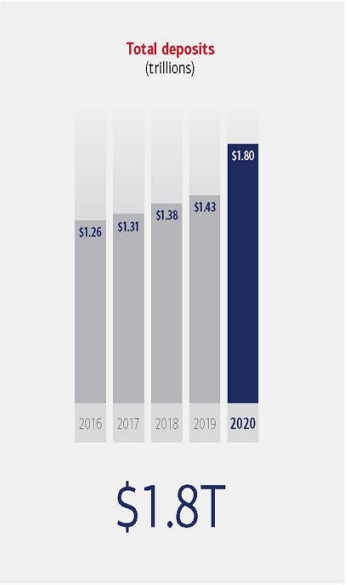
There is an important discussion underway about the role capitalism plays in our society and the ways in which it must evolve to ensure all participants in our economic system are treated fairly and rewards are available equitably. Public companies have an important role to play to help drive that discussion. At Bank of America, we embrace our dual responsibility to drive both profits *and* purpose. And we work with organizations and leaders around the world to champion these ideals and drive meaningful progress. We need a way to measure that and in 2020 we made substantial progress on that front, too.

Measuring and delivering long-term value

To help society make progress toward important goals you need to know two things.

First, you need to understand what society's priorities are. And we do. The countries of the world identified those priorities in 2015, when nearly 200 countries agreed to the United Nations (U.N.) Sustainable Development Goals (SDGs). The SDGs reflect 17 categories of societal priorities that





Measuring stakeholder capitalism

The International Business Council, with the collaboration of the accounting firms Deloitte, KPMG, PwC and EY, compiled a set of common ESG Stakeholder Capitalism Metrics disclosures. These metrics are compiled from leading ESG standards-setters, including the Task Force on Climate-related Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) and others. As discussed in CEO Brian Moynihan's shareholder letter in this report, the goal of the Stakeholder Capitalism Metrics is to provide investors and other stakeholders a common set of standards by which to evaluate the progress the company is making to address the societal priorities agreed to in the SDGs. The metrics include non-financial disclosures in four categories: people, planet, prosperity and principles of governance.

Nearly 70 global companies have agreed to begin using the Stakeholder Capitalism Metrics, and many more are evaluating them for their own use. Bank of America is a founding member of His Royal Highness the Prince of Wales' Sustainable Markets Initiative (SMI), which seeks to harness the creativity, the innovation and the balance sheets of businesses around the world to help drive long-term growth in a globally sustainable fashion. In December 2020, under the guidance of His Holiness Pope Francis and His Eminence Cardinal Peter Turkson, Bank of America joined an alliance of business leaders and companies around the world as part of the Vatican's Council for Inclusive Capitalism (VCIC). Comprising companies that collectively have more than 200 million employees from over 163 countries, the VCIC illustrates how capitalism can take the lead in creating economic growth that is fair, responsible, trusted, dynamic and sustainable. The SMI, the VCIC, and similar organizations recognize the Stakeholder Capitalism Metrics as an important step toward providing the disclosures needed to measure the progress that private sector capitalism can help deliver in addressing important societal priorities.

Given the cross-industry application of this set of common metrics, not each standard will apply to each company that is disclosing. Where a disclosure is not provided or not linked to another Bank of America disclosure, we provide a brief explanation. We share the long-term objective of other companies, asset owners and asset managers, key government regulators and the standards-setters themselves that eventually there will be a single set of non-financial ESG disclosure standards to help stakeholders evaluate companies in the same fashion that standard financial disclosures now permit.

address equality of opportunity, affordable housing, prosperity, access to clean water, renewable energy, and other priorities, with specific goals to be met. Leaders in each country agreed these goals are the ones we need to address to build a sustainable future and create opportunity and prosperity for all.

Second, you need to know how to measure progress. The International Business Council (IBC), which I am privileged to chair, has compiled a set of Stakeholder Capitalism Metrics aligned to the SDGs. These metrics create a consistent way of measuring companies' long-term value, across industries. This, in turn, helps direct investment toward high performers and align capital to progress on the SDG and ultimately defines stakeholder capitalism. It also aligns capitalism's innovation, its entrepreneurship and its massive resources to the progress, which won't be made without the private sector.

In September, the IBC—working with the accounting firms Deloitte, EY, KPMG and PwC—released a set of 21 core metrics, and 34 expanded metrics, aligned to the themes of people, planet, prosperity and principles of governance. As of January 2021, Bank of America and nearly 70 other global corporations have agreed to implement reporting on the Stakeholder Capitalism Metrics, and the coalition continues to grow. **Later in this Annual Report you can see our initial set of Stakeholder Capitalism Metrics disclosures.**

At Bank of America, we drive progress on the SDGs through all of our efforts and activities. We do so through our operations, our philanthropy, our human resources practices, our client financing capabilities and the guidance we provide to investor clients. We bring our $2.8 trillion balance sheet, our $55 billion expense base and the trillions of dollars we raise each year for our clients to the task. And, critically, we commit the considerable ingenuity, innovation and passion of our team.

For over a decade, we have focused on driving Responsible Growth so that we can create value for every stakeholder and for society—through every economic environment. Our focus on Responsible Growth positioned us well as we faced the unforeseen challenges of 2020, and positions us well as we look to the future. We remain committed to delivering for our shareholders, our teammates, our clients, our communities *and* to making a positive impact on the world for years to come.

On behalf of my 213,000 teammates, our management team and the Board of Directors, I thank you for your support of Bank of America.



Brian Moynihan
March 1, 2021


BANK OF AMERICA
2020 HUMAN CAPITAL MANAGEMENT REPORT
Published October 2020

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What would you like the power to do?®

At Bank of America, we ask this question every day of all those we serve. It is at the core of how we live our values, deliver our purpose and achieve responsible growth.

Our values

- Deliver together
- Act responsibly
- Realize the power of our people
- Trust the team

Our purpose

To help make financial lives better, through the power of every connection

Responsible growth

- We must grow and win in the market — no excuses
- We must grow with our customer-focused strategy
- We must grow within our risk framework
- We must grow in a sustainable manner by:
  - Driving operational excellence
  - Sharing our success
  - Being a great place to work

Eight lines of business

Serving the core financial needs of people, companies and institutional investors through eight lines of business



A letter from Chairman and CEO Brian Moynihan

In what has been one of the most eventful periods in modern history, our focus on responsible growth has enabled us to be a trusted source of support, strength and expertise for our employees, clients, shareholders and communities. This is possible only because of our more than 200,000 teammates living and working in the U.S. and around the world.

Last year, we introduced our Human Capital Management Report to provide greater clarity and transparency in how we make our company a great place to work and support our teammates and their families. This report has helped our shareholders and other stakeholders better understand our employee practices. It also serves as a baseline by which we can show the progress we continue to make in supporting our teammates who serve our clients and communities every day.

Since our initial report, we have taken extensive steps to care for the health and safety of our teammates during the current health crisis, including expanding and enhancing employee benefits and resources. We have built on our efforts to ensure a diverse and inclusive workplace, and have seen increases in diverse representation in nearly every area. And, we continue to make long-term investments in support of racial equality and economic opportunity, including a $1 billion, 4-year commitment to advance work underway to create opportunities for people and communities of color.

With this year's report, we provide the latest updates in all we do to invest in our teammates, which will always be core to who we are and how we deliver responsible growth and help make financial lives better for all those we serve.

Thank you.





Being a great place to work: The foundation to how we drive responsible growth

Our common focus on responsible growth produces sustainable results.

Each day, our more than 200,000 teammates come together with a shared mission of driving responsible growth.

This means:

- To grow — no excuses.
- To keep our customer at the center of what we do.
- To grow while staying within our risk framework.
- To grow in a sustainable manner.

To be sustainable, our growth has to deliver on three things:

1. **We drive operational excellence.** This creates efficiencies and savings we invest back into improving our company and client experience, including investments in our technology, physical network and our people.
2. **We share our success with our communities.** This includes all we do to drive our environmental, social and governance (ESG) commitments and to achieve progress on societal priorities, including those broadly defined in the United Nations Sustainable Development Goals: clean/renewable energy, gender equality, equal access to opportunities for prosperity and others. We do this through our philanthropy, financing and how we manage our own activities and expenses.
3. **We have to be a great place to work for our teammates.** Once again, we are publishing this Human Capital Management Report to highlight our work and progress in this area.

Our steadfast focus on being a great place to work sets us apart

Each year, in our letter to shareholders and Annual Report, we share how our teammates deliver strong results for our clients and shareholders while continuing to address the needs and priorities of society through a disciplined focus on responsible growth. We know being a great place to work for our employees is core to our success, and in our Human Capital Management Report we provide detailed information about how our company supports our teammates and their families.

In a year that has brought the biggest health and humanitarian crisis in our lifetime and a renewed movement for racial equality and economic opportunity, we have taken many broad-ranging steps, including:

- **Supporting employee health and safety,** including transitioning 85% of our employees to work from home; establishing on-site nurses in a number of offices where teammates are needed on-location; focusing efforts to care for teammates who self-identify as being at a high risk for the coronavirus; and providing face coverings and personal protective equipment, conducting enhanced cleanings and installing thousands of wellness barriers
- **Expanding employee benefits,** including no-cost coronavirus testing, no-cost virtual general medicine and behavioral health consults and mental health resources
- **Launching innovative solutions to support teammates with childcare needs** so they can continue to serve our clients and each other, including child and adult care reimbursement, resources for parents and students, and enhancing the remote learning capabilities for teammates' children
- **Committing to no coronavirus-related layoffs** in 2020
- **Helping our teammates to have conversations on racial, social and economic injustices,** with more than 165,000 employees participating in courageous conversations in the first half of the year alone
- **Making a 4-year, $1 billion commitment** to advance work underway to address critical issues associated with racial inequality and economic opportunity for people and communities of color, including healthcare, jobs, small businesses and housing

This is in addition to the actions we take each year to make Bank of America a great place to work for our teammates, including:

- **Diverse representation** at all levels of our company, starting with a Board of Directors and management team that are nearly 50% diverse. Within the top three levels of our company, more than 40% are women and nearly 20% are people of color. And, in our wealth management business, for example, we have seen meaningful increases in the representation of women and people of color.
- **Equal pay for equal work,** with compensation received by women on average greater than 99% of that received by men, and compensation received by people of color on average greater than 99% of non-people of color teammates, as validated by third- party analysis
- **Support for parents and parents-to-be** in the U.S., including 16 weeks paid maternity, paternity and adoption leave; reimbursement for eligible adoption, fertility and surrogacy expenses; no cost expert support pre- and post-birth for new or future parents through pregnancy, adoption or surrogacy; and comprehensive childcare reimbursement programs
- **Establishing a great starting wage.** We have made regular increases over several years and most recently raised our minimum hourly rate of pay for U.S. teammates to $20 in the first quarter of 2020, one year earlier than planned.
- **Sharing our success** with our teammates. Over the past three years, we have awarded $1.6 billion in special compensation awards to approximately 95% of our teammates in recognition of efforts in driving responsible growth.

We are pleased to provide additional detail about these areas — and more — in this report, and we look forward to continuing to share updates on the progress we are making against our human capital management metrics as part of our ongoing focus on delivering responsible growth.

BANK OF AMERICA



Coming together to address a global health crisis

We're there for our teammates, clients and communities when they need us most.

This year, teammates across our company have come together in new ways in response to the health and humanitarian crisis affecting individuals, families and business owners in the communities where we live and operate. Our company provides essential services to our clients and the economy, and — through our global presence and long-standing focus on addressing critical societal issues — is supporting relief efforts around the world.

Supporting the health and safety of our teammates

Since the coronavirus was first identified, we have taken many broad-ranging steps to protect all of our teammates.

- **We quickly moved to transition about 85% of our employees to work from home,** providing that opportunity to any teammate who identified as high-risk. For employees who identify as high-risk, many have been redeployed to roles they can perform remotely. For those who can't work remotely, we continue to pay their wages and salaries.
- **To ensure our employees maintain access to critical medical resources,** we have provided no-cost telehealth resources with 24/7 virtual access to general medicine doctors and mental health specialists, home delivery service of preventative prescription medications with a temporarily-waived refill waiting period and no-cost coronavirus testing.
- To help address the personal impacts the environment has had on teammates and their families,

we have **expanded our back-up childcare for employees in the U.S.**, including providing over 1.7 million days of back-up child and adult care and an investment of more than $200 million in child and adult care reimbursements through September to help offset costs for our teammates.

- Additionally, we have provided a variety of **resources to support parents and caregivers as their children return to school** (whether in-person or virtually), including a dedicated back-to-school site with webinars, articles, weekly tips and discounts on computers, devices and school supplies.
- We also have added **new physical and mental health resources**, such as training for stress management, resiliency and mindfulness — and provided additional vacation and personal day flexibility.
- We have expanded our dedicated team of **Life Event Services (LES) specialists** to provide personalized support to teammates impacted by the coronavirus, and we continue to offer 24/7 confidential counseling through our **Employee Assistance Program (EAP)** for teammates and their immediate family members.

We have also taken specific actions to support the health of our thousands of teammates who continue to work from the office — in our financial centers, operations centers and trading floors — and to recognize all our employees are doing in support of our clients, including:

- **Temperature checks, daily health screenings and on-site nurses** at many of our sites. We will continue to expand these measures prior to additional employees returning to the office.
- **Enhanced deep cleanings** of our facilities, installing thousands of **wellness barriers** and putting **physical distancing markings** in place for our employees and clients
- Millions of **face masks and gloves**, as well as tens of thousands canisters of **disinfectant wipes** and **hand sanitizer**
- **More than 23,000 employees reskilled and realigned** to serve in new capacities and support our clients, including to help deliver financial relief programs — like the Paycheck Protection Program
- **Special compensation programs**, including supplemental pay, enhanced overtime pay and other special incentives for employees working in our offices and buildings to serve clients
- **Transportation and meal subsidies**, delivering more than three million meals to employees to-date

These are just some examples of how we have supported our teammates and their families during this critical time. For more information on these and other programs and benefits we provide, see pages 20-23.



Delivering for our clients

The impact our teammates have made is unquestioned.

Employees around the world continue to provide advice, guidance and access to all our capabilities to help clients meet their financial needs. In particular, teammates have been proactively reaching out to clients across all businesses, including by sending millions of emails and placing outbound calls to Consumer & Small Business clients, holding thousands of calls, meetings and broadcasts to actively advise and connect with Wealth Management and Private Bank clients, and issuing proactive guidance and market insight from our BofA Global Research and Investment Insights teams through multiple channels, including virtual investor conferences.

Our employees have also delivered critical financial relief for clients through our programs as well as efforts launched by the federal government.

Specifically, we have helped 345,000 small business clients receive loans through the Small Business Administration's Paycheck Protection Program — extending more than $26 billion to date — and processed more than $26 billion of Economic Impact Payments for clients. We have also processed nearly two million payment deferral requests.

Investing in our communities

Additionally, to help address the impact in our communities, we pledged $100 million toward medical supplies, food security and other vital support, and an additional $250 million to community development financial institutions (CDFIs) to provide more companies and not-for-profits access to important capital.

In addition to all of this, in recognition of the broad and deep impact the humanitarian crisis is having on communities and people of color, we have made a $1 billion, 4-year commitment to accelerate work underway to help advance racial equality and economic opportunity — specifically focused on workforce development, health care, housing and small-business assistance. We also lowered the employee matching gift minimum to $1 and doubled our match for employee donations to 17 organizations through 2020.

$100M
toward medical supplies, food security and other vital support

$250M
to community development financial institutions (CDFIs) to provide more companies and not-for-profits access to important capital

$1B
4-year commitment to accelerate work underway to help advance racial equality and economic opportunity

"Our focus on being a great place to work has never been more important. While our teammates are focused on supporting our clients and communities, we're focused on supporting them and their families, making sure they can be their best both at work and at home."

SHERI BRONSTEIN
CHIEF HUMAN RESOURCES OFFICER

Setting the tone at the top through oversight by our Board of Directors

Our Board of Directors oversees our corporate strategy.

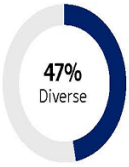
The Board is currently composed of 17 directors, 16 of whom are independent from management. Among other important duties, in exercising their responsibilities, the Board and its committees oversee:

- Management's identification, measurement, monitoring and control of our risks, including compliance risk and conduct risk
- Our maintenance of high ethical standards and effective policies and practices to protect our reputation, assets and business
- Our establishment, maintenance and administration of appropriately designed compensation programs and plans
- Our ESG initiatives, which include our human capital management policies and practices

Our Board and committees (which include Audit, Enterprise Risk, Compensation and Human Capital, and Corporate Governance, ESG and Sustainability) have a key role in the oversight of our culture, setting the tone at the top and holding management accountable for maintaining high ethical standards. They do this in a number of ways, including:

- Reviewing and providing oversight of our human capital management strategies, programs and practices, including diversity and inclusion (D&I) goals and progress
- Regularly requesting and receiving briefings from senior management on matters related to how we manage conduct risk, such as employee training and issue prevention, detection, escalation, management and reporting
- Holding management accountable for the timely escalation of issues for review with the Board and its committees
- Overseeing our incentive plan design and governance processes to provide an appropriate balance of risk and compensation outcomes
- Evaluating performance for executive officers across a range of factors, such as the manner in which results are achieved, accountability in driving a strong risk-management culture and a robust review of scorecards, including specific diversity metrics
- Meeting with key managers below the senior-most management level to assess for themselves how conduct and culture expectations are cascaded throughout our organization
- Reviewing our annual Employee Engagement Survey results, including the Engagement and Diversity & Inclusion indices

Current Board Members[1]



6 Women Directors

2 African-American Directors

1 Hispanic Director



Bank of America is **1 of only 5** S&P 100 companies with 6 or more women on the Board[2]

[1] CEO included in Board Members

[2] As of October 7, 2020



Being a diverse and inclusive workplace

We're working together to advance racial equality and economic opportunity.

In 2020, our teammates around the world have come together to build on the work already underway to drive progress in racial equality and economic opportunity in our communities. We firmly believe all employees should be treated with respect, live free of discrimination and be able to bring their whole selves to work. This is core to who we are as a company and how we drive responsible growth.

This year, we have made several new commitments that build on our longstanding focus on these important issues, including a $1 billion, 4-year initiative to create opportunity for people and communities of color in the areas of health and healthcare, jobs/reskilling, support for small businesses and affordable housing. In September, we announced the first $300 million of that commitment will be directed to four key areas: Jobs initiatives; community outreach and initiatives; Minority Depository Institutions (MDIs); and minority entrepreneurs, businesses and funds. We also announced a $25 million commitment to help fuel the launch of a new Smithsonian Institution initiative that explores how Americans understand, experience and confront race, its impact on communities and how that impact is shaping our future.

Underpinning our efforts to advance racial equality and economic opportunity is our continued work to use our voice and our partnerships to convene and engage in important conversations that promote understanding and meaningful progress. Here you will see more about how we cultivate a diverse and inclusive workplace, support courageous conversations with all of our stakeholders and focus on partnerships that drive change and address critical challenges facing our communities.

Our commitment starts at the top with our Board of Directors and CEO

Creating an inclusive environment starts at the top and extends to all teammates. Our Board, its committees and our CEO play a key role in the oversight of our culture, holding management accountable for ethical and professional conduct and a commitment to being a great place to work.

CEO

Since 2007, Brian Moynihan has chaired the Global Diversity & Inclusion Council — the chief governing body for our diversity and inclusion strategy.

Management team members

The management team sets the diversity and inclusion goals of the company. Each management team member has action-oriented diversity goals, which are subject to our quarterly business review process, used as part of talent planning and included in scorecards reviewed by the Board. Management team members cascade goals to ensure commitment and accountability across the company, as well as support and drive an inclusive work environment.

Chief Diversity & Inclusion Officer

We have a senior Human Resources executive who partners with the CEO and management team to drive our diversity and inclusion strategy, programs, initiatives and policies.

The Global Diversity & Inclusion Council (GDIC)

The Council promotes diversity goal setting, which is embedded in our performance management process and occurs at all levels of the organization.

The GDIC consists of senior executives from every group and has been in place for over 20 years. The Council sponsors and supports business, operating unit and regional diversity and inclusion councils to ensure alignment to enterprise diversity strategies and goals.

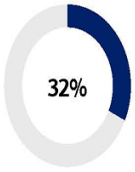
Our workforce must represent the communities we serve

Global workforce

We believe that achieving strong operating results — the right way — starts with our teammates, and we know we must reflect the diversity of the clients and communities we serve. Our diversity makes us stronger, and the value we deliver as a company is strengthened when we bring broad perspectives together to meet the needs of our diverse stakeholders.



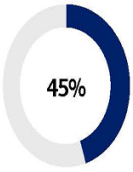
of our management team is diverse



of our management team are women



of our global workforce are women



of our U.S.-based workforce are people of color

We believe the routine disclosure of our workforce diversity metrics holds our management team accountable and ensures we are delivering on our commitment to increase representation. For many years, we have publicly shared our workforce diversity data, and we continued that in last year's report. This year, we are highlighting the representation of Black/African-Americans and Hispanic/Latinos across our company, as well as sharing our full representation data on pages 27-28.

Management levels

We have built robust analytics and put processes in place at all levels of the company to drive progress and accountability. We measure diversity progress across our top three management levels, composed of more than 1,300 people in senior roles who are part of our executive talent management process and who fuel the pipeline for our management team.

Managers

We hold our more than 20,000 managers accountable for driving progress in diversity within their teams. We also provide opportunities for managers to sponsor and support rising talent to continue building our diverse workforce.

Campus hires

We are focused on building a strong, diverse talent pipeline of future leaders. Through recruitment efforts and partnerships, we're attracting some of the best and most diverse talent from around the world.

Equal Employment Opportunity (EEO) categories

We benchmark against other firms and industry metrics to monitor and review representation across EEO categories. By disclosing our workforce data, we demonstrate the progress we are making — progress that is driven from the top down by leadership who embrace diversity and inclusion as integral to our business success. By maintaining this focus, we believe our company will be well-positioned to attract and retain diverse talent, better serve our clients and communities, and build meaningful connections among our teammates.

Improvements in Key Workforce Metrics

+24%
increase in **WOMEN** in management levels 1-3[1]

+41%
increase in **WOMEN** in our global campus class[2]

+27%
increase in **PEOPLE OF COLOR** in management levels 1-3[1]

+50%
increase in **PEOPLE OF COLOR** in our U.S. campus class[2]

Business spotlight: Merrill

It is imperative that our businesses reflects the diverse markets in the communities we serve. In our **wealth management business**, we've made meaningful progress over the past several years.

Today, Merrill's senior leadership team is 50% diverse. Additionally, since 2015, we've seen meaningful increases in the representation of women and people of color: **female representation** has increased from 18% to 21%; **people of color representation** has increased from 16% to 23%; **Black/African American representation** has increased from 3% to 5%; and **Hispanic/Latino representation** has increased from 6% to 9%.

We will continue to drive progress, which over time means a workforce that is even more reflective of the clients and communities we serve.

[1] Percent increase from 2015-2019
[2] Percent increase since 2009

Since 2015, we have maintained or increased workforce diversity while reducing our total headcount by 4%

Management levels and managers

Global and U.S. diversity[1]		2015[2]	2019	% change
Management levels 1-3	Women	33%	41%	24%
	People of Color	15%	19%	27%
	- Black/African American	4%	6%	50%
	- Hispanic/Latino	4%	5%	25%
Managers	Women	42%	42%	-
	People of Color	32%	39%	22%
	- Black/African American	8%	9%	13%
	- Hispanic/Latino	11%	15%	36%

[1] Data for women is global; people of color is U.S.-only.
[2] Above, we disclose 'Global and U.S. Diversity' beginning in 2015, as we made a renewed commitment to our organizational health in October 2015.

Campus hires

Global and U.S. diversity[1]		2015[2]	2020	% change
Full-time class	Women	32%	45%	41%
	People of Color	36%	54%	50%
	- Black/African American	9%	13%	44%
	- Hispanic/Latino	6%	14%	133%

[1] Data for women is global; people of color is U.S.-only.
[2] For 'Campus Diversity,' we disclosed our workforce data beginning in 2009, since we measure against a 10-year cycle.

Equal Employment Opportunity (EEO) categories

U.S. diversity		2015	2019	% change
Executive/Sr. level officials and managers	Women	32%	34%	6%
	People of Color	15%	19%	27%
	- Black/African American	4%	5%	25%
	- Hispanic/Latino	4%	4%	-
First/Mid-level officials and managers	Women	49%	50%	2%
	People of Color	33%	37%	12%
	- Black/African American	9%	10%	11%
	- Hispanic/Latino	11%	13%	18%

EEO financial services benchmarks – 2019

U.S. diversity	Women	People of Color
Executive/Sr. level officials and managers	**BAC:** 34% **EEO:** 31%	**BAC:** 19% **EEO:** 14%
First/Mid-level officials and managers	**BAC:** 50% **EEO:** 48%	**BAC:** 37% **EEO:** 25%

The above 2019 EEO benchmarks reflect the most recent data available from the EEOC.
Additional representation data can be found on pages 27-28.

We're proud of our position relative to the EEO financial services benchmarks for senior and mid-level women and people of color categories.

Promoting an inclusive workplace

To help drive a culture of inclusion, we have developed and provide employees access to a range of programs and resources focused on building understanding and driving progress in the workplace. This year, we have built on the work we have had underway for years and have broadened how we engage our teammates on the topics of race and inclusion.

Expanding our perspectives is a critical aspect of how we drive a culture of inclusion, and open dialogue can help our employees gain a greater understanding and appreciation for one another. Now more than ever, we need to be comfortable with uncomfortable conversations and deepen our understanding through self-education of people's differences. This year, we've introduced new guides and toolkits, and are able to further drive conversations and help our employees be advocates and leaders during uncertain times.

Through August, more than 165,000 employees have participated in more than 320 conversations in 2020 alone. We also host conversations with external partners and members of the community to discuss topics that are important to our teammates and clients. This includes a virtual conversation led by our CEO Brian Moynihan, alongside Secretary of the Smithsonian Institution Lonnie G. Bunch III, UnidosUS President and CEO Janet Murguía and National Urban League President and CEO Marc Morial to discuss racial equality and economic opportunity.

In addition, our inclusion learning and development programs combine virtual and in-person discussions to connect employees at all levels across the organization. This targeted programing helps drive a culture of mutual respect and promote teamwork and positive engagement. Since 2014, we have had over 682,000 completions reaching more than 166,000 employees who voluntarily attended inclusion program sessions.

Let's Get Real...® courageous conversations: Series of organized courageous conversations and resources focused on issues impacting our communities and how open dialogue can help us all gain greater understanding and appreciation for one another

Inclusion Manager Series: Provides learning opportunities to equip managers to better address bias and drive inclusion deep within their teams

myD&I Development Program: Offers a series of diversity and inclusion-focused learning sessions created for individual contributors and employee network members

Diversity & Inclusion Pathways: Lessons that focus on driving inclusion in the workplace and improving individual cultural competency — include resources by topics such as unconscious bias, disability, gender, LGBT+, multigenerational and culture.

Resources include live virtual sessions, replays, videos, articles, web-based courses and discussion guides.

Inclusion ACTion kit: Provides managers with resources to help during important decision moments when bias may creep in and impact the employee experience

Team spotlight: Support Services



We celebrate the diversity of our teammates and the different perspectives that help create a better and more inclusive world for all. Through **Support Services**, an in-house operations support and fulfillment group staffed by over 300 individuals with varying levels of developmental disabilities, employees earn competitive wages and full benefits.

Now in its 30th year, Support Services provides individuals regularly facing barriers to employment the opportunity to achieve financial stability and become successful members of their communities as they make meaningful contributions to our company.

Being accountable to our diversity commitment through our leadership councils, Employee Networks and external partnerships

Diversity leadership councils

We encourage peer-to-peer support through our diversity leadership councils. Our councils convene regularly to hear from our management team and external thought leaders, provide oversight of our diversity commitment, discuss strategies to improve advocacy, sponsorship and retention, address unique obstacles to career advancement and grow client relationships.

Our diversity leadership councils include:

- Black/African-American Executive Leadership Council
- Hispanic-Latino Leadership Council
- Asian Advisory Council
- Investing in Women Leadership Council
- LGBT+ Executive Leadership Council
- Disability Advisory Council
- Military Advisory Panel

Employee Networks

Our leadership councils work closely with our 11 Employee Networks, comprised of 325+ chapters and more than 180,000 memberships worldwide. The Employee Networks help teammates develop leadership skills, build ties with local communities and advance diversity recruitment. Demonstrating the demand for connections, average attendance at their virtual events since the start of the coronavirus has been four times greater year-over-year.

In response to the environment in 2020, our Employee Networks have offered opportunities for teammates to connect and share moments that matter, including responding to and supporting our communities globally. Through these virtual experiences, teammates formed deeper bonds and accessed a range of resources in connection with their physical and emotional wellbeing.

Our Employee Networks include:

- Asian Leadership Network
- Black Professional Group
- Disability Action Council
- Hispanic/Latino Organization for Leadership and Advancement
- Inter-Generational Employee Network
- Leadership, Education, Advocacy and Development (LEAD) for Women
- Lesbian, Gay, Bisexual and Transgender (LGBT+) Pride
- Military Support and Assistance Group
- Multicultural Leadership Network
- Native American Professional Network
- Parents and Caregivers Network



11
Employee Networks



325+
chapters



180K+
memberships

"We continue to look inward and hold ourselves accountable to increasing diversity across our ranks. These commitments build on Bank of America's longstanding focus on racial equality and economic opportunity, and we will continue to do and say more."

CYNTHIA BOWMAN
CHIEF DIVERSITY & INCLUSION AND TALENT ACQUISITION OFFICER

External partnerships

In addition to our leadership councils and Employee Networks, we reinforce our commitment to diversity and expand our impact by partnering with other organizations focused on advancing and driving inclusion in the workplace, including:

- **Black Enterprise:** Premiere business, investing and wealth building resource for African-Americans committed to programs and initiatives to develop Black women
- **Business in the Community:** The largest U.K.-based business-led membership organization dedicated to responsible business, including supporting the creation of a skilled, inclusive workforce today and for the future
- **CEO Action for Diversity & Inclusion:** The largest CEO-driven business commitment to advance diversity and inclusion in the workplace, representing more than 85 industries, all 50 U.S. states and millions of teammates globally
- **Catalyst CEO Champions for Change:** A group of over 60 CEOs pledging to advance more women into all levels of leadership
- **Executive Leadership Council:** Committed to advancing the role and contributions of Black executives and preparing the next generation of corporate leaders
- **Hispanic Association on Corporate Responsibility:** An advocacy and leadership development organization designed to advance the inclusion of Hispanics in corporate America
- **Institute for Veterans and Military Families:** Higher education's first interdisciplinary academic institute focused on advancing the lives of the nation's military veterans and their families
- **Latino Corporate Director Association:** Dedicated to developing, supporting and increasing the number of U.S. Latinos on corporate boards
- **National Association of Black Accountants:** Dedicated to bridging the opportunity gap for Black professionals in the accounting, finance and related business professions
- **Out & Equal:** National organization focused on creating a culture of belonging for all through LGBTQ workplace equality
- **The Hispanic Promise:** Launched in 2019 by the We Are All Human Foundation with the goal of creating a more inclusive work environment for Hispanics
- **U.S. 30% Club:** Launched in 2014, the U.S. 30% Club is comprised of CEOs and Chairs committed to developing and promoting female talent within their organizations, with a goal of achieving 30% female directors on S&P 100 boards by 2020.
- **Women in Finance Charter in the U.K.:** Launched by the U.K. government in 2016, the Women in Finance Charter aims to improve gender diversity in U.K. financial services.





Attracting and developing exceptional talent

Our employees are our most valuable resource.

A key aspect of responsible growth is attracting and retaining exceptional talent from around the world. This starts with how we recruit new teammates and extends to the many ways we support their professional development and career growth.

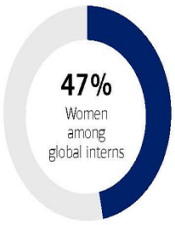
Recruiting diverse talent to our company

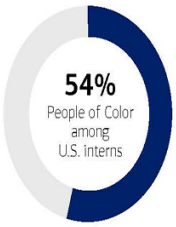
Starting with **early identification programs**, we connect first- and second-year college students to opportunities across the company to equip them with the knowledge and skills to meet their full potential. Our campus programs also pair thousands of interns with leaders across the company to make an impact from the start.

Our campus recruitment initiatives and partnerships are fueling a pipeline of diverse talent to our company. **We hire from more than 350 universities around the world** to fill internship and full-time positions, including 16 Hispanic-Serving Institutions in key locations, including Puerto Rico, and 17 Historically Black Colleges and Universities (HBCUs). Through our Africa Internship Program, we hire interns from universities in Côte d'Ivoire, Egypt, Ghana, Kenya, Nigeria, Rwanda, South Africa, Togo, Uganda and Zimbabwe.

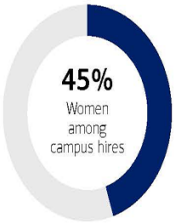
We also partner with more than 30 organizations focused on **advancing diverse talent** — including ALPFA (the Association of Latino Professionals for America), the National Black MBA Association, HBCU Challenge, Robert Toigo Foundation, Sponsors for Educational Opportunity, The Posse Foundation, Disability:IN and Lesbians Who Tech. In 2020, we launched our first fully virtual, eight-week summer program for 2,000+ global interns. The program focused on delivering business content, real work assignments and volunteer experiences, while maintaining an interactive, high-touch approach. Additionally, interns were aligned to one of five learning tracks that offered a broad approach to learning across our businesses.

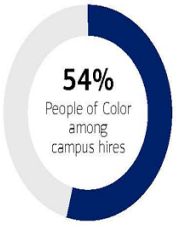
In 2020, we welcomed another diverse summer internship class





We continue to drive progress in the diversity of our future leaders, as seen through our campus hires





In addition to early identification and campus programs, we focus on recruiting military and veterans, LGBT+, people with disabilities and individuals from low-and-moderate income (LMI) communities. Specifically, we:

- **Support military personnel and veterans** as they transition to civilian life; we surpassed our goal of hiring over 10,000 military veterans, achieving our five-year commitment, with plans to maintain hiring momentum for the future.
- **Attract and develop LGBT+ talent** through targeted partnerships with organizations such as Out & Equal Workplace Advocates, Out for Undergrad and Reaching Out
- **Hire people with cognitive and developmental disabilities;** our Support Services team is made up of over 300 employees across multiple locations.
- **Hire and reskill individuals from low-and-moderate income (LMI) communities;** since 2018, our Consumer & Small Business division has hired more than 10,000 employees from LMI neighborhoods — well ahead of our commitment to do so by 2023.

Creating opportunities for teammates to grow and develop

We recognize how important it is for employees to develop and progress in their careers. That's why we provide a variety of resources to help teammates grow in their current roles and build new skills.

Learning tools

We value our teammates' varied experiences and learning styles. Through our personalized approach, we offer learning and development programs that ensure all teammates have access to the resources they need to advance their careers:

- Our **Learning Hub** allows teammates to create personalized learning plans tailored to their roles and interests. The Hub also provides access to books, articles, courses and videos to build industry knowledge and enhance their professional skills.
- Through our **tuition reimbursement program**, we provide up to $7,500 (up to $5,250 tax-free) annually for eligible undergraduate or graduate courses and discounts at a number of universities, plus free unlimited individual academic advisory services.

Leadership investment

We offer a range of development programs for leaders who show potential as future business and C-level executives, including:

- **Women's Next Level Leadership Program:** Provides assessments, strategies and tactics to help multicultural women in progressing their careers through an eight-month virtual development experience
- **Women's Executive Development Program:** Leverages the faculty of Columbia Business School to engage, develop, retain and support the career advancement of high potential talent. The program includes assessments, virtual development sessions, leadership coaching and local market engagement opportunities. In response to the global health crisis, this program has been redesigned into a robust virtual seven-month experience.
- **Diverse Leader Sponsorship Program:** Pairs diverse rising talent with senior leader sponsors to increase the visibility and representation of diverse talent. The program includes development sessions, executive sponsorship and engagement opportunities.
- **Accelerated Development Program:** Year-long executive development program that helps accelerate the growth of top leaders through assessments and virtual learning events, as well as one-on-one coaching from an external coach

To drive manager capabilities and build leadership skills, we offer resources for new and seasoned leaders, including:

- **Manager Resources - Leading in the Current Environment:** Resources developed specifically to support managers in the current health crisis, including manager guides; Manager Excellence and enterprise inclusion sessions; Manager Excellence Community blogs; virtual tech tools and resources; and weekly mindfulness sessions
- **Manager Excellence Program:** Shares practical business tips from senior leaders and industry experts, giving insight into topics that support company priorities. The regular sessions are accessible virtually or on-demand to meet participants' preferred and global schedules.
- **New Manager Program:** Helps new or recently promoted managers build the knowledge and skills they need to successfully lead their teams. The program offers a range of interactive, tailored resources to fit managers' needs and learning styles.
- **Manager Excellence Consultants:** Aimed at mid-level managers, HR professionals provide one-on-one coaching and virtual and in-person sessions to help managers build their skills and connect everyday decisions to enterprise priorities.

In 2019, more than **90% of eligible managers** voluntarily participated in some form of manager development program.

In addition to our company-wide manager and executive programs, many of our lines of business have their own tailored career development programs. Line of business learning and development programs may include enterprise development content, as well as specific role-based programming. We believe developing our talent at this deeper, business-specific level is critical to ensuring our teammates are equipped with the training and skills they need to deliver innovative solutions for our clients.

Providing pathways to new opportunities and reskilling

At all levels of our company, we provide current and prospective teammates with visibility into available roles and cross-functional opportunities as they consider what's next for their careers. In 2019, our career tools, resources and programs helped more than 21,000 teammates find new roles at our company.

We've expanded our award winning **Career Path Tool**. Early research indicates that users of the tool are up to three times more likely to find their next internal opportunity.

Through our internal career site, **myCareer**, we offer a one-stop portal for employees' career needs, including job search capabilities and career planning tools.

We also partner with **Year Up** and other nonprofit organizations to help individuals prepare for the challenges of first-time professional employment and a potential career with us, including those without a college education or whose life circumstances may prevent them from accessing professional employment.

Additionally, through our **Pathways career program**, we partner with external organizations to help connect us to candidates with strong potential. Pathways participants are trained through **The Academy** — Bank of America's award-winning onboarding, coaching and development organization dedicated to client-facing teammates across Consumer & Small Business, Merrill and the Private Bank. Accessed by more than 45,000 teammates annually, The Academy provides an investment in teammates from their first day so each individual can succeed and develop a long-term career at Bank of America.

We also offer other programs for targeted development in specific businesses and roles. As an example, this year, we launched **Credit College**, which provides self-directed and virtual instructor-led training, and continue to invest in programs like Global Technology & Operations University.

Helped

21K+

teammates find roles at our company

Supported the career development of

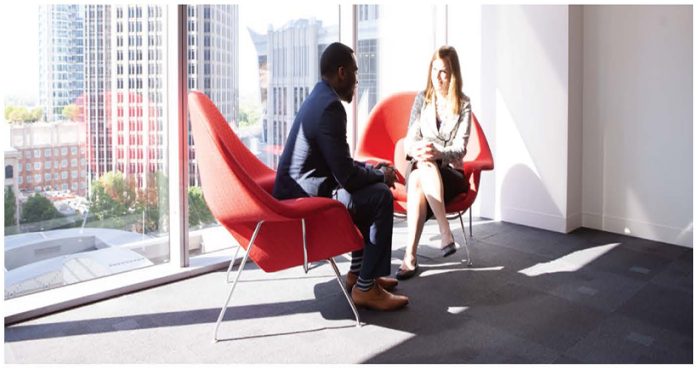
45K+

Consumer & Small Business, Merrill and Private Bank teammates annually through The Academy, our award-winning, high-tech curriculum

Hired

10K

individuals from LMI communities — well ahead of our 2023 commitment



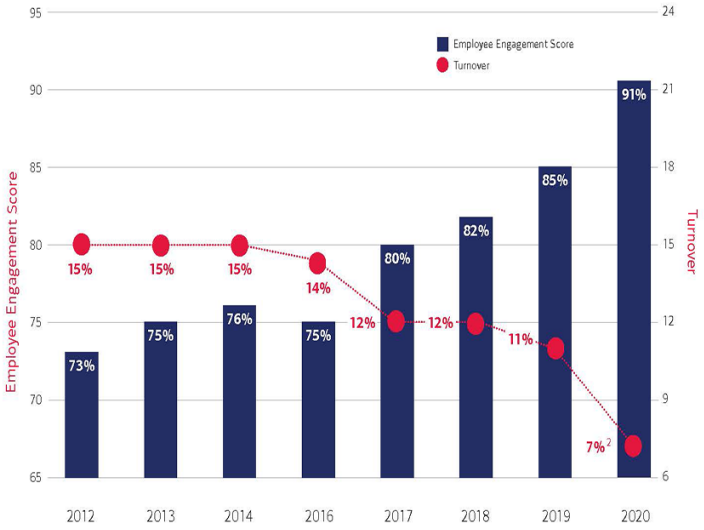
Employee Engagement Survey and turnover

We have conducted an annual Employee Engagement Survey for nearly two decades. In 2020, more than 90% of teammates (nearly 185,000 people) participated, demonstrating our employees' willingness to give us feedback on how we are meeting their needs.

Since 2012, our Employee Engagement Index has steadily increased to record levels at 91%. We also measure an internal D&I Index[1] that gives us feedback on our D&I efforts and how our teammates feel about being able to bring their whole selves to work. This index is also at record levels. As further evidence of our inclusive culture, we also continue to see an increase in teammates who feel free to speak their minds and share opinions.

The results of the survey and the process of continuous improvement that ensues is discussed with the Board at least annually. Our efforts are reflecting our progress in being a great place to work and resulting in record engagement levels and historically low turnover across the company.

Employee Engagement Survey and turnover results



[1] Our Diversity and Inclusion Index measures core areas like how comfortable teammates feel sharing different opinions without fear of negative consequences, whether or not they feel they are being treated fairly, their impression of how well Bank of America has done in creating an environment where people of diverse backgrounds can succeed, and how Bank of America values the unique experiences our teammates bring to the workplace.

[2] Estimated 2020 turnover



Supporting teammates' physical, emotional and financial wellness

We are committed to supporting our teammates' and their families' wellbeing by offering flexible and competitive benefits.

Physical wellness

Our approach to physical wellness is built on the things we can do to help address health risks and manage health care costs for our teammates, including robust health and insurance benefits and wellness resources. Between current U.S.–based teammates and their families and retirees, we are responsible for providing comprehensive health, insurance and wellness benefits to nearly 400,000 people.

- Since 2012, there has been **no increase in medical premiums for teammates earning less than $50,000**. And since 2016, teammates who earn $50,000 to less than $100,000 have only seen a 2% increase. For all teammates, we vary the medical premium contribution by annual pay level, with larger company subsidies for those earning less. Also, our average contribution increases since 2012 have been at or below national health care trends.
- Teammates are encouraged to complete wellness activities — and receive a $500 credit to their annual medical plan premium.[1] If the employee's spouse/partner also completes these activities, this credit is increased to $1,000. **More than 86% of employees and their spouses/partners complete the wellness activities annually.**

Based on guidance from the CDC, medical boards and health authorities regarding the coronavirus, we have worked to limit the risk of exposure to support our teammates' physical wellness.

- For teammates working in the office, we have **provided temperature checks, conducted enhanced workplace cleanings, provided health and safety supplies** (such as face masks, gloves and hand sanitizer) and **installed wellness barriers**.
- We provided **washable cotton face masks to every employee's home** to help protect them and their families.
- We **provide ongoing access to our comprehensive benefits and resources**[1] — many of which have been **expanded in response to the coronavirus**, including: no-cost coronavirus testing and related office visit charges, enhanced back-up childcare and adult care services through which teammates can secure their own back-up care without pre-approval, Teladoc® 24/7 access to general medical[2] and behavioral health consultations at no cost and waived refill waiting periods for home delivery of prevention prescription medication.

Emotional wellness

Through a range of innovative, industry-leading and flexible programs and benefits, we support our teammates through everyday challenges, special moments and critical life events, including:

- **Twenty-six weeks of parental leave — 16 weeks of which are fully paid** for eligible teammates. Additionally, we offer a variety of other leave options, including personal, medical and military leaves leaves. Full-time teammates are also eligible for 20 days of paid bereavement leave after losing a spouse, partner or child.
- **Family Planning Reimbursement program** that provides teammates with the flexibility to choose reimbursement for eligible adoption, fertility and/or surrogacy expenses, **up to a collective $20,000 lifetime maximum** over the course of their career at the bank; a **Family Support program** offering expert pregnancy, fertility, egg freezing, adoption, surrogacy, infancy and postpartum support **at no cost for new or future parents and their spouses or partners**[1]; and comprehensive back-up and childcare reimbursement programs
- To help teammates with children who have been impacted by the health crisis, **we expanded our back-up care program to include reimbursement of up to $100 a day** for eligible teammates who secured their own care providers.

We also provide coverage for dependents up to age 21 if the individual has special needs and is not able to care for themselves. Through September, we provided over 1.7 million days of back-up childcare for teammates and invested over $200 million in child and adult care reimbursements.

- Additionally, we have provided a variety of **resources to support parents and caregivers as their children return to school** (whether in-person or virtually), including a dedicated back-to-school site with webinars, articles, weekly tips and discounts on computers, devices and school supplies.
- Through our partnership with Thrive Global, we **provide training for managers, plus a global expansion of training this spring for all global teammates**, focusing on stress management, mindfulness, building resiliency and understanding mental health warning signs.
- **Unlimited, confidential, free 24/7 phone access to specialists for counseling** during difficult moments for teammates and eligible household members, plus six free face-to-face counseling sessions per issue
- **No-cost consultations and counseling with Teladoc's® behavioral health specialists** for those on a bank medical plan
- **No-cost mindfulness apps** and ongoing mindfulness training for teammates

[1] Available to those on national bank medical plans.

[2] Virtual consults with physicians also available in some countries outside the U.S.

Note: Specific programs vary by region. U.S. programs shown

Financial wellness

The business case for financial wellness is clear: if teammates are not financially well, there is a greater chance that they may not be physically or emotionally well either. That's why we offer robust financial benefits focused on driving better behaviors across life priorities and the financial spectrum, including:

- Automatically enrolling teammates into the 401(k) plan, as we know starting to save early helps with financial planning for retirement. Based on service for eligible U.S. teammates, **we make an annual contribution of 2% - 3% regardless of employee 401(k) contribution level**. We also have matching contributions of up to 5% of eligible pay on a dollar-for-dollar basis.
- **Reimbursement for eligible adoption fertility and/or surrogacy expenses** up to a maximum of $20,000 throughout an employee's career with us
- **Financial assistance through our Employee Relief Fund** for teammates who experience loss due to natural disasters or other unexpected emergency hardships. Teammates can receive up to $2,500 in relief for a qualified disaster and up to $5,000 for an emergency hardship. We also recognize some employees have been impacted by the coronavirus, such as having a spouse/partner who has lost income or their job. As a result, the Employee Relief Fund has provided grants for emergency hardships and to support basic needs. To date, the Bank of America Foundation has provided more than $6 million to employees experiencing financial hardships this year.
- **Better Money Habits®, a free education resource helping people improve their financial wellness,** through our partnership with Khan Academy
- **Experienced independent financial counselors through our Benefits Education & Planning Center** for teammates to receive free, personalized, confidential guidance to help them get the most out of their employee benefits and investment education to help them achieve their financial goals
- The **Financial Wellness Tracker** available through Benefits OnLine helps teammates assess where they are financially and connects them with personalized suggestions and company resources to improve their financial health.
- **Charitable donations through our Employee Giving Program,** including credit card and payroll contributions that can be automatically doubled with matching gifts up to a total of $5,000 per year. Each year, our teammates direct more than $70 million to communities via individual giving and our company's matching gift program.



Note: Specific programs vary by region. U.S. programs shown.

Supporting our employees

Life Event Services (LES) is an internal, highly specialized group that provides personalized support for major life events, including connecting employees to resources, benefits and counseling. In response to the current global health crisis, LES has assisted teammates impacted by the coronavirus. Since its inception, LES has supported teammates through more than 140,000 moments that matter for needs related to the following areas:



"When the coronavirus began, I had to take a couple months off from work for my health and safety. In working through that with my manager, I was referred to Life Event Services. The people I spoke with were amazing. Everyone was helpful, and they connected me to everything I needed — to get tested for the virus, make sure my benefits and pay were not interrupted and more. I would 100% refer my colleagues to Life Event Services. My case manager was personable, respectful and concerned, and I truly appreciate her."

BANK OF AMERICA EMPLOYEE



Recognizing and rewarding performance

Our strong pay-for-performance philosophy rewards long-term, sustainable results.

Equal pay for equal work

We are committed to equal pay for equal work through our pay-for-performance philosophy. We maintain robust policies and practices that reinforce equal pay for equal work, including reviews with oversight from our Board and senior leaders.

For over a decade, we have conducted analyses with outside experts to examine individual employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate.

We also have a standard U.S. practice that restricts the solicitation of compensation information from candidates during our hiring process. This helps ensure that we consider new hires for their individual qualifications and roles, rather than how they may have been previously compensated.

Equal Pay for Equal Work Commitments

- Board and senior leader oversight
- Annual analysis from outside experts
- Compensation adjustments, where appropriate
- Analysis expanded into additional geographies
- Fair hiring practices, including pay inquiry restrictions in the U.S.

We realize that there are various metrics related to the topic of pay equity, and we have consulted with external experts regarding the most appropriate analysis to support our commitment to diversity and inclusion progress and measurement. In consideration of this advice and the size of our company, we believe our equal pay for equal work analysis is the most appropriate measure at this time. We believe our pay-for-performance approach — combined with our focus on workforce representation — will continue driving the advancement and representation of women and people of color in our company.

In 2019, we continued to enhance our efforts to compensate our employees fairly and equitably. We expanded our review from our regional leadership hubs (U.S., U.K., France, Ireland, Hong Kong and Singapore) to include India. Results of this equal pay for equal work review showed:



Compensation received by women is on average **greater than 99% of that received by men.**



In the U.S., compensation received by people of color is on average **greater than 99% of that received by non-people of color teammates**.

Our strategy, programs and actions are guided by our commitment to be a leader in the solution for equal pay for equal work, contributing to the advancement of women and people of color both within our workforce and in society as a whole.

Competitive compensation

We pay our teammates fairly based on market rates for their roles, experience and how they perform, and we regularly benchmark against other companies both within and outside our industry to help ensure our pay is competitive.

We are an industry leader in establishing an internal minimum rate of pay above all mandated minimums for our U.S. hourly teammates, and have made regular increases over the past several years. Our minimum hourly wage for U.S. teammates was raised to $20 in the first quarter of 2020, more than one year earlier than planned.

Over the past three years, we have awarded $1.6 billion in special compensation awards to approximately 95% of our teammates in recognition of efforts in driving responsible growth.

+77%

Minimum pay increase since 2010
from $11.30/hr to $20/hr

$20

Bank of America minimum wage
effective Q1 2020

We have invested

$1.6B

through special compensation awards
to approximately

95%

of our teammates
across the globe over the past three years

Recognition

We're honored to be recognized by organizations and media around the world for our efforts to be a great place to work.

In 2020, Fortune named us as one of the 100 best companies to work for, one of the best big companies to work for and one of the best workplaces for women. In addition, Euromoney awarded us the North America Excellence in Leadership award for our response to the coronavirus, and Forbes named us as one of 25 companies on their 2020 Corporate Responders list in recognition of our work through the health crisis.

Fortune

Best Workplaces for Diversity (2019)

Best Workplaces for Parents (2019)

100 Best Companies to Work For (2020)

Best Big Companies to Work For (2020)
only financial services company recognized two years in a row

Best Workplaces for Women (2020)

Best Workplaces in Financial Services & Insurance (2020)

Change the World (2020)
Top Global Bank

Euromoney

World's Best Bank for Corporate Responsibility (2020)

Excellence in Leadership — North America (2020)

Best Digital Bank — North America (2020)

Best Bank for Transaction Services — North America and Latin America (2020)

Best Bank for Small and Medium-Sized Enterprises — North America (2020)

LinkedIn

50 Top Companies in the U.S. (2019)
top ranking financial institution

Working Mother

100 Best Companies
32 consecutive years

Best Companies for Multicultural Women (2020)

Best Companies for Dads (2020)
ranked No. 1

Diversity Best Practices Inclusion Index (2020)

Forbes

World's Best Employers (2019)
Corporate Responders (2020)

Investing in Women Initiative

Catalyst Award Winner (2019)

Bloomberg

Gender-Equality Index (2019)

RateMyPlacement

100 Undergraduate Employers (2019-2020)

PEOPLE Magazine

Companies that Care (2020)

Diversity MBA Magazine

50 Out Front: Best Places for Women & Diverse Managers to Work (2020)

JUST Capital

America's Most JUST Companies (2020)

JUST 100 (2020)

Military Times

Best for Vets: Employers (2020)
ranked No. 6

U.S. Veterans Magazine

Top Veteran-Friendly Company (2020)

UK Armed Forces Covenant

Employer Recognition Scheme Gold Award (2016-2020)

Stonewall

UK Workplace Equality Index (2020)
ranked No. 28

Disability:IN and the American Association of People with Disabilities

Disability Equality Index (2020)

Equileap

U.S. and Global Gender Equality Reports (2019)
named the leading company in U.S. for gender equality

Fatherly

Certified Best Place to Work for Dads (2019)

Dave Thomas Foundation for Adoption

100 Best Adoption-Friendly Workplace (2019)

Global Finance Magazine

Best Bank in the World (2019)

Best Bank in the United States (2020)

Best Bank in North America (2020)

Best Consumer Digital Bank in the United States (2020)

LATINA Style

Company of the Year (2020)

Top 50 Best Companies for Latinas to Work for in the U.S.
21 years

NAFE

Top Companies for Executive Women
12 years

Asiamoney

Best Bank for Corporate Social Responsibility in Japan (2019)

Employee Benefits

Best Benefits to Support Work Life Balance (2019)

Stevie Awards

9 Awards for Great Employers (2020)

Brandon Hall

25 Human Capital Management Excellence Awards (2020)

APPENDIX

Equal Employment Opportunity (EEO) diversity statistics

2019 EEO Table (by number of teammates)

U.S. employee diversity in 2019									
Job Category	Gender	White	Black/ African American	Hispanic/ Latino	Asian	American Indian/ Alaskan Native	Native Hawaiian/ Other Pacific Islander	Two or more races	Total by gender
Executive/Sr. level officials and managers	Male	2,234	108	116	259	6	0	27	2,750
	Female	1,148	93	70	114	5	0	11	1,441
	Total	3,382	201	186	373	11		38	4,191
First/Mid-level officials & managers	Male	7,432	837	1,384	1,720	31	32	170	11,606
	Female	7,121	1,354	1,665	1,104	43	30	191	11,508
	Total	14,553	2,191	3,049	2,824	74	62	361	23,114
Professionals	Male	26,404	2,338	2,777	6,507	101	91	661	38,879
	Female	13,450	2,407	1,865	4,393	87	69	392	22,663
	Total	39,854	4,745	4,642	10,900	188	160	1,053	61,542
All other	Male	11,238	4,138	7,380	2,893	88	116	748	26,601
	Female	21,923	11,210	15,433	5,101	237	244	1,420	55,568
	Total	33,161	15,348	22,813	7,994	325	360	2,168	82,169
Totals	Male	47,308	7,421	11,657	11,379	226	239	1,606	79,836
	Female	43,642	15,064	19,033	10,712	372	343	2,014	91,180
	Total	90,950	22,485	30,690	22,091	598	582	3,620	171,016

2019 EEO Table (by percentage of teammates)

U.S. employee diversity in 2019									
Job Category	Gender	White	Black/ African American	Hispanic/ Latino	Asian	American Indian/ Alaskan Native	Native Hawaiian/ Other Pacific Islander	Two or more races	Total by gender
Executive/Sr. level officials and managers	Male	53.3%	2.6%	2.8%	6.2%	0.1%	0.0%	0.6%	65.6%
	Female	27.4%	2.2%	1.7%	2.7%	0.1%	0.0%	0.3%	34.4%
	Total	80.7%	4.8%	4.4%	8.9%	0.3%	0.0%	0.9%	
First/Mid-level officials & managers	Male	32.2%	3.6%	6.0%	7.4%	0.1%	0.1%	0.7%	50.2%
	Female	30.8%	5.9%	7.2%	4.8%	0.2%	0.1%	0.8%	49.8%
	Total	63.0%	9.5%	13.2%	12.2%	0.3%	0.3%	1.6%	
Professionals	Male	42.9%	3.8%	4.5%	10.6%	0.2%	0.1%	1.1%	63.2%
	Female	21.9%	3.9%	3.0%	7.1%	0.1%	0.1%	0.6%	36.8%
	Total	64.8%	7.7%	7.5%	17.7%	0.3%	0.3%	1.7%	
All other	Male	13.7%	5.0%	9.0%	3.5%	0.1%	0.1%	0.9%	32.4%
	Female	26.7%	13.6%	18.8%	6.2%	0.3%	0.3%	1.7%	67.6%
	Total	40.4%	18.7%	27.8%	9.7%	0.4%	0.4%	2.6%	
Totals	Male	27.7%	4.3%	6.8%	6.7%	0.1%	0.1%	0.9%	46.7%
	Female	25.5%	8.8%	11.1%	6.3%	0.2%	0.2%	1.2%	53.3%
	Total	53.2%	13.1%	17.9%	12.9%	0.3%	0.3%	2.1%	

2020 Bank of America Management Team





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00-04-1378B 10/2020

PREPARED STATEMENT OF JAMES P. GORMAN

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, MORGAN STANLEY

MAY 26, 2021

Chairman Brown and Members of the Committee, thank you for having me here. Last year, none of us could have predicted the extraordinary public health crisis that would unfold around the world.

We remain in the midst of this crisis that has caused serious humanitarian and economic issues, leaving an indelible mark on many of us. Our hearts go out to all of those directly and indirectly impacted by this crisis.

In response to these extraordinary and challenging times, we were focused on serving our clients and our communities, and taking care of our employees.

- We helped our corporate and institutional clients raise additional liquidity and obtain financing. We raised over $50 billion of capital for the industry sectors most affected—airline, cruise, and travel. Our team also helped raise health care capital for both Moderna and Pfizer, including a sustainable bond issuance by Pfizer to support patient access to medicines and vaccines, especially among underserved populations.
- For our retail clients, we guided them to manage their investment portfolios amidst extreme volatility.

Today's Morgan Stanley, through its three businesses, provides a stable foundation of support in any market environment.

- In our Institutional business, we are a financial advisor to companies and help them raise equity and debt capital—from taking a company public to helping it issue bonds so that it can grow and create jobs. We help public sector entities raise municipal financing. We also help pension funds, mutual funds, and other financial institutions trade and manage their assets.
- In our other two businesses—Wealth and Asset Management—we are managing over $5.6 trillion of assets for households and institutions, including endowments and pension funds that manage the retirements of our teachers, firefighters, and other public employees. For millions of U.S. households, our services help families save money—whether for college, retirement, or to put a downpayment on their mortgages.

Beyond our day-to-day core businesses, we also support the more vulnerable in our communities through philanthropy and employee engagement.

A number of well-publicized events last year led to a heightened and necessary focus on racial and social justice, and a recognition that explicit support and purposeful collective action will be required. Some of our efforts over the past year include:

- Providing grants to Minority Depository Institutions to bolster their loan loss reserves in the wake of the pandemic, and to assist minority- and women-owned businesses to ensure an equitable recovery; and
- Starting a program to provide 60 students with full 4-year scholarships to Howard University, Morehouse College, and Spelman College—three of America's leading Historically Black Colleges and Universities.

In addition, we are concerned that how we deal with climate risk over the next decades will have a profound socioeconomic effect on our communities. Morgan Stanley recognizes the threat that climate change poses—and we are working with our clients to find ways to mitigate its effect.

Finally, early in the pandemic, we committed to making no reductions in our workforce through 2020, thereby providing reassurance to our 70,000+ employees in a very difficult time. I am proud of the commitment they have shown to our clients and to Morgan Stanley in the extraordinary circumstances of the past year.

Chairman Brown, in your letter dated May 7, 2021, you asked me to provide information on additional topics, which are included in the attached addendum.

I now look forward to your questions.

Addendum

1. **Your firm's current size, including the number and location of your full-service bank branches and how that compares to ten years ago.**

Morgan Stanley employs approximately 68,000 employees—up from 60,000 in 2019. Our employees live and work in 39 countries. In 2020, we reported approximately $48 billion in net revenues and approximately $1.1 trillion in total assets, as compared to approximately $40 billion in net revenues and approximately $850 billion in assets in 2018.

2. **Your firm's complexity, its end of the year capital and leverage ratios, including an assessment of the costs and risk borne by the government and taxpayers due to your firm's size, complexity, and activity mix, as well as the annual dollar value of share buybacks, dividend payments, and other capital distributions by the firm for the past ten years.**

(a) Capital and leverage ratios

We maintain robust capital, liquidity and funding positions to ensure that we can support clients' access to credit and capital markets at all points of the economic cycle, including in severely adverse markets.

Our capital adequacy is measured through regulatory capital standards adopted by the Federal Reserve Board ("FRB"). Our capital ratios have remained at very high levels throughout the pandemic. In fact, our capital ratios are the highest among our peers of similar size. Specifically, as of December 31, 2020, our capital ratios were:

- 17.4% Standardized Common Equity Tier 1 ("CET1") ratio
- 19.4% Standardized tier 1 capital ratio
- 21.5% Standardized total capital ratio
- 8.4% Tier 1 leverage ratio
- 7.4% Supplementary Leverage Ratio ("SLR"), calculated in accordance with the FRB's interim final rule in effect as of December 31, 2020

As of December 31, 2018, our capital ratios were:

- 16.9% Standardized CET1 ratio
- 19.2% Standardized tier 1 capital ratio
- 21.8% Standardized total capital ratio
- 8.4% Tier 1 leverage ratio
- 6.5% SLR

(b) Complexity

No bank is too big to fail—including Morgan Stanley. One of the important lessons learned from the 2008 financial crisis was that banks need to organize themselves to prevent the risk of failure, but also have coherent and credible plans in the event of failure. We have embedded recovery and resolution planning into our practices and believe that we have a credible strategy that demonstrates that the Firm can be resolved without adverse effects on financial stability in the United States or on the broader global economy.

Since the financial crisis, we have more than doubled the size of our wealth management business. And in the past year, we furthered the transformation of our business through the acquisitions of E*TRADE and Eaton Vance—continuing our strategy of maintaining a durable balance sheet and sources of revenue, which should

provide more predictable results during various market conditions in the future. Our wealth management and investment management businesses now account for more than half of our revenues.

As an example of risk mitigation, under Dodd-Frank, we are required to have a resolution plan, or "living will," in place, so that if Morgan Stanley were to fail it would not undermine the wider financial system. As part of that resolution planning, we have taken significant steps such as rationalizing our legal entity structure to make it less complex and ensure that the structure supports our resolution strategy.

We are required to submit a full resolution plan to the regulators every four years, with a mid-cycle update required two years into each four-year cycle. Our next mid-cycle update is required by July 1, 2021. We take resolution planning very seriously. Our senior management participates directly in the development of the plan, and participates in challenge sessions internally and with regulators. Ultimately, our Board of Directors oversees and approves our resolution plan.

Our plan is based on a "Single Point of Entry," or "SPOE" model. In the event that Morgan Stanley, as a company, were at the point of failure, our plan requires resources to be provided to our material entities so that they can complete a solvent wind-down or successful sales strategy without entering resolution proceedings. As a general matter, our plan contemplates a solvent wind-down – without taxpayer support – of our institutional business and a successful sales strategy of our wealth management and investment management businesses.

(c) Dividends and buybacks

Year (unless otherwise stated)	Common Stock Dividends (in millions)	Per Share amount (Common)	Preferred Stock Dividends (in millions)	$ Value Common Stock Repurchased as part of Share Repurchase Program (in millions)[1]	Total number of shares as part of Share Repurchase Program (in millions)[2]	Total number of shares (in millions)[3]
2011	$354	$0.20	$292	$0	0	11
2012	$400	$0.20	$97	$0	0	13
2013	$250	$0.20	$271	$350	12	27
2014	$703	$0.35	$311	$900	28	46
2015	$1,096	$0.55	$452	$2,125	59	78
2016	$1,348	$0.70	$468	$3,500	117	133
2017	$1,655	$0.90	$523	$3,750	80	92
2018	$1,930	$1.10	$526	$4,860	97	110
2019	$2,161	$1.30	$524	$5,360	121	135

[1] Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.
[2] Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.
[3] Includes both those acquired as part of the share repurchase program and in satisfaction of withholding obligations.

2020	$2,295	$1.40	$496	$1,347	29	40
Q1 2021	$635	$0.35	$138	$2,135	28	34

3. **Describe your state of compliance with all applicable laws and process made to address past violations of law.**

Morgan Stanley has a comprehensive program to manage risk and help ensure compliance with relevant laws and regulations. The program begins with the Firm's core values, which are communicated to employees through the Firm's Code of Conduct and drive a shared set of behaviors and attributes that help employees make decisions that are consistent with the expectations of our clients, shareholders, regulators, Board of Directors and the public. The Firm employs a three lines of defense model for compliance risk management, which includes first-line business units, the Compliance Department, and Internal Audit, each of which has dedicated resources focused on managing compliance risk for the Firm. The Compliance and Conduct Risk Committee and the Culture Values and Conduct Committee sit within the Firm's Enterprise Risk Management framework and provide senior management oversight for compliance and conduct risk issues across the Firm.

Notwithstanding these efforts, from time to time we make mistakes that result in regulatory enforcement. No regulatory enforcement episode is acceptable, but we learn from our mistakes and we have taken corrective actions in response.

4. Provide successes and failures recruiting a diverse workforce generally and at the highest senior executive level specifically.

I acknowledge that progress in this area has been slow for us—and we can and should do better. The events of 2020 focused all of us in a way we had not been before and this was the ultimate call to action to make meaningful change.

We believe a diverse workforce is important to Morgan Stanley's continued success and our ability to service our clients. Achieving greater diversity throughout the Firm remains a key priority for the Firm and its management team, and we are working hard to achieve our diversity goals. While we are proud of the gains that we have made, there is still work to be done.

Establishing diverse leadership is essential to bringing greater diversity to the Firm as a whole. While change will not happen overnight, we made some immediate changes, which included calling out Diversity & Inclusion as one of our core values, establishing the Institute for Inclusion to provide outside input on our talent and diversity efforts, and elevating Black leaders, including the addition of two Black Managing Directors to the Firm's Operating Committee.

Diversity at the Board of Directors level is a significant priority. Half of our Board is gender or ethnically diverse. Diversity in senior management is also critical to achieving our Firm-wide diversity goals. Twenty-one percent of our Operating Committee is ethnically diverse and 21% are women. With respect to our Management Committee, 31% of the members are ethnically diverse and 23% are women. Moreover, every senior manager is required to have a succession plan for his or her senior team members, and part of that plan must include developing a diverse candidate pipeline.

To build a diverse talent pipeline, we use global, targeted recruitment and development programs to hire, retain and promote women and ethnically diverse talent. From 2015 to 2019, we increased campus hires of women globally, and of Black and Hispanic students in the U.S., by 9% each—to 44% and 25% of all recruits, respectively. We note that U.S. Black Managing Director representation is up 24% from 34 to 42 since year-end 2019. And U.S. Black officer representation is up 29% from 535 to 689 since year-end 2019. In both cases, this growth was driven by a continued focus on hiring and providing promotion opportunities for our talent. And among employees in our most recent Managing Director class, 35% were women and over 25% were ethnically diverse, as we continued to increase their representation. While we have more to do, we are making progress and are committed to continuing to do so.

Our Global Diversity & Inclusion team drives the Firm's strategy across four key pillars: accountability, representation, advancement and culture. In 2020, we published our first annual Diversity and Inclusion Report, which represents the Firm's commitment to our diversity and inclusion strategy, priorities and goals, and provides comprehensive disclosure and information on the composition of our workforce, our progress to date and our efforts and initiatives in advancement and outreach. The report also includes our

EEO-1 data. By providing data about our workforce and diversity and inclusion efforts, we are enabling our stakeholders to monitor and track our progress.

Additionally, for the first time, we published diversity and inclusion data in our SEC Annual Report on Form 10-K. Key data points include:

- 39% of our global and U.S. employees are women;
- 26% of our global officers are women;
- 30% of our U.S. employees are diverse;
- 23% of our U.S. officers are diverse.

Morgan Stanley is committed to providing a work environment that promotes diversity and inclusion, where everyone is treated with dignity and respect. Each of us must act, at all times, with due consideration towards our co-workers, treating others as we would want to be treated. We aim to provide our employees with the best opportunities to realize their potential. Our policies promote equal employment opportunity without discrimination or harassment on the basis of race, color, religion, creed, age, sex, gender, gender identity or expression, sexual orientation, national origin, citizenship, disability, marital, civil partnership or union status, pregnancy, paid parental or maternity leave, veteran or military service status, genetic information or any other characteristic protected by law.

We understand the importance of explicit support and the purposeful participation that is required to effect change. To help accelerate our own efforts, we recently launched the Morgan Stanley Institute for Inclusion ("IFI") guided by an independent Advisory Board. I chair the IFI Board and it includes three of our current Firm-wide Board members. The IFI is focused on catalyzing an integrated and transparent diversity, equity, and inclusion strategy to deliver the full potential of Morgan Stanley and drive meaningful change within the Firm and beyond. We also recently announced the addition of a new core value, Commit to Diversity and Inclusion, to make explicit our commitment to cultivating and supporting a diverse workforce and a culture of belonging across the Firm.

With respect to suppliers, our supplier diversity program, currently a $350 million spend, seeks out minority-owned businesses to supply hundreds of our offices around the globe. We also make investments in diverse businesses, including our recent $100 million investment in Lafayette Square, a minority-owned holding company focused on flexible capital investments in sustainable housing and small businesses that are owned by women and people of color. We are also seeking to expand our wealth management services into new and diverse target markets and have created the Wealth Management Racial Equity Toolkit, a guide to racial equity investing.

Moreover, our Multicultural Client Strategy Group helps develop the Firm's strategy to address the significant market inefficiency that limits access to capital by female and multicultural technology entrepreneurs and small business owners. One such initiative is our Multicultural Lab, which supports the growth of tech entrepreneurs of

color and women by providing the tools, resources and access to capital they need to succeed. Now in its fourth year, the Lab has invested in 31 companies with a multicultural or woman founder, co-founder, or C-suite executive.

5. **Provide an assessment of your firm's efforts to accelerate the transition to a green economy, by reduction in investment and funding of carbon intensive industries, increased investment in green technologies, and efforts to decrease carbon emissions.**

Recognizing the important role government plays in shaping policy to address these challenges, Morgan Stanley has been very public about the urgent need to address the climate challenge, including expressing support for the United States to stay in the Paris Climate Agreement.

Morgan Stanley, along with many of our peers and clients, signed a December 2020 letter convened by the Center for Climate and Energy Solutions calling on then President-elect Biden and the new Congress to "work together to enact ambitious, durable, bipartisan climate solutions."

Morgan Stanley is a member of the Steering Committee of the Partnership for Carbon Accounting Financials ("PCAF"), which is developing a methodology to track portfolio emissions for financing and lending activities across all sectors and counterparties. PCAF's methodology will help Morgan Stanley as we identify, assess and manage climate-related risks across our business. It will also help us identify client-oriented solutions to these issues as well.

Effectively addressing climate change will take coordinated efforts between the private sector, civil society and government, and we are committed to being part of the solution. We have been publicly on record as supporting a price on carbon as one way to leverage the power of markets to address climate change. We work with clients and customers around the globe to facilitate the transition to a low-carbon economy. We are a long-standing leader in leveraging capital markets to help scale sustainability solutions. In 2009, during the financial crisis, we created the Global Sustainable Finance ("GSF") Group to drive the Firm's sustainability strategy across our Firm and within our businesses.

We focus on climate and Environmental, Social and Governance ("ESG") matters because our clients demand it, because of the potential of these issues to create risks to businesses, and the related opportunity to drive sustainable solutions for our clients. Addressing the climate challenge and supporting our clients are simply good business practices.

In September of last year, Morgan Stanley was the first large U.S. financial institution to commit to net-zero financed emissions by 2050. Alongside Citigroup and Bank of America, we were the first American banks to join the Net Zero Banking Alliance announced last month. We recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will support low-carbon solutions by 2030. We have set a goal to achieve carbon neutrality for our global operations by 2022. As part of this goal, we will source 100% of our global energy needs from renewable energy.

Morgan Stanley is also a leader in sustainable finance, which focuses on making investments that aim to achieve market-rate financial returns while considering positive social and/or environmental impacts. In 2013, we launched the Institute for Sustainable Investing to help find innovative ways to drive capital toward sustainable development solutions. The Institute's Advisory Board, comprised of prominent leaders from business, academia and leading non-governmental organizations, guides our work and strategic priorities.

In 2017, we were the first U.S. financial institution to appoint a Chief Sustainability Officer. We have been working for years with our Wealth Management clients to align their portfolios with their values, including concerns about the impact of climate change.

Our Investing with Impact platform allows our Wealth Management clients to invest according to their sustainability values. For example, they can invest in funds that are specifically focused on financing innovations to address the challenges of climate change. To date, clients have invested more than $55 billion through this platform. We led the first ever corporate green bond offering and led approximately $65 billion green, social and sustainability bonds in 2020, and nearly $150 billion since 2013.

We see an opportunity to address climate change in working with our clients, employees, investors and other stakeholders. Climate change considerations are integrated into the Firm's risk management and governance processes. We have in place an enhanced due diligence process for high-carbon sectors and, when considering oil and gas transactions, we conduct enhanced due diligence and are prudent in the transactions we undertake. We also continue to engage clients to understand, and help them with, their diversification strategies in high-carbon sectors.

6. **Assessment of your firm's contribution to annual growth of the non-financial economy over the last 10 years.**

Morgan Stanley brings together investment, philanthropic and private capital to create lasting positive changes in communities across the United States. As an example, we have supported the creation or retention of nearly 200,000 jobs, created or preserved more than 145,000 units of quality affordable housing, and supported 270 small businesses across the United States through our Community Reinvestment Act ("CRA") program alone, while charitable giving by Morgan Stanley and our employees over the last ten years exceeds $1 billion.

Since 2010, our Community Development Finance group has supported $24 billion in community development loans and investments, $373 million in small business loans and investments, and $325 million in bonds structured and marketed for community development financial institutions ("CDFIs"). For example, we gave $5 million grants to each of Industrial Bank in Washington, D.C. and Citizens Trust Bank in Atlanta, Georgia, and we provided $14.6 million in grants and other support to our long-time partner, Carver Bancorp, a CDFI headquartered in Harlem, New York. Our support enabled each of these institutions to strengthen their capital position so that they could continue to provide financing to their small business and retail clients during the COVID-19 pandemic.

We also look for opportunities to link affordable housing, access to health care, and access to transportation for job opportunities. Morgan Stanley remains committed to supporting affordable housing, while also continuing to integrate climate risk matters into our investment and lending process. For example, Morgan Stanley has a robust commitment to investing in affordable housing being constructed near transportation as we believe this is supportive of not only climate change issues, but also serves to benefit lower income households by greatly reducing the need to own and maintain private vehicles.

In addition to our CDFI efforts, our Firm strategy, combined with a strong culture, enables Morgan Stanley to play a vital role in supporting the U.S. economy, our communities, and individual families, through the lens of responsible corporate citizenship. We have worked with new companies across economic sectors to take them public, so they can raise the capital they need to grow and create jobs. We help companies raise financing, which allows them to expand operations and invest in future growth. We help pension funds invest, so they can grow their assets and meet their obligations to retirees. We help college endowments invest and earn a return that allows them to increase scholarship funds for students in need of financial assistance. We work with individual families to plan for their financial futures, whether that is saving for college, preparing for retirement, or creating a legacy of philanthropic giving. We underwrite municipal bonds that enable cities across the country to renovate schools and build new parks. As one example, Morgan Stanley is the leading underwriter of bonds for California's community colleges, which serve more than 2.1 million students annually, making it the largest system of higher education in the nation. Since 2014,

Morgan Stanley has helped these colleges raise more than $8 billion to fund critical investments in campus facilities that support a wide range of programs, including public service programs such as nursing, firefighters, police and veterans support.

As a leader in sustainable finance, we have also supported the development of innovative sustainable solutions, including supporting approximately $150 billion in green, social, sustainability and sustainability-linked bond transactions from 2013-2020. In 2020 alone, we supported the largest-ever corporate sustainability bond of $5.75 billion, and joint-led the issuance of a $1 billion social bond for the Ford Foundation to stabilize and strengthen nonprofit organizations, and provide aid to vulnerable communities hard hit by the pandemic and economic fallout. The bond is the first offering by a U.S. nonprofit foundation in the taxable corporate bond market.

Furthermore, our culture includes a strong commitment to supporting the communities where we live and work. We established the Morgan Stanley Foundation in 1961, to enable us to deliver long-term support for community needs, with a particular focus on the needs of children. Since 1973, the Firm and its Foundation have provided critical leadership and support to the Morgan Stanley Children's Hospital (and its predecessor, the Columbia Presbyterian's Babies & Children's Hospital). Further, through our more than 10-year ongoing partnership with Feeding America, we have delivered more than 320 million meals for children and families across the United States. We don't however solely write checks. We believe that the talents and hard work of our employees can significantly increase our impact, and our community support efforts include substantial pro bono, skills based and hands-on engagement. For 16 years, we have dedicated the month of June as our Global Volunteer Month, engaging our employees and delivering more than 4.5 million volunteer hours since 2010, and serving cities across the globe. Further, more than 90% of our employees are actively engaged through the Firm in their communities.

7. Assessment of your firm's response to the non-financial economy's needs throughout the COVID-19 pandemic

We supported our communities and clients during a period of unprecedented challenge over the past year. We supported the more vulnerable in our communities through charitable donations and employee engagement and we believe we made a difference. Rising to meet the needs of our communities, Morgan Stanley delivered more than $90 million in 2020 in response to COVID-19, the related economic fallout and the racial justice movement. This included dedicating a number of grants to organizations fighting hunger, supporting disease control and channeling financial aid to the most vulnerable people, including low-wage earners.

Our employees actively supported efforts, with more than 10,000 participating in COVID-19 Hunger Relief and the NAACP Legal Defense Fund Social Justice Campaign. In New York, we contributed to the New York Loan Fund that assists small businesses, nonprofits and small landlords that did not receive federal assistance and provided financial assistance to 2,000 street vendors across the city who were suffering business losses.

As discussed in the response to Question 8, we also announced grants to minority depository institutions to bolster their loan loss reserves in the wake of the pandemic, and to assist minority and women-owned businesses to ensure an equitable recovery. Additionally, as part of the Move for Meals, nearly 11,000 employees in more than 440 cities walked nearly 240 million steps to raise awareness of hunger globally exacerbated by COVID-19. Through this campaign, we supported 25 million meals through 24 global hunger relief options.

During the crisis, we engaged with clients as we supported market and client activity; took in increased deposits from Wealth Management clients; extended credit to our institutional and retail clients and provided them with additional liquidity; and provided financing to support COVID-19-impacted clients across multiple sectors. At the height of the pandemic, we approved requests for forbearance, or deferral of principal and interest payments, on loans with unpaid principal balances of approximately $3 billion, primarily in commercial and residential real estate.

In our investment banking and capital market businesses, we leveraged our core client relationships to deliver funding and advice across products and sectors, and stepped up for clients by providing capital and trusted advice and risk solutions. We raised over $50 billion of capital for the industry sectors most affected, including the airline, cruise, and travel industries. We supported some clients with increased lines of credit and provided others with opportunities to monetize assets.

Additionally, our business activities included a number of transactions that aim to address COVID-19 recovery. For example, we supported a number of sustainability and social bonds, including a first-of-its kind issuance by Pfizer to support patient access to medicines and vaccines, especially among underserved populations.

8. **Provide an assessment of your firm's efforts to identify and alter policies and practices by your institution that contribute to systemic racism and inequality. Discuss the impacts of your firm's lending, investment, and trading activities on racial and economic inequality in the broader economy generally and in labor markets specifically.**

It is clear that the racial injustice and inequality that has existed in our society for a very long time has not been resolved. At Morgan Stanley, we want to be part of the solution.

In addition to supporting and advising on internal diversity and inclusion efforts, the Morgan Stanley Institute for Inclusion is focused on investing to advance economic outcomes in underserved communities through products and services, business practices, spending and thought leadership, and supporting underserved communities with philanthropy that strengthens such communities, with near-term focus addressing some gaps created by long-term systemic disenfranchisement. I chair the Institute for Inclusion and it is overseen by an independent board of external advisors, made up of leaders from organizations that have long advocated for civil rights, and others who represent the business, academic and philanthropic communities interested in racial equality, including several of our Board members.

We realize Morgan Stanley has a responsibility to help address social injustice beyond the four walls of our offices. We therefore made a decision to support a number of external organizations driving racial equity in our communities, with donations totaling more than $30 million, including to the NAACP Legal Defense and Education Fund and Carver Bank in New York, Industrial Bank in Washington D.C., and Citizens Bank in Atlanta.

We also recently launched the Morgan Stanley Historically Black Colleges and Universities Scholars Program, partnering with Howard University, Spelman College and Morehouse College to award full needs-based scholarships to 60 students, not only to build a strong and diverse pipeline of talent, but also to eliminate finance as a barrier to achieving a quality secondary education. This complements our long-standing Richard B. Fisher summer intern and college scholarship program which, through 2019, provided scholarships to more than 600 students, and eight in ten Richard B. Fisher scholars have taken jobs with us as full-time analysts after graduation.

We also bring together investment and philanthropic and private capital to create lasting positive changes in underserved communities. Collaborating with community and nonprofit partners, our programs seeks to transform people's quality of life through a focus on critical items such as the preservation and development of sustainable, multifamily affordable rental housing, healthy communities, economic development that supports quality jobs and capital for underserved, small and rural markets. For example in 2020, we issued a $1 billion social bond that aims to advance this work by directing capital to affordable housing and announced a $15 billion plan to increase lending and

investments in lower-income communities with the National Community Reinvestment Coalition.

We have published a number of critical research studies addressing the need for greater diversity in leadership and in the distribution of investment capital. This research enables us to analyze and address our industry's adverse impacts on nonwhite stakeholders and communities of color, and has helped guide our efforts to drive positive change.

Additionally, our supplier diversity program, currently a $350 million spend, seeks out minority-owned businesses to supply hundreds of our offices around the globe. Maintaining a diverse vendor base helps support the building and growth of economies in the communities in which we operate.

We also make investments in diverse businesses, including our recent $100 million investment in Lafayette Square, a minority-owned holding company focused on flexible capital investments in sustainable housing and small businesses that are owned by women and people of color. We are seeking to expand our Wealth Management services into new and diverse target markets and have created the Wealth Management Racial Equity Toolkit, a guide to racial equity investing.

Our Multicultural Client Strategy Group helps develop the Firm's strategy to address the significant market inefficiency that limits access to capital by female and multicultural technology entrepreneurs and small business owners. One such initiative is our Multicultural Lab, which supports the growth of tech entrepreneurs of color and women by providing the tools, resources and access to capital they need to succeed. The objective of the Lab is to level the playing field for these entrepreneurs from an access standpoint and help close the funding gap that currently exists. Since 2017, the Lab has funded 43 companies, including investing approximately $10 million in seed to series A companies with multicultural/women founders. In addition, the Lab provides the companies with introductions to corporate clients and large contracts, mentoring, and expert advice. Building on the Lab's success, we are doubling the size of our investment to 20 companies. The Lab seeks to couple a financial contribution by Morgan Stanley, in the form of an equity stake in the company, with world-class resources to help entrepreneurs take their business to the next level.

9. Your assessment of your firm's impact on the consolidation of the banking industry, as well as that consolidation's impact on the availability of affordable and accessible banking services in communities and industries across the country, particularly rural and low-income communities.

We have seen a number of consolidations among regional retail banks over the past several years. We believe that these have been driven by a number of factors, including a desire to broaden the customer base, broaden product offerings, increase scale and drive operating efficiencies, and potentially reduce technology, operational, and regulatory costs. Given the nature of our business model and strategic focus, we are not considering, and for the foreseeable future do not expect to pursue, any retail bank acquisition.

We announced two acquisitions of our own in 2020, of E*TRADE and Eaton Vance. Both transactions were compelling because E*TRADE and Eaton Vance were strong, high-performing companies whose businesses closely complemented our existing Wealth Management and Investment Management businesses. The client and product overlap between Morgan Stanley and E*TRADE and Eaton Vance was very limited. For example, Morgan Stanley did not have a previous footprint in E*TRADE's core, self-directed, digital brokerage business. That lack of overlap was a major factor in both transactions.

Our acquisitions of E*TRADE and Eaton Vance were both reviewed and cleared by the DOJ's Antitrust Division. In addition, the Federal Reserve reviewed the competitive impact of the E*TRADE acquisition as part of its approval of that transaction, and found that it would not have a significant effect on competition.

We are not a brick-and-mortar bank and do not have retail bank branch offices. As a result, we have limited ability to reach all segments of the population. We do, however, support the clients and communities in which we operate. In 2020, we announced a four-year, $15 billion plan that expands our community development activities. The principal areas of focus for our program are affordable housing, including in rural and small, underserved markets, support for community development financial institutions ("CDFIs"), and small business and economic development.

We take particular pride in our ability to leverage Morgan Stanley's capital markets expertise to find new ways to address important community development goals, such as preservation of existing affordable housing. One hundred percent of our affordable housing private equity also includes funding for quality of life issues, which includes access to broadband, assistance in resident access to the earned income tax credit, after school education, and senior aging-in-place healthcare services.

10. Describe the benefits provided your firm by the federal government, including but not limited to, the value of direct and indirect support of your firm through federal programs, facilities and public infrastructure over the last 10 years.

(a) Federal Support During COVID-19

Morgan Stanley participated in certain FRB programs launched in 2020 in response to the pandemic. These included (1) the Primary Dealer Credit Facility ("PDCF") and (2) the Money Market Mutual Fund Liquidity Facility ("MMLF").

The PDCF permitted primary dealer U.S. broker-dealers to pledge high-quality collateral to the FRB for liquidity. Morgan Stanley participated in the PDCF from March 20, 2020 to May 14, 2020, with a maximum drawn amount of $500 million. We exited from the program well in advance of its expiry date on March 31, 2021. The PDCF is an important tool for stabilizing markets, and we paid all interest due on our borrowings.

Additionally, Morgan Stanley's Investment Management business segment sponsors money market funds ("MMFs"). When the money markets froze in spring 2020, Morgan Stanley-sponsored MMFs sold assets that were pledged as collateral to the MMLF from March 20, 2020 to April 22, 2020. Morgan Stanley-sponsored MMFs ceased using the program well in advance of its expiry date on March 31, 2021. The MMLF was an important tool for stabilizing markets.

Morgan Stanley did not receive PPP funds, and did not participate in the PPP as a lender, as our banks are not registered with the Small Business Administration as required to participate in the program.

(b) Non-COVID-19-Related Federal Support Since 2011

Like all American businesses and households, Morgan Stanley benefits in various ways from the stability and opportunities provided by the federal government's investments in broad-based projects, including public infrastructure. Similarly, we benefit, directly and indirectly, from operating in a society that supports home ownership, education and public health initiatives, all of which are supported in various ways by federal, state and local governments.

Morgan Stanley has not been a beneficiary of any extraordinary, Firm-specific federal government support since 2011.

Committee on Banking, Housing, and Urban Affairs
Annual Oversight of Wall Street Firms
May 26, 2021

Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Chairman Sherrod Brown:

Overdraft Fees

1) **For each month from January 2020 to present, provide the following information for consumer checking accounts:**

   a. **The number of consumer checking accounts;**

   b. **The number of customers whom the bank charged an overdraft or NSF fees;**

   c. **The amount of overdraft fees (not including NSF fees) the bank charged to its customers;**

   d. **The amount of NSF fees the bank charged to its customers;**

   e. **The amount of revenue the bank generated from overdraft and NSF fees;**

   f. **The amount of the bank's negative balance charge-offs; and**

   g. **The number of checking account the bank involuntary closed due to unpaid fees.**

At Wells Fargo, we are continually looking for ways to be more customer-centric. Last year, we launched Clear Access Banking, a convenient deposit account with no overdraft, non-sufficient funds ("NSF"), or returned item fees. Clear Access demonstrates our commitment to provide a simplified banking experience. It offers customers access to money management, payments, and digital banking experiences and services all for a low monthly fee. Other accounts offer overdraft services to help customers avoid declined transactions. For consumer accounts that offer optional overdraft coverage and overdraft protection, our Overdraft Rewind feature automatically reevaluates transactions from the previous business day and may waive or refund overdraft and NSF fees when a customer receives a qualifying direct deposit. Our consumer accounts also allow customers to set up alerts to help stay on top of account activity and balance, sent by email, text, or push notifications. Additionally, through March 31, 2021, Wells Fargo offered fee refunds, including for overdraft and NSF fees, to all customers who asked for a reversal and identified impacts related to COVID-19, with no supporting proof required. We continue to assist customers who are facing hardships on a case-by-case basis. This assistance can include providing fee reversals. As of May 31, 2021, Wells Fargo had approximately 34.8 million consumer checking accounts. According to call report data, from January 2020 through March 2021, overdraft-related fees charged to customers totaled approximately $1.56 billion.

2) State the bank's cost to process a returned payment.

The full costs associated with processing returned items includes multiple expenses (e.g., customer care, technology, employee compensation, other overhead). It is not an amount that is readily determined or tracked in the ordinary course.

3) Describe the bank's policy for providing refunds or other relief to customers from overdraft fees during the COVID-19 pandemic. In addition, for each month from March 2020 to present, provide the following information:

a. The number of customers who requested a refund of overdraft or NSF fees;

b. The number of customers for whom the bank provided a refund of overdraft for NSF fees; and

c. The amount of overdraft or NSF fees the bank refunded pursuant to such policy.

Wells Fargo deployed multiple customer accommodations to support customers affected by the COVID-19 pandemic, including fee-related accommodations. For example, Wells Fargo provided fee reversals, including overdraft and NSF fees, to all customers who asked for a reversal and identified impacts related to COVID-19, with no supporting proof required. We also refunded bank fees to customers under the CARES Act, the Consolidated Appropriations Act, and the American Rescue Plan Act.

Fee Refunds. For consumer deposit accounts nationwide, through March 31, 2021, Wells Fargo offered fee reversal accommodations, including for overdraft and NSF fees, to all customers who asked for a reversal and identified impacts related to COVID-19, with no supporting proof required. Between March 2020 and March 2021, Wells Fargo refunded approximately $109 million in fees to customers upon their request.

Additionally, Wells Fargo continues to assist customers who are facing hardships on a case-by-case basis and after a review of their individual circumstances. This assistance can include providing fee reversals.

Economic Impact Payments ("EIPs"). Wells Fargo facilitated customer access to stimulus funds by implementing a proactive negative balance credit process for customers receiving EIPs. Under this process, for qualifying accounts that had a negative ledger balance the business day before the EIP was received, Wells Fargo refunded outstanding deposit account fees (including overdraft and NSF fees) and applied a negative balance credit to the account. Between April 2020 and May 2021, Wells Fargo refunded approximately $46.5 million in fees to consumer deposit accounts that received EIPs and qualified for the proactive negative balance credit process. Consumer deposit accounts that received stimulus payments and did not qualify for the proactive negative balance credit process were provided fee reversal accommodations upon the customer's request.

Committee on Banking, Housing, and Urban Affairs
Annual Oversight of Wall Street Firms
May 26, 2021

4) Describe any outreach by the bank to inform customers it would provide refunds or other relief from overdraft or NSF fees during the COVID-19 pandemic, including:

a. Whether this information was provided on the bank's website, and if so, on which page(s);

b. Whether this information was included in customer's account statements;

c. Whether the bank sent consumers who incurred an overdraft of NSF fee an email, text, phone call, letter, or any other communication that informed them they could request a refund of overdraft fees; and

d. any other methods of communication.

Wells Fargo communicated information to customers regarding COVID-19 resources and support available to them via multiple platforms, including our website, email-communications, and social media. These communications encouraged customers to reach out to us for assistance. For example:

a. In March 2020, the following statement was published on the landing page of WellsFargo.com: "Wells Fargo is committed to helping customers experiencing hardships, including from the Coronavirus Disease (COVID-19). If in need of assistance, we encourage customers to call us at 1-800-219-9739 to speak with a trained specialist to discuss options available for their consumer lending, small business and deposit products." Similar language was also reflected in our mobile banking app.

b. As noted above in response to question 3, Wells Fargo implemented a proactive negative balance credit process for customers receiving EIPs so that they would receive full access to their stimulus funds. Under this process, qualifying accounts that had a negative ledger balance the business day before the EIP was received had outstanding deposit account fees (including overdraft and NSF fees), refunded and a negative balance credit applied to the account. Customers with accounts that qualified to receive this relief were notified via letter or email alert, which informed them of the negative balance credit and the fee refund. Those customers that had fees refunded were also provided with a transaction description on their monthly deposit account statement.

c. On March 11, 2020, the following notice was provided to online banking customers by e-mail: "Important Update About the Coronavirus from Wells Fargo: Wells Fargo is committed to helping customers experiencing hardships, including from the Coronavirus Disease (COVID-19). If in need of assistance, we encourage customers to call us at 1-800-219-9739 to speak with a trained specialist to discuss options available for their consumer lending, small business, and deposit products."

d. On March 20, 2020, Wells Fargo tweeted the following message via the @WellsFargo Twitter handle: "We are committed to helping our customers. We are offering fee waivers, payment

deferrals, and other expanded assistance for credit card, auto, mortgage, small business and personal lending. For more information on our efforts, please go here." The post linked to a Wells Fargo Newsroom article entitled "Wells Fargo Announces Aid for Customers and Communities Impacted by COVID-19." In addition, if a customer reached out to Wells Fargo via social media platforms such as Facebook or Twitter with questions about COVID-19 support or resources, Wells Fargo Social Care would invite the customer to a secure chat to discuss their questions. If the customer had questions about fee reversals, Wells Fargo Social Care would offer the customer Wells Fargo's toll-free number to call to further discuss the request.

Climate

5) President Biden has committed to cutting U.S. emissions by 50% by 2030. Recently the International Energy Agency published a report stating that in order to reach net-zero by 2050, this interim emissions targets would not suffice, and that no new fossil projects should be undertaken from 2021 forward.

a. Will your bank cut financed emissions by 50% by 2030?

On March 8, 2021, Wells Fargo announced a goal of achieving net zero greenhouse gas emissions—including its financed emissions—by 2050. We also outlined a number of measures we will be taking in the near-term to hasten the economic transitions necessary to meet this critical climate stabilization goal. We have centered our climate strategy on sectoral transformation and will therefore articulate our interim targets on the way to 2050 net zero on a sector-by-sector basis.

As a financial institution, we recognize that one of the most significant climate actions we can take is to work with the clients to whom we provide financing to support the decarbonization of their businesses. We believe we can play a supportive role in facilitating the capital stock turnover necessary to decarbonize key emitting sectors, but these are not outcomes we can achieve alone. Supporting sectoral policies, incentives such as tax credits, technological innovation, and the vision and ambition of our clients will be key determinants to the pace of sectoral decarbonization. In line with this recognition, we are now working to set interim sectoral targets that align our financial portfolios with mid-century decarbonization, starting with oil and gas and power and moving on to additional sectors within a reasonable time thereafter.

We have adopted a sectoral approach, as each sector has its own unique technological pathway to net zero, some of which have not yet been identified (e.g., in key agricultural subsectors). For this reason, we do not intend to set an overall absolute bank-wide "financed emissions" interim target. We strongly believe that a credible and effective long-term decarbonization strategy must instead be grounded in sector-specific pathways and are concerned that an undifferentiated bank-wide target could create incentives for unproductive, or even risk-inducing, outcomes.

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b. Is your bank subject to any contract conditions or penalties that would, if enforced, prevent cutting financed emissions by at least half by 2030?

Based on a review of readily available information, Wells Fargo does not believe that it is subject to any such limitation in connection with its Commercial Bank loan and financing arrangements that would impede the company's ability to meet its climate goals.

c. At what time will your bank end financing for companies that develop new fossil fuel projects?

Climate change is one of the most urgent environmental and social issues of our time, and Wells Fargo is committed to aligning our activities to support the goals of the Paris Agreement and to helping transition to a net zero carbon economy. Working with our clients to finance their low-carbon transitions is central to our climate strategy. As a financial institution, we believe transition finance is one of the most effective tools we can employ to help our clients transition their businesses from high- to low-carbon.

We will be setting portfolio targets for two key fossil fuel-related sectors, oil and gas and power, by the end of 2022. These targets will guide our financing strategies in these sectors. Separate from these targets we have also developed a number of financing policies in relation to specific activities. For example, we have ended the financing of oil and gas projects in the Arctic. We do not directly finance mountaintop removal ("MTR") coal mining projects, nor do we extend credit or facilitate capital-markets transactions to coal producers engaged primarily in MTR mining. And we have limited and declining exposure to the coal mining industry more broadly.

6) Has your bank publicly stated that a failure to keep climate change to less than 1.5C creates major risks for financial stability? If so, please provide documentation.

We recognize that climate change is one of the most urgent environmental and social issues of our time, and we are committed to aligning our activities to support the goals of the Paris Agreement and to helping transition to a net zero carbon economy. Our commitment to net zero is grounded in a recognition of the importance of safeguarding the climate from warming in excess of 1.5°C.

In addition to our own institutional commitment, we collaborate with leading government and nonprofit organizations to advance clean technology innovation, community resiliency, and green jobs. We also recently became a founding partner of the Rocky Mountain Institute's Center for Climate Aligned Finance, which seeks to assist financial institutions in bringing portfolios of lending and investment activities in alignment with 1.5°C-consistent emissions pathway.

7) Please provide documentation of your bank's financed emissions for 2019 and 2020.

Please see the response to question 10.

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8) Please provide documentation of your bank's projected financed emissions for 2021.

Please see the response to question 10.

9) By how much does your bank intend to reduce financed emissions by 2030? Please provide all relevant documentation.

Please see the response to question 10.

10) If your bank is unable to answer questions 3 through 5, please provide an explanation as to when you expect your bank to be able to track and project financed emissions.

On March 8, 2021, Wells Fargo announced a goal of achieving net zero greenhouse gas emissions—including financed emissions—by 2050. At the same time, we committed to disclose the company's financed emissions measurement approach and provide more robust emissions data. Specifically, we announced our intent to:

- Disclose our approach to measuring Scope 3 financed emissions within a year;
- Enhance transparency and disclose financed emissions for select carbon intensive portfolios—including the oil and gas sectors, and power sector—no later than the end of 2022; and
- Expand disclosures to eventually include all financed emissions as sufficiently reliable data becomes available.

We are now working to develop our measurement methodology and initial sectoral disclosures in line with our March 8 commitment. Since financed emissions disclosures are effectively a summation of client emission data, the quality and timeliness of disclosure is significantly influenced by the underlying disclosures of client companies. We expect that improvements in corporate emissions disclosure will, in turn, improve our capacity to disclose the emissions associated with the financing we provide to clients.

11) The SEC is considering mandatory climate disclosure rules that would make it easier to compare carbon footprints of publicly traded companies.

a. Does your bank support mandatory disclosure of emissions by public companies?

b. If so, please describe what level of detail such disclosures should include in order to aid your bank in accurately accounting for financed emissions.

c. **Please also provide the level of detail for any climate disclosure to which your bank, or any affiliate or subsidiary, is subject because of ongoing business**

operation in the United Kingdom, the European Union, Japan, or any other OECD jurisdiction.

Wells Fargo believes the goal of the Securities and Exchange Commission should be to facilitate the disclosure of financially material climate-related risks and opportunities in a manner that promotes consistent delivery of high-quality financial data while maintaining flexibility for filers to tailor their disclosures.

Wells Fargo is not currently subject to mandatory climate disclosures in the noted jurisdictions. However, our applicable entities adhere to the European Union's Sustainable Finance Disclosure Regulation, which took effect in March 2021 and requires European entities such as asset managers to make certain disclosures, including how they integrate sustainability risks in the investment decisions for their financial products.

12) Consistent with your bank's stated commitment to racial justice, in meeting your bank's "net zero" plan have you adopted a no deforestation, no peatland, no exploitation policy?

Wells Fargo has not issued such a policy. Nevertheless, we believe that climate change is one of the most urgent environmental and social issues of our time, and as one of the largest financial institutions and employers in the U.S., we are committed to doing our part to embed sustainability across our enterprise, to leverage our expertise and market position to accelerate sustainable technology innovation, and to deploy capital and collaborate with a range of stakeholders to advance a low-carbon future and climate-resilient development. On March 8, 2021, we set a goal of achieving net zero greenhouse gas emissions—including our financed emissions—by 2050. At the same time, we also announced that we would launch an Institute for Sustainable Finance to manage the deployment of $500 billion of financing to sustainable businesses and projects by 2030, as well as support science-based research on low-carbon solutions and advocate for policies that enable client transitions. With respect to reducing financed emissions, we plan to set and disclose interim targets for select carbon intensive portfolios—including the oil and gas and power sectors—no later than the end of 2022. Further, we plan to set and disclose targets for additional sectors within a reasonable time after disclosing financed emissions for those sectors. We believe the climate challenge commends a sectoral approach and are in the process of defining sector-specific targets for our financing.

Footprint

13) Please provide the total number of employees at your firm in the U.S., and a list of states in which you employ at least 10,000 residents.

As of July 1, 2021, Wells Fargo employs approximately 260,000 employees. We employ at least 10,000 employees in Arizona, California, Florida, Iowa, Minnesota, North Carolina, and Texas.

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14) Please provide any publicly announced plans to reduce the size of your U.S. workforce.

Wells Fargo is proud to be one of America's largest private employers, and we recognize that our people are our greatest resource. We are at the beginning of a multiyear effort to build a stronger and more nimble, customer-focused company, and we have identified a broad range of initiatives to simplify the company and increase efficiencies while continuing to invest in our businesses and improve the customer experience. In connection with these initiatives, we expect to continue to reduce the size of our workforce over time through a combination of attrition, the elimination of open roles, and displacements. Where we can accomplish our goals through attrition and elimination of open roles, that is our preference.

Displacements are never easy, and we do not take them lightly. We have no set target for the total number of displacements, but we understand the impact this will have and are committed to engaging in a thoughtful process and communicating openly and honestly with those affected. Additionally, it is important to note that our efficiency initiatives are not directed at and will have no impact on our critical risk, control, and regulatory priorities, which continue to be our highest priority.

15) Please provide, by state, the total number of full service branches your bank operated in the United States as of 1Q 2016 and the total number of full service branches your bank operated in 1Q 2021.

State	End of Q1 2016 Branches	End of Q1 2021 Branches
AK	48	41
AL	139	100
AR	3	1
AZ	256	191
CA	1,026	909
CO	162	133
CT	73	62
DC	34	32
DE	20	17
FL	653	534
GA	279	211
IA	72	55
ID	84	62
IL	21	16
IN	36	-
KS	8	8
MD	84	78
MI	18	-
MN	171	141

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MS	13	12
MT	44	28
NC	314	241
ND	20	18
NE	41	35
NJ	300	253
NM	93	65
NV	113	102
NY	83	81
OH	1	-
OR	121	82
PA	269	223
SC	144	110
SD	47	37
TN	18	17
TX	676	548
UT	116	82
VA	286	234
WA	156	126
WI	55	41
WY	26	18
Total	6,123	4,944

16) **Please provide any study or analysis your bank has conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets, or any other relevant data.**

Wells Fargo's branch network decisions reflect shifts in customer and competitor behavior as impacted by rapid technology change. In evaluating our branch network, the chief factors we review at the market and local level include:

- Customer usage patterns;
- Branch performance;
- Proximity and capacity of adjacent branches;
- Competitor locations; and
- Demographic/economic factors including growth and overall customers served.

As part of this process, we strive to maintain service to low- and moderate-income ("LMI") communities and underrepresented populations. Because of this, Wells Fargo's LMI branch share has improved in recent years, as most closures reflect redundant branches in non-LMI

neighborhoods. Closure decisions are reviewed by compliance groups for Community Reinvestment Act and fair lending impacts. In some smaller communities, we have sold branch real estate to local banks to facilitate their role in the community or have installed ATMs for customer service.

Subsidies and Public Infrastructure

17) Enumerate the benefits provided to your firm over the last ten years by the federal government including, but not limited to, those administered by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Please also discuss whether your bank believes such benefits should or could be provided by private solutions instead.

At Wells Fargo, we recognize that, like so many companies and individuals, we benefit from our nation's strong central banking system and the support provided by various federal programs, facilities, and public financial infrastructure. For example, we are a nationally chartered financial institution and a proud member of the Federal Deposit Insurance Corporation with access to the Federal Reserve's Discount Window. We further understand the advantages that stem from our nation's sound fiscal and monetary policy as well as the strength of our economy as a whole.

Capital

18) Please indicate whether your bank fell below any regulatory capital minimums in 2019 or 2020.

Wells Fargo did not fall below any regulatory capital minimums in 2019 or 2020.

19) Please indicate whether your bank reduced its regulatory capital in 2019 or 2020 by paying out dividends or repurchasing stock.

In 2020, despite the challenging environment, the strength of Wells Fargo's balance sheet was evident throughout the year. Our capital and liquidity levels remained well above regulatory minimums, and the results of two Federal Reserve stress tests confirmed our strong capital position. Given the economic uncertainty and the temporary restrictions imposed by the Federal Reserve, we took appropriate measures to maintain strong capital. We suspended share repurchases starting in March 2020 and substantially reduced our common stock dividend.

As the economic recovery becomes clearer, we continue to have significant excess capital and responsibly returning it to the shareholders that have invested in our company remains a priority. During 2020, we repurchased 75.7 million shares of common stock at a cost of $3.4 billion, substantially all of which occurred in first quarter 2020; we paid $5 billion in common stock dividends over the same period. During 2019, we repurchased 502.4 million shares of common stock at a cost of $24.5 billion; we paid $8.4 billion in common stock dividends over the same period.

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20) Please indicate whether your bank, or any trade association of which your bank is a member, will communicate support for a reduction in any regulatory capital requirements to Members of Congress or to any bank regulatory agency this year. Specifically, please indicate whether your bank will communicate support for any changes to the Supplemental Leverage Ratio (SLR).

Wells Fargo is a member of various trade organizations that may engage with federal policymakers and regulatory agencies on the regulatory capital framework, including recalibration of the SLR so that it remains an appropriate backstop to risk-based capital requirements.

21) If your bank does communicate support for a reduction in any regulatory capital requirements, will your bank commit to eliminating all dividends and stock repurchases for a period of five years from such communication?

In 2020, despite the challenging environment, the strength of Wells Fargo's balance sheet was evident throughout the year. Our capital and liquidity levels remained well above regulatory minimums, and the results of the two Federal Reserve stress tests confirmed our strong capital position. Likewise, the results of our most recent stress test show that we remain well-capitalized. Since the COVID-19 pandemic began, we have built our financial strength while providing significant support to our employees, customers, and communities, as well as continuing to remediate our legacy issues. We will continue to do so as we return capital to our shareholders.

22) Based on the amount of equity capital your bank typically commits to funding a representative mortgage, please estimate the number of first-lien, owner-occupied residential mortgages your bank could fund per $100,000,000 in equity capital. Please provide the relevant details of the representative mortgage used to make such calculation.

Wells Fargo invests capital in a variety of ways, including by investing in our workforce, supporting our customers, and responsibly returning it to shareholders that have invested in our company. We are also proud to be a leading mortgage lender in the United States, and we continue to pursue efforts to make homeownership more accessible. From a lender standpoint, we are working to understand the needs of each community by being on the ground and building trust. This allows us to develop products and solutions that meet the needs of communities. We are bringing programs like NeighborhoodLIFT to communities where we work with local nonprofits, and offer down payment assistance and closing cost credits to help get people into affordable homes. We support these nonprofits to deliver credit counseling, financial literacy training, and education on improving FICO scores. We also put owning a home within reach with options like our Dream. Plan. Home. mortgage and closing cost credit, which offer a low down payment and a $5,000 closing cost credit for eligible buyers in available markets. In 2017, Wells Fargo made a 10-year, $60 billion commitment to increase Black homeownership, and so far, we have helped 72,000 African Americans become homeowners. This is in addition to the 10-year, $125 billion commitment Wells Fargo made in 2015 to Hispanic homeownership financing. We are proud to be the number one funder of home purchase loans for African Americans, Hispanics, and Asian Americans as of 2019, according to Home Mortgage Disclosure Act data.

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Diversity, Equity and Inclusion

23) Does your bank have a diversity, equity and inclusion plan that contains specific objectives? (Yes or No) If yes, how long has the company had the plan, and have the objectives been met?

Meeting the increasingly diverse needs of Wells Fargo's global customer base is critical to our company's long-term growth and success. Wells Fargo values and promotes diversity, equity, and inclusion ("DEI") in every aspect of our business. Wells Fargo's leadership is committed to advancing DEI, including by fostering a company culture that values DEI.

DEI leaders across the company help to strategically implement inclusive practices and behaviors. And to create accountability and measure progress, DEI metrics are integrated into monthly business review meetings.

Since Charlie Scharf became CEO in October 2019, Wells Fargo has made substantial progress toward its DEI commitments. For example, we created a new Operating Committee role, the Head of Diverse Segments, Representation & Inclusion, which reports to the CEO. This role is responsible for advancing the company's DEI efforts in the marketplace and workplace and will drive a company-wide diverse segments strategy and partner with our line of business CEOs and diverse segment teams to deliver products and services designed to meet the needs of our diverse customer base. Further, for the hiring of senior roles, we have implemented Diversity Sourcing and Interview Team Guidelines that require a diverse slate of candidates (at least 50%) and a diverse interview panel.

Together with our CEO and other Operating Committee members, including our Head of Human Resources, our new Head of Diverse Segments, Representation & Inclusion and his team are promoting and enhancing DEI priorities and goals within the company and externally that include a focus on diverse workforce representation (including significantly increasing Black leadership), accountability of senior management for progress in improving diverse representation and inclusion, unconscious bias education and training, and new business initiatives focused on support for diverse communities.

Additionally, we formed a new council of over 150 of our most senior Black, Latino, and AAPI leaders who are advising the CEO on improving every aspect of DEI, both inside and outside Wells Fargo. This council has already developed over 40 recommendations that the company is implementing to improve its culture, increase recruiting of diverse talent, and support external partnerships in our communities. We will continue to solicit direct input from Wells Fargo's senior diverse leaders for continued feedback and to hold ourselves accountable.

With respect to accountability, as part of the year-end evaluation process, Operating Committee members are evaluated based on, among other performance metrics, their progress in improving diverse representation and inclusion in their area of responsibility. These evaluations have a direct impact on year-end compensation decisions.

In addition, each Operating Committee member is assigned to serve as the executive sponsor for a diverse Employee Resource Network and implement an enterprise sponsorship program within their line of business or function to sponsor and develop diverse talent to take on more responsibility and rise in the organization.

24) How are the CEO and Senior Management held accountable for failing to meet such specific objectives?

Please see the response to question 23.

25) Has your bank ever taken action against a CEO or Senior Manager for failing to meet diversity, equity and inclusion objectives?

Please see the response to question 23.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Senator Jon Tester:

Access to Banks and Banking Services

1) **There are two things that it's awfully hard for towns in Rural America to survive without – a post office and a bank. My hometown of Big Sandy had a scare recently – when Wells Fargo closed their bank branch in 2019. Luckily a Montana community bank stepped in, but not all towns are so lucky. For small businesses and consumers, accessing a financial institution is critical and for many folks online options just don't cut it – that's especially true in the many areas that lack sufficient broadband.**

   a. **Are you committed to continuing to serve rural and frontier communities? Including through physical retail branches?**

   b. **How are your institutions committed to serving rural communities? And Main Street businesses across the country?**

We firmly believe that Wells Fargo is uniquely positioned to serve customers throughout the country. We operate at a local level, supporting consumers as well as small and larger businesses. We also actively support the communities where we do business. The quality, depth, and breadth of what we can offer customers are matched by few, and we continue to invest in a robust customer experience both digitally and through in-person interactions in our branches.

We serve more rural markets and small towns and have significantly more branches in such areas than many of our large bank competitors. We also take a thoughtful approach to branch closures. Generally, our approach focuses on reducing redundant branches, most of which are in larger metro areas. But when we have closed branches in rural areas, we work to provide continued services, minimizing community impacts. For example, in some smaller communities, we have sold branch real estate to local banks to facilitate their role in the community or have installed ATMs for customer service.

Economic Trends

2) **Most of the rest of the country has spent much of the last year focused on the impacts of the coronavirus, but you all are here before our committee today because you're in roles where you can't ever be thinking about just the biggest challenge in front of you – so I want to know what else you're seeing.**

   a. **Are there trends that you are seeing across the country or in specific areas? Or problems you are concerned about?**

In our view, overall economic trends improved during the first quarter on 2021, and while there are risks, the likelihood of improvement continues to increase. We continue to see this in the markets. Additional fiscal stimulus, continued monetary support, and the acceleration of vaccine

availability provide a path to a more complete reopening and further economic expansion. With vaccine distribution accelerating, we are hopeful that we will be shifting to a more normal way of life soon, but there's still many that will continue to need help as not all have benefited equally during the recovery. That is why Wells Fargo has been working to support a more inclusive economic recovery, with a focus on racial and social equity, economic mobility, and investments in LMI communities.

Challenges

3) As Chief Executives of the largest financial institutions in our country, what are your biggest challenges? And are those challenges different in rural areas?

A pressing issue we are intensely focused on at Wells Fargo is outreach to unbanked and underbanked populations and bringing more people, including those in rural areas, into the financial mainstream. Recently, we launched our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and help unbanked communities have easier access to low-cost banking. We are focusing on Black and African American, Hispanic, and Native American/Alaska Native families, who account for more than half of America's 7 million+ unbanked households. We are also assisting those who are underbanked and underserved, who may have a bank account yet still use high-cost, non-bank services.

Now is the time to bring together a broad and diverse group of national and community stakeholders to address long-standing inequities by increasing access to digitally-enabled transactional accounts and financial health coaching. Through this initiative, we also will collaborate with partners to explore solutions to the credit challenges facing unbanked individuals. We will organize our resources under one umbrella and work with a broad and diverse group of stakeholders on a sustained multi-year effort to accelerate financial inclusion.

Overall, the initiative will focus in three areas: (i) access to affordable products and digital solutions; (ii) financial education and advice; and (iii) the launching of a National Unbanked Advisory Task Force that will feature representatives from leading organizations, including the League of United Latin American Citizens, the National Association for the Advancement of Colored People, the National Bankers Association, the National Congress of American Indians, UnidosUS, the National Urban League, and Hope Enterprise Corporation.

Affordable Housing

4) Montana, and many areas of the country, face challenges of housing availability, affordability, and aging housing stock. As you know, this is a significant issue for rural as well as urban areas and is one of the largest barriers to success, and recovery following the pandemic, nationally. In Montana, lack of workforce housing is one of the greatest inhibitors of economic development. As leaders in your field,

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a. What do you believe should be done to increase workforce housing and encourage more affordable housing to be built?

b. What do you see as the largest barrier to affordable housing, particularly in rural areas?

Rural and workforce housing availability present unique challenges but also face similar supply constraints as more urban areas. Recent programs through the GSEs to support the development of small multifamily properties (between five and 50 units) are helpful for both affordable and workforce housing. Additionally, programs through the United States Department of Agriculture's ("USDA") Rural Housing Service to support affordable homeownership and develop affordable rental housing are also critical for housing stock preservation. Wells Fargo is proud to participate in the USDA's Single Family Home Loan Guarantee program, which is offered throughout Montana. The program provides for 100% financing of primary residences in eligible rural areas, with a focus on low- to moderate-income borrowers.

Cyber Security Relationships and Partnerships:

5) Are there ways that we could improve resources and coordination, between government and institutions, in combatting cybersecurity risks?

Wells Fargo is proud of its collaboration with numerous federal partners to combat cybersecurity risks. We have direct partnerships in place with the Department of Homeland Security, Department of Treasury, the Federal Bureau of Investigation, and others. Additionally, we work with government partners through our involvement with the Financial Services Information Sharing and Analysis Center and Analysis and Resilience Center for Systemic Risk. These organizations have trusted processes for collaboration, and they facilitate classified and unclassified information sharing.

Though government partners endeavor to share timely and relevant cybersecurity information, we believe it would be beneficial for the government to share more classified intelligence in advance and more regularly. The Private Sector Clearance Program exists to grant security clearances to appropriate private industry (critical infrastructure operators as designated by Section 9 of Executive Order 13636) in order to share classified intelligence related to cyber threats and potential events. The financial sector works with the Department of Treasury as its Sector Specific Agency to nominate cybersecurity professionals to obtain security clearances with the Department of Homeland Security. We have found this adjudication process to be effective; however, once the clearances are provided, more operational collaboration is needed. Only with timely sharing and appropriate context can the sector best protect the critical infrastructure that powers the economy and identify relevant activity that might be of interest to the government.

Additionally, we would welcome legislation to close an existing gap in public-private information sharing programs and facilitate access for financial institutions and other critical infrastructure to the intelligence community's unique foreign intelligence surveillance capabilities. The Cyberspace Solarium recommendations 5.1.1 and 5.1.2, which were included in last year's House version of

the Intelligence Authorization Act. Codifying and institutionalizing a requirement for collaboration between key critical infrastructure sectors—such as financial services, communications, and electricity—and the intelligence agencies would help protect national security and the vital infrastructure underpinning our economy.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Senator Elizabeth Warren:

On Forbearance

1) **How many non-federally backed mortgages does your company service? What percentage of your total mortgage servicing portfolio do those mortgages represent?**

As of May 31, 2021, approximately 20 percent of Wells Fargo's mortgage servicing portfolio is made up of non-federally backed mortgages.

2) **Is your company offering the same post-forbearance options to borrowers with non-federally backed mortgages your company services as it is to federally-backed mortgages?**

   a. **If not, please explain why, and provide information on what options your company is providing.**

For Wells Fargo-owned loans, we offer 18 months of forbearance in addition to 18 months of deferral, interest free, which is consistent with federally backed mortgage loans.

3) **At what point does your company disclose post-forbearance options to borrowers whose mortgages you service?**

At Wells Fargo, we value transparency and work hard to communicate clearly with our customers. We notify borrowers upfront and prior to entering forbearance that tailored post-forbearance options will be made available to them at the time they exit forbearance. Particular options available to borrowers, however, depend on a variety of circumstances. Accordingly, we work with borrowers to identify the appropriate course of action for them at the time they are ready to exit forbearance and resume payments. For example, if a borrower was current on their loan at the time they entered forbearance, wishes to exit forbearance, and can still afford to make payments at pre-forbearance amounts, Well Fargo provides an automatic deferral of missed payments to the end of the loan term, and the borrower can resume making payments as normal. If, on the other hand, a borrower is unable to resume payments at pre-forbearance amounts because of a drop of income or other reason, Wells Fargo will work with them to develop a plan, collect necessary documentation, and explore other options, including loan modifications, as appropriate.

4) **How many mortgages serviced by your company have entered forbearance since March 27, 2020?**

Since March 2020, Wells Fargo has provided more than one million mortgage forbearances.

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5) **Of the mortgages above, how many mortgages serviced by your company have exited forbearance as of June 1, 2021?**

   a. **Of these mortgages that have exited forbearance, how many are seriously delinquent as of June 1, 2021?**

   b. **Of these mortgages that have exited forbearance, how many have cured the default as of June 1, 2021?**

As of May 31, 2021, more than three quarters of the borrowers that entered forbearance have either exited or are in the process of exiting forbearances. As the economy continues to improve, we expect that the number of seriously delinquent borrowers will continue to decline, and we are working with customers as they exit forbearance to try to keep them in their homes. We have also extended through the end of the year our moratoria on foreclosures and evictions for mortgages we own.

On CRA Reform

6) **Many of you sit atop large bank holding companies with some segments of their traditional banking business having an affirmative obligation under the Community Reinvestment Act to lend, invest and serve low- and moderate-income consumers and neighborhoods. Other segments of your enterprises do not have a similar or related duty to serve LMI consumers or communities though they are performing similar activities. Fed Chairman Powell made a statement a couple weeks back that "like activities should have like regulation."**

   a. **Would you object to broader duties to serve across the financial sector for firms that provide consumer credit?**

Wells Fargo strongly supports the Community Reinvestment Act's ("CRA") objectives. We believe that the CRA has been effective in encouraging banks to help meet the credit needs of the communities that they serve, including low- and moderate-income ("LMI") neighborhoods, in a safe and sound manner. For banking organizations like Wells Fargo, the CRA appropriately focuses on mortgage, small business, and community development lending as well as investment activities. Wells Fargo believes that the CRA has encouraged greater expansion of financial services in low- and moderate-income communities, and supports continuing to expand access for all.

   b. **Should all participants have an affirmative obligation or duty to serve to develop products and services and market to low- and moderate-income consumers and communities?**

Wells Fargo believes that the CRA is most effective when there is a strong link between an IDI and the local community or communities that it serves. Wells Fargo is proud of its record in

developing products and services responsive to the needs of LMI consumers and communities. Our most recent CRA Performance Evaluation noted that Wells Fargo is "a leader in making community development loans," citing our "significant use of innovative and/or flexible loan products" in meeting our communities' credit needs.

Please see the response to question 6.a for more detail regarding Wells Fargo's views on which entities within a banking organization should be subject to the CRA.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Senator Catherine Cortez Masto:

1) **We see more and more severe weather events in Ohio and in all of my colleagues' states – from flooding to ice storms to catastrophic hurricanes. Taking these risks into consideration is something individual banks have done for a long time. How is the Fed supervising banks for climate risk on a system-wide basis? When can we expect the Fed to include climate risks in the big bank stress tests? The Fed should not wait several years to incorporate these risks – which could destroy trillions of dollars in assets – when the climate crisis is already here.**

Climate change is one of the most urgent environmental and social issues of our time, and Wells Fargo is committed to aligning our activities to support the goals of the Paris Agreement and to helping transition to a net zero carbon economy. While we have made great progress in renewable energy, clean technology, and energy efficiency, it is imperative that we continue to collaborate across the private sector, governments, regulators, and civil society to advance public policies, sustainable finance and investing initiatives, and technology innovation to develop and deliver comprehensive climate change solutions.

The impacts of climate-related risks on the financial sector are increasingly an area of focus for governments and regulators globally. We are actively monitoring for potential future governmental policy actions that seek to address climate change, and we engage with policymakers to understand the policy landscape and potential developments that may impact our business or clients in the future. This informs our approach to managing climate-related risk and our efforts to further integrate climate-related risk considerations into our risk management programs. Specific questions regarding system-wide oversight of financial institutions with respect to climate risk and plans to include such risks in financial institutions' stress test are best left to the Federal Reserve.

Nevada-specific Questions

1) **Is the NeighborhoodLift or Dream.Plan.Home available in Nevada? If so, how has it been accessed? If not, why was Nevada not considered as a location for these initiatives? Has Wells Fargo invested in any CDFI that serves Nevada?**

NeighborhoodLIFT was offered in Las Vegas as recently as 2017, and all funds for that time have been disbursed. In 2020 and 2021, Wells Fargo is supporting Neighborhood LIFT in two markets, Minneapolis–St. Paul and the San Francisco Bay Area. The Dream.Plan.Home low-down-payment mortgage product is offered in all states.

According to the Community Development Financial Institution ("CDFI") Fund, there is currently only one certified CDFI with a primary address in Nevada, the Rural Nevada Development Corporation. That organization did not apply for a CDFI program award through our Open for Business Fund. However, it did receive a grant from the Wells Fargo Foundation in 2020 as part of our COVID relief response. Additionally, some of our Open for Business Fund awardees based in other states project that they will serve Nevada.

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2) Is there a Social Impact and Sustainability Strategy for Nevada? If so, please describe it. If not, please explain why not.

The events of the past year have demonstrated that societal challenges are part of a web of interconnected economic, social, and environmental issues disproportionately impacting the most vulnerable. Given the breadth of what we do and the customers we touch, Wells Fargo plays a critically important role in communities and can meaningfully contribute to the change that is necessary.

In 2020, we launched a new Social Impact and Sustainability strategy designed to make a greater impact in communities by more effectively combining our financial resources and business expertise. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. Through our businesses and the Wells Fargo Foundation, we are using our resources, business expertise, ingenuity, and collaborations with public and private sector organizations to help solve complex problems. A major near-term focus is fostering an inclusive recovery from the COVID-19 pandemic and strengthening communities that have been disproportionately impacted. An overview of our national strategy and progress can be found in our 2020 Social Impact and Sustainability Highlights.[1]

"Do What's Right" Approach

3) Who serves on Wells Fargo's Office of Consumer Practices Advisory Group? Is it only Wells Fargo staff or does the Office include outside consultants or members? If outsiders, who are they and how were they selected?

In January 2021, Wells Fargo announced the launch of a new enterprise-wide, consumer-focused advisory group, the Office of Consumer Practices ("OCP"). The OCP is part of the Chief Operating Office and is led by Michael Lipsitz, our Chief Regulatory and Policy Affairs Executive.

The OCP is an internal unit currently comprised of Wells Fargo representatives. It includes members aligned with each of Wells Fargo's main consumer businesses (Consumer & Small Business Banking, Consumer Lending, and Wealth & Investment Management); a team dedicated to elder issues; and a leader focused on consumer practices and policy engagement.

The OCP, which still is being staffed, plays an important role in ensuring our products, services, and business practices are fair and transparent and facilitating the consideration of the consumer perspective across the product and customer lifecycles. The group's activities will include:

- Assessing and advising on consumer-related products, services, and business practices;

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[1] 2020 Social Impact and Sustainability Highlights, Wells Fargo (Apr. 2021), https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/social-impact-sustainability-highlights.pdf.

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- Engaging in all elements of the customer-product lifecycle, including advising on product development processes like terms, conditions, and pricing;

- Reviewing complaints metrics and other data to help identify and advise on potential consumer-related trends and outcomes; and

- Providing advice on policies, procedures, and training that impact how Wells Fargo interacts with consumers, including older adults and people with disabilities.

4) **How will Wells Fargo ensure that your Sales Practices Oversight and Monitoring Program will not result in incentives to open fraudulent accounts to meet the "eight is great" type of high-pressure sales of the recent past?**

At the time of the sales practices issues, the company did not have in place the appropriate people, structure, processes, controls, or culture to prevent that inappropriate conduct. This was inexcusable. We are committing the necessary resources to ensure that nothing like this happens again, while also driving Wells Fargo forward.

Over the past five years, we have built out an ecosystem to protect against sales practices misconduct. Today, we have people and processes in place that enable us to identify potential misconduct and take action. Our ecosystem has many facets, working in a coordinated and interconnected fashion, and include:

- We have fortified and built out our risk framework and control environment and have quality control processes in place to oversee this environment.

- We have enhanced the complaints management program that listens to customers and enables resolution and escalation of their concerns.

- We have enhanced the allegation management program that investigates alleged misconduct.

- We have enhanced management governance and oversight. We have brought in new leaders, including a new head of Sales Practices Oversight and Management, who leads an integrated and consistent approach to sales practice monitoring, analytics, and reporting across the company. We have also reorganized our businesses to ensure we have clear responsibility and accountability. These and other changes will provide greater transparency into how our businesses are working, what kinds of risks they are taking on, how they are treating customers, and whether they are operating at the highest standards.

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5) We know that Black and Hispanic homeowners are twice as likely to be behind in paying their mortgage, in part because of higher rates of job loss and illness for those families.

a. As the forbearance period ends, how will Wells Fargo work with mortgage holders to retain homeownership?

b. Will Wells Fargo automatically add the missed payments to the end of the loan unless the mortgage holder requests a different approach?

c. How will Wells Fargo avoid decisions in the aftermath of the financial crisis that led to high fees, inadequate chains of title, and other policies that increased the likelihood of foreclosure?

As the effects of the COVID-19 pandemic continue to linger, keeping people in their homes is a top priority for us. To date, we have provided more than one million mortgage forbearances to customers and extended through the end of the year our moratoria on foreclosures and evictions for mortgages we own.

With respect to customers exiting forbearance, we are staffed to reach out to customers early and often to provide them the options available to help them retain their home. We do this through a multi-channel approach, typically 45 days before a customer's forbearance will expire. Our approach includes letters, e-mails, and phone calls, and we also provide customers options to engage with a HUD-approved non-profit housing counselor if they choose. For Wells-Fargo owned loans, we complete a deferral to the end of the loan in most situations with no documentation required from the customer. For loans we service for others, we follow investor guidelines, many of which have developed simple solutions for customers similar to the Wells Fargo approach.

6) How does Wells Fargo determine which community development entities to partner with in your racial equity initiatives?

Wells Fargo prioritizes work that supports efforts to close the racial wealth gap and advance economic mobility for communities of color. The Wells Fargo Foundation focuses on four main pillars: (i) housing affordability, (ii) small business growth, (iii) financial health, and (iv) sustainability and climate change. These four pillars are all key factors in achieving economic advancement and building a more sustainable future, particularly for underserved communities and communities of color.

The Wells Fargo Foundation is being more intentional around tracking and targeting resources to Black, Indigenous & People of Color-led ("BIPOC") organizations as a major focus. According to the Robin Hood Foundation, philanthropy has increased by nearly 400 percent over the past 20 years; however, only 10 percent of these increased resources have gone to BIPOC-led organizations. Wells Fargo is prioritizing its philanthropic resources and focus to help reverse this trend.

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Wells Fargo works closely with grantees to drive measurable, sustainable impact and outcomes. A recent success is the $420 million Open for Business Fund that is providing grants and technical assistance to CDFIs that are providing much-needed funding to minority-owned small businesses and small businesses that serve rural and underserved communities. For example, on June 17, 2021, Wells Fargo announced a major grant to Opportunity Finance Network, the largest consortium of CDFIs in the country. The $25 million grant, funded from the Open for Business Fund, will support small businesses and community development through its Finance Justice Fund with a specific focus on low- and moderate-income communities.

Additionally, multiple business lines across the bank collaborate to share best practices and drive positive, measurable outcomes. Recent examples include the Minority Depository Institution ("MDI") Advisory Committee, which has successfully completed investments of $50 million into African-American owned MDIs across the country, and the Banking Inclusion Advisory Task Force, which will advise on Wells Fargo's 10-year commitment to reduce the number of unbanked and underbanked individuals and households in America.

7) **We know there is a severe wealth gap within the Asian American community. For example, a 2013 study found that the top 10 percent of Asian Americans had 168 more times the wealth of the top of bottom 20 percent ($1,448,118 compared to $9,319 in 2010-2013). Can you please specify the investments Wells Fargo is making in Asian American/Pacific Islander communities? Which organizations are you working with?**

Since 2016, Wells Fargo and the Wells Fargo Foundation have invested approximately $140 million in the Asian-American Pacific Islander ("AAPI") community. In 2021, these investments have gone to support a number of groups, including:

- Ascend;
- Asian Americans Advancing Justice;
- Asian and Pacific Islander Scholars;
- Asian Pacific American Institute for Congressional Studies;
- Asian Pacific Fund;
- Asian Pacific Islander American Chamber of Commerce & Entrepreneurship;
- Asian Pacific Islander American Public Affairs Association;
- Asian Real Estate Association of America;
- Committee of 100;
- National Association of Asian American Professionals;
- Organization of Chinese Americans – Asian Pacific American Advocates; and
- U.S. Pan Asian American Chamber of Commerce.

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8) Our nation's tribal communities were among the hardest hit by the COVID-19 pandemic. Data from the Centers for Disease Control and Prevention found that Native communities were 3.5 times more likely to contract COVID than non-Hispanic white communities. Many tribes' economies were also severely impacted with the closures of businesses, including gaming.

a. What investments is your bank making in our tribal communities?

Wells Fargo is committed to the financial well-being of Native communities, which we have proudly served for over 60 years. We are focused on working together with Native communities and tribal businesses to provide capital and financial services in order to help build a sustainable foundation now and for many generations to come. In 2018, Wells Fargo Commercial Banking hired a new Head of Native American Banking, who is an enrolled member of the Rosebud Sioux Tribe of South Dakota. He is responsible for growing Wells Fargo's business with tribal governments and non-gaming tribally owned enterprises. Additionally, in March 2021, we hired a new leader to enhance our strategies with respect to Native communities. In his new role, he will work closely with local and national public affairs teams to better align the company's efforts in rural territories and with Native Americans, paying particular attention to work in housing affordability, small business growth, financial health, and environmental sustainability.

As a leading provider of capital and financial services to tribes and tribal-owned enterprises, we have developed banking relationships with more than 350 tribal nations and business entities with approximately $2.5 billion in credit commitments and $2.5 billion in deposits. Thirteen of these tribal clients within commercial banking are located in northern Nevada. Wells Fargo also has 57 branches on or near tribal lands in 12 states.

Further, Native communities are a focus of our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and help unbanked communities have easier access to low-cost banking. We are focusing on Black and African American, Hispanic, and Native American/Alaska Native families, who account for more than half of America's 7 million+ unbanked households. We are also assisting those who are underbanked and underserved, who may have a bank account yet still use high-cost, non-bank services.

Additionally, in 2018, we committed to investing $50 million over five years in national nonprofits throughout American Indian, Alaska Native, and Native Hawaiian communities. Through consultation with tribal members and leaders, we are funding grants in housing affordability, financial health, sustainability, diverse scholarships, and small business growth. We have also invested more than $6.4 million since 2010 in support of scholarships and student-centered programming for the American Indian Graduate Center scholarship fund and students. And we have engaged with the National Congress of American Indians for capacity building and a project to digitize historical documents as well as the American Indian Chamber of Commerce for support of Native American-owned small businesses.

Similarly, Wells Fargo has supported Native-owned small businesses impacted by COVID-19 through our investments in CDFIs. Our grantees include Change Labs Inc., the Native American

Development Center, the Oklahoma Native Assets Coalition, and Southern Utah University Rural Health Scholars.

b. Do your institutions plan to undertake any initiatives targeted to reservations, such as offering financial services or supporting small businesses?

Please see the response to question 8.a.

Manufactured Home Loans, Including on Native American Lands

9) **The Center for Indian Country Development's report, The Higher Price of Mortgage Financing for Native Americans, finds that about 31% of Native Americans who bought homes on reservation land during the study's time frame bought a manufactured home. The report finds that manufactured home loans are much more likely to be high-cost loans.**

a. What loans does Wells Fargo make available for people who wish to buy a manufactured home: do you offer mortgages and chattel loans, or just one or the other? What are the terms of the loans – interest rate range, term, down payment required, etc.?

In general, Wells Fargo will finance qualifying one-unit manufactured homes. As with all mortgage loans, borrowers must meet eligibility guidelines with respect to a variety of factors including but not limited to credit, employment, income, down payment, debt-to-income ratios, and reserves. The property must also meet all requirements including but not limited to property type and appraisal guidelines. Fixed rate and adjustable rate loans are available with loan terms from 15 up to 30 years.

b. Please specify if Wells Fargo has a product for Native Americans who wish to buy a manufactured home—or other type of home—on tribal land?

Wells Fargo does not have a specific program geared solely toward Native Americans. However, Wells Fargo is committed to serving Native Americans who want to buy or build homes or to refinance their mortgage and has options available to serve most of their home loan needs. This includes a referral program with a leading lender that specializes in mortgage lending on tribal lands.

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Suspicious Activity Reports

10) Last year, a New York Times article stated that major banks had filed Suspicious Activity Reports (SARs) that showed major financial institutions had helped suspected terrorists, drug dealers, and corrupt foreign officials move trillions of dollars around the world.[2] The article reported multiple examples of major financial institutions failing to take proactive action regarding customers on whom they have filed SARs and/or against whom they have suspicions of illegal activity.

a. Last year, the OCC terminated an open consent order from 2015 related to Wells Fargo's Bank Secrecy Act and anti-money laundering compliance program. How is Wells Fargo ensuring that it is taking proactive action regarding customers on whom they have filed SARs and/or whom they suspect are engaged in illegal activities?

On January 5, 2021, Wells Fargo announced that the Office of the Comptroller of the Currency ("OCC") terminated a 2015 consent order related to the company's Bank Secrecy Act ("BSA") and anti-money laundering ("AML") compliance program. The consent order required the bank to implement customer due diligence standards that include collection of current beneficial ownership information for certain business customers. Wells Fargo undertook significant work to remedy the deficiencies that gave rise to the consent order and to enhance its BSA and AML compliance programs. Building the right risk and control infrastructure and remediating legacy issues remain the company's top priority, and the termination of the OCC's consent order is evidence of our progress.

Wells Fargo has robust systems in place to support our obligations under applicable financial crimes-related laws and regulations. This includes assessing the risk posed by customers on whom SARs have been filed or customers that we suspect are engaged in illegal activities. In certain cases, Wells Fargo may determine that proactive action is required, including exiting customers where appropriate.

b. How will the recent The Anti-Money Laundering Act of 2020 law affect Wells Fargo?

On January 1, 2021, the Anti-Money Laundering Act of 2020 ("AML Act") was enacted into law as part of the National Defense Authorization Act. The AML Act implements a comprehensive set of AML and BSA reforms and includes significant provisions that will impact banks and other financial institutions. Wells Fargo is actively assessing these changes, with a focus on two provisions expected to have significant operational effects on our company: (i) changes related to beneficial ownership reporting and (ii) the development of government-wide examination and supervision priorities for AML and counter-terrorism financing.

[2] https://www.nytimes.com/2020/09/20/business/fincen-banks-suspicious-activity-reports-buzzfeed.html.

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Archegos Capital Management

11) In the May 2020 Financial Stability Report[3], the Federal Reserve warned about the high level of business-sector debt." Since, then the implosion of the Archegos Capital Management resulted in a $10 billion loss to Credit Suisse and Morgan Stanley. Your written testimony stated that Wells Fargo had no losses from Archegos, how will Wells Fargo ensure it can accurately project major trading losses for its private fund clients in the future?

Wells Fargo has an established Risk Management Framework, which requires policies and procedures and, importantly, risk appetite standards at an enterprise-level. These activities are then cascaded to individual lines of business, which implement programs to facilitate compliance. The setting of trading limits to private fund clients are subject to established policies and procedures and must always be within approved risk appetite standards.

These safeguards allowed Wells Fargo to exit the Archegos Capital Management relationship without incurring a loss. It is Wells Fargo's expectation that it will continue to manage trading relationships with private fund clients in a responsible manner that would guard against or minimize losses if a client were to default or no longer be viable.

Cyber risks

12) Federal Reserve Bank of Cleveland President Loretta Mester urged further development and use of stress testing to assess the financial system's resilience to cyber risks. We see more cybercriminals target small businesses, leading to a loss of revenue, jobs and in some cases, putting some out of business.

a. How should financial institutions consider the impact of cybercrime when they lend to small businesses?

At Wells Fargo, we believe we can all do our part to help address cybercrime. We work with our third-party vendor team and internal cyber leaders to make available up-to-date information on cyber threats and best practices. In addition, we work with our industry trade partners to publish best practices and resources. We also often work with our peer banks and are currently working with others in the industry to publish a financial services sector resource guide for Financial Services Information Sharing and Analysis Center members on protections against the ever-increasing threat of ransomware.

[3] https://www.federalreserve.gov/publications/files/financial-stability-report-20200515.pdf. Page 33.

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Franchise Lending

13) I recently published a report on unfair and deceptive franchise practices.[4] Does Wells Fargo lend to franchise businesses? Does Wells Fargo utilize SBA guaranteed loan programs to support loans to franchise businesses? How does Wells Fargo ensure that the loan will be repaid with proceeds from the franchise business itself, not from assets of the borrower or the government?

Wells Fargo lends to a number of franchise businesses, including through Small Business Administration ("SBA") guaranteed loan programs. With respect to such programs, the SBA's Standard Operating Procedures[5] include eligibility, underwriting, collateral and debt service coverage requirements as well as loan servicing and collateral liquidation requirements. We have controls in our processes and procedures to make sure that we follow the SBA program requirements.

Federal Home Loan Banks

14) Which Federal Home Loan Bank is Wells Fargo a member of?

Wells Fargo entities currently belong to three Federal Home Loan Banks ("FHLBs"): FHLB Dallas (Wells Fargo Bank South Central, N.A.); FHLB Des Moines (Wells Fargo Bank, N.A.); and FHLB San Francisco (Wells Fargo National Bank West).

15) How much did Wells Fargo receive in dividends from a Federal Home Loan Bank/Banks in 2019? 2020?

The FHLB System was created in 1932 as a government-sponsored enterprise to support mortgage lending and community investment. To become a member of an FHLB, a financial institution must purchase membership stock. Additionally, to receive advances from an FHLB, a financial institution must purchase certain amounts of activity stock in proportion to the amount of its borrowing. Both membership stock and activity stock pay dividends. Although not disclosed in the ordinary course, the amount of dividends Wells Fargo receives is consistent with our ownership interest in the FHLBs.

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4 https://www.cortezmasto.senate.gov/imo/media/doc/Franchise%20Report%20from%20the%20Office%20of%20Senator%20Cortez%20Masto.pdf

5 *See, e.g.*, Lender and Development Company Loan Programs - SOP 50 10 6, , SBA (Oct.. 1, 2021), https://www.sba.gov/sites/default/files/2020-08/SOP%2050%2010%206%20FINAL%208.7.20%20LOCKED_0.docx; and 7(a) Loan Servicing and Liquidation – SOP 50 57 2, SBA (Dec. 1, 2015), https://www.sba.gov/sites/default/files/files/SOP_50_57_2_1.pdf.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Senator Tina Smith:

1) **During a recent hearing before the Subcommittee on Housing, Transportation and Community Development, a witness noted that many large banks don't have experience or a plan for lending to Native people. What is your plan for serving Native people living on Tribal land or in urban settings? How do you serve communities where mortgages are complicated by land being held in trust? Please describe efforts you have made to improve lending to native people, and the biggest impediments to improving access to credit.**

Wells Fargo is committed to the financial well-being of Native communities, which we have proudly served for over 60 years. We are focused on working together with Native communities and tribal businesses to provide capital and financial services in order to help build a sustainable foundation now and for many generations to come. In 2018, Wells Fargo Commercial Banking hired a new Head of Native American Banking, who is an enrolled member of the Rosebud Sioux Tribe of South Dakota. He is responsible for growing Wells Fargo's business with tribal governments and non-gaming tribally owned enterprises. Additionally, in March 2021, we hired a new leader to enhance our strategies with respect to Native communities. In his new role, he will work closely with local and national public affairs teams to better align the company's efforts in rural territories and with Native Americans, paying particular attention to work in housing affordability, small business growth, financial health, and environmental sustainability.

As a leading provider of capital and financial services to tribes and tribal-owned enterprises, we have developed banking relationships with more than 350 tribal nations and business entities with approximately $2.5 billion in credit commitments and $2.5 billion in deposits. Thirteen of these tribal clients within commercial banking are located in northern Nevada. Wells Fargo also has 57 branches on or near tribal lands in 12 states.

Further, Native communities are a focus of our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and help unbanked communities have easier access to low-cost banking. We are focusing on Black and African American, Hispanic, and Native American/Alaska Native families, who account for more than half of America's 7 million+ unbanked households. We are also assisting those who are underbanked and underserved, who may have a bank account yet still use high-cost, non-bank services.

Additionally, in 2018, we committed to investing $50 million over five years in national nonprofits throughout American Indian, Alaska Native, and Native Hawaiian communities. Through consultation with tribal members and leaders, we are funding grants in housing affordability, financial health, sustainability, diverse scholarships, and small business growth. We have also invested more than $6.4 million since 2010 in support of scholarships and student-centered programming for the American Indian Graduate Center scholarship fund and students. And we have engaged with the National Congress of American Indians for capacity building and a project to digitize historical documents as well as the American Indian Chamber of Commerce for support of Native American-owned small businesses.

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Similarly, Wells Fargo has supported Native-owned small businesses impacted by COVID-19 through our investments in CDFIs. Our grantees include Change Labs Inc., the Native American Development Center, the Oklahoma Native Assets Coalition, and Southern Utah University Rural Health Scholars.

With respect to serving communities where mortgages may be complicated by land held in trusts, Wells Fargo historically participated in the Department of Housing and Urban Development's Section 184 Indian Home Loan Guarantee Program. Today, we continue to service approximately 2,600 loans originated under the Section 184 program. We also serve Native communities through a referral program with a leading lender that specializes in mortgage lending on tribal lands.

2) **I recently introduced legislation to reverse a Department of Labor rule that blocked ERISA plans from considering environmental, social, and governance (ESG) factors in their investment decisions. What is your view of that Department of Labor rule? Do you support reversing the DOL rule, and if not, why not?**

While Wells Fargo is generally supportive of proposals that may help facilitate the inclusion of environmental, social, and governance ("ESG") products in ERISA plans and the use of ESG assessments and integration of ESG factors in advising such plans, we would defer to Congress on the appropriate course of action with respect to lawmaking in this area.

3) **Should Congress act to provide clear rules that ensure plans are permitted to consider ESG factors in their investment decisions, provide they do so in a manner otherwise consistent with ERISA's standards of care?**

Please see the response to question 2.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Senator Raphael Warnock:

Role of Corporate America in Supporting Voting Rights

1) **Your banks are among the most prominent corporations in America, and they set the tone of the rest of our business community. I was happy to see that in April, with the notable exceptions of JP Morgan Chase and Morgan Stanley, all of your banks signed on to a joint statement in support of voting rights.**

   a. **Some argue that businesses should not comment on issues such as democracy and voting rights. Do you believe that businesses play an important role in our democracy and society by vocally supporting voting rights?**

   b. **What steps are your banks taking to promote democracy and voting rights with respect to your employees and the communities you serve?**

Wells Fargo supports the right of every American to exercise their voice by voting. This is a key pillar of our democracy and we oppose legislation that attempts to limit this right or is discriminatory in nature. We also encourage Congress to establish Federal Election Day as a national holiday, thereby establishing the importance of this right.

As an employer, Wells Fargo provided paid time off for voting in the last presidential election. We also enhanced efforts to promote voter turnout by holding registration events at Wells Fargo locations, supporting third-party get-out-the-vote campaigns, and utilizing our brand channels to encourage participation in our nation's electoral process.

Racial Wealth Gap/Home Appraisals

2) **At the hearing, you all committed to taking actionable steps to address the racial bias within the residential mortgage appraisal process as part of your institution's efforts to help shrink the widening racial wealth gap. What action steps are your banks taking to implement reforms to address racial disparities in the home appraisal process?**

Discrimination has no place at Wells Fargo, and we strongly support a fair appraisal process for all customers. The issue of housing appraisal bias is one we take very seriously, and we have processes and procedures in place to address it. We also continue to consider ways that we can enhance our handling of concerns over valuations and safeguard against discrimination. And, because we recognize that no individual lender can eliminate potential bias within the existing appraisal framework, we are supportive of work to identify systemic solutions that may minimize potential bias in the appraisal process by engaging stakeholders such as financial regulators, lenders, appraisers, Fannie Mae and Freddie Mac, and consumer groups.

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Our Real Estate Valuation Services ("REVS") team supports consumer and commercial lending partners within the company as well as customers by providing reliable, compliant, and timely real estate services while reviewing valuation practices for compliance with all regulatory guidelines and requirements. REVS oversees Wells Fargo's valuation service providers including third-party service providers such as appraisal management companies ("AMCs") that engage independent contractor appraisers and/or AMC employed staff appraisers on behalf of Wells Fargo. In addition to REVS, enterprise-wide groups such as our Enterprise Complaints Management Office ("ECMO"), fair lending compliance teams, and members of our Legal Department support REVS in the handling of valuation issues, including customer complaints alleging bias.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Co, from Senator Mike Crapo:

1) **In my role as Chairman of the Senate Banking Committee, I repeatedly expressed concerns with banks making lending decisions based on politics, rather than on creditworthiness. Banks should not attempt to replace lawmakers in issuing guidelines that could effectively cut off financial services to law-abiding citizens, such as firearm manufacturers, simply for failure to comply with the bank's political preferences.**

   Do you intend to issue guidance restricting financing to firearm and ammunition manufacturers, oil and gas companies or other legally protected industries?

As a provider of financial services for clients in nearly every sector of the economy and around the world, Wells Fargo recognizes that our business decisions and those of our customers have the potential to impact communities and the environment. We believe that for certain industries and activities, we must consider the environmental, social, and human rights impacts of our lending and investments along with the traditional financial risk. Our commitment to strong environmental and social risk management supports our company-wide goal to be a leader in corporate citizenship and continue to build trust with our many stakeholders.

Our Environmental and Social Risk Management ("ESRM") Framework and policies build on our due diligence requirements, and they help us identify, evaluate, and manage the environmental and social risks associated with our lending and investments. We update our ESRM requirements as our understanding of these issues evolves, and we seek to adhere to global best practices with regard to managing environmental and social risk.

Wells Fargo's ESRM system involves a methodological approach to managing environmental and social risks and impacts in a structured way. The approach is formalized through a company-wide ESRM policy that applies a consistent methodology to understanding, assessing, and considering environmental and social risks in our decision-making. The company-wide policy has been incorporated into Wells Fargo's credit, project-finance, investment banking, securities, and consumer finance risk policies and procedures.

Questions for the Record
David M. Solomon, Chairman and CEO of Goldman Sachs

Senate Committee on Banking, Housing and Urban Affairs, May 26, 2021 Hearing,
"Annual Oversight of Wall Street Firms"

QUESTIONS FROM CHAIRMAN BROWN

Overdraft Fees

1) For each month from January 2020 to present, provide the following information for consumer checking accounts:

a. **The number of consumer checking accounts;**

b. **The number of customers whom the bank charged an overdraft or NSF fee;**

c. **The amount of overdraft fees (not including NSF fees) the bank charged to its customers;**

d. **The amount of NSF fees the bank charged to its customers;**

e. **The amount of revenue the bank generated from overdraft and NSF fees;**

f. **The amount of the bank's negative balance charge-offs; and**

g. **The number of checking account the bank involuntary closed due to unpaid fees.**

At Goldman Sachs, we do not currently offer consumer checking accounts as part of our Marcus platform, so we do not have any overdraft fees. Over the next year, we plan to launch digital checking accounts in the United States and we do not plan to have overdraft or NSF fees connected to those accounts. This is in line with our goals of having pro-consumer, transparent and no-fee products.

2) State the bank's cost to process a returned payment.

See above response.

3) Describe the bank's policy for providing refunds or other relief to customers from overdraft fees during the COVID-19 pandemic. In addition, for each month from March 2020 to present, provide the following information:

a. **The number of customers who requested a refund of overdraft or NSF fees;**

b. **The number of customers for whom the bank provided a refund of overdraft for NSF fees; and**

c. **The amount of overdraft or NSF fees the bank refunded pursuant to such policy.**

See above response.

4) Describe any outreach by the bank to inform customers it would provide refunds or other relief from overdraft or NSF fees during the COVID-19 pandemic, including:

a. **Whether this information was provided on the bank's website, and if so, on which page(s);**

b. **Whether this information was included in customer's account statements;**

c. **Whether the bank sent consumers who incurred an overdraft of NSF fee an email, text, phone call, letter, or any other communication that informed them they could request a refund of overdraft fees; and**

d. **any other methods of communication.**

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See above response.

Climate

5) President Biden has committed to cutting U.S. emissions by 50% by 2030. Recently the International Energy Agency published a report stating that in order to reach net-zero by 2050, this interim emissions targets would not suffice, and that no new fossil projects should be undertaken from 2021 forward.

a. **Will your bank cut financed emissions by 50% by 2030?**

b. **Is your bank subject to any contract conditions or penalties that would, if enforced, prevent cutting financed emissions by at least half by 2030?**

c. **At what time will your bank end financing for companies that develop new fossil fuel projects?**

At Goldman Sachs, we have a long-standing commitment to address climate change and advance the transition to a lower-carbon economy.

We recently made a ten-year, $750 billion sustainable finance commitment that leverages the whole of our business to advance climate transition and inclusive growth. As part of that commitment, we have achieved $156 billion in commercial activity, which includes $93 billion dedicated to climate transition.

Acknowledging the importance of setting new climate-related goals for our business, we also recently announced a net zero by 2050 commitment for our financing activities, in line with the goals of the Paris Agreement, announced a new 2030 net zero target for our supply chain that expands on our existing carbon neutrality for our operations, and have committed to set interim business-related climate targets by the end of 2021.

Where we can have the most impact on the real economy in support of climate transition is working across our business to assist clients, counterparties, and investment companies in accelerating and implementing their de-carbonization strategies. This includes financing opportunities that fund investment in our clients' transition to a lower-carbon-intensity business model, participating in the scaling of sustainable finance in equity capital markets, and facilitating M&A opportunities to accelerate climate transition.

6) Has your bank publicly stated that a failure to keep climate change to less than 1.5C creates major risks for financial stability? If so, please provide documentation.

We have actively been engaged in making the business case for global climate action, including expressing support for the 2015 UNFCCC Paris Agreement. For example, we were one of the first U.S. companies to commit to the White House American Business Act on Climate Pledge in 2015. Please refer to our current Task Force on Climate-Related Financial Disclosures ("TCFD") report, which is publically available on our website, for further details on how climate change impacts our business, how we measure impact, and our approach to managing climate-related risks and opportunities for our business.[1] Our Environmental Policy Framework, which is publically available on our website, also outlines our approach managing environmental and social risks across our business activities, including risks related to climate change.[2]

[1] https://www.goldmansachs.com/investor-relations/corporate-governance/sustainability-reporting/tcfd.pdf
[2] https://www.goldmansachs.com/s/environmental-policy-framework/index.html

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7) Please provide documentation of your bank's financed emissions for 2019 and 2020.

We appreciate the importance of providing transparency on our approach to climate change and progress. This includes:

- Our annual sustainability report, which describes our firmwide approach to sustainability and how we advance climate transition and inclusive growth across our business.
- Our Environmental Policy Framework, which details our approach to ESG risk management.
- Reporting under voluntary frameworks, such as the TCFD and Sustainability Accounting Standards Board (SASB). Goldman Sachs was the first major U.S. financial institution to report under SASB in 2019, and published our inaugural TCFD report in 2020, which describes our strategy on managing climate related risks and opportunities.
- We plan to share additional disclosures regarding our climate-related risk exposures and integration into our business practices, including enhanced emissions disclosures, in our next annual TCFD report to be published later in 2021.

8) Please provide documentation of your bank's projected financed emissions for 2021.

See above response to Question 7.

9) By how much does your bank intend to reduce financed emissions by 2030? Please provide all relevant documentation.

See above response to Question 7.

10) If your bank is unable to answer questions 3 through 5, please provide an explanation as to when you expect your bank to be able to track and project financed emissions.

See above response to Question 7.

11) The SEC is considering mandatory climate disclosure rules that would make it easier to compare carbon footprints of publicly traded companies.

a. **Does your bank support mandatory disclosure of emissions by public companies?**

b. **If so, please describe what level of detail such disclosures should include in order to aid your bank in accurately accounting for financed emissions.**

c. **Please also provide the level of detail for any climate disclosure to which your bank, or any affiliate or subsidiary, is subject because of ongoing business operation in the United Kingdom, the European Union, Japan, or any other OECD jurisdiction.**

Regulated disclosure frameworks should focus on financially material climate-related information, such as carbon-related concentrations within business portfolios and essential climate-relevant production data. We would support mandatory disclosure of a firm's material climate change risks. We believe that consistent global disclosure frameworks, developed in consultation with industry practices, would help strengthen the transparency and comparability of climate risk data. We are supportive of the IFRS Foundation's initiative to implement a new Sustainability Standards Board.

Further, Goldman Sachs was the first major U.S. financial institution to report under SASB in 2019, and published our inaugural TCFD report in 2020, which describes our strategy for managing climate-related risks and opportunities. Our disclosures under these frameworks apply to all global entities within our firm. We also encourage the companies we invest in to make disclosures under these frameworks as well, and provide them with the support to do so.

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12) Consistent with your bank's stated commitment to racial justice, in meeting your bank's "net zero" plan have you adopted a no deforestation, no peatland, no exploitation policy?

We approach environmental risks with the same care and discipline as how we manage any other risk to our business, and we've implemented a global Environmental Policy Framework that guides our approach and is consistently applied across our business. For example, deforestation and degradation of forests remains a significant challenge in many regions, and is a major contributor to greenhouse gas emissions. We have several policies in place to address deforestation, including both sector-specific and cross-sector guidelines which we apply as part of our environmental and social risk management process, as outlined in our Environmental Policy Framework. We continue to assess how we can enhance environmental and social risk management guidelines for activities with significant climate impact, and have continued to update our framework with enhanced guidelines to better reflect our standards.

Footprint

13) Please provide the total number of employees at your firm in the U.S., and a list of states in which you employ at least 10,000 residents.

As of the end of last year, we had more than 40,000 employees worldwide (~21,000 of whom are located in the U.S.). New York State is the only state where we employ at least 10,000 employees.

14) Please provide any publicly announced plans to reduce the size of your U.S. workforce.

As part of our overall budgeting process, we regularly assess our population and our business needs and make resourcing decisions as appropriate. In general, we make a modest reduction in force each year as part of this annual review process.

15) Please provide, by state, the total number of full service branches your bank operated in the United States as of 1Q 2016 and the total number of full service branches your bank operated in 1Q 2021.

Our primary bank subsidiary, GS Bank USA, is headquartered in New York City. The Bank operates two domestic branches, which are located in Salt Lake City, Utah and Draper, Utah. Given its small size, our branch network has not meaningfully changed between 1Q 2016 and 1Q 2021.

16) Please provide any study or analysis your bank has conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets, or any other relevant data.

We have not published any study or analysis that we have conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets.

Subsidies and Public Infrastructure

17) Enumerate the benefits provided to your firm over the last ten years by the federal government including, but not limited to, those administered by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Please also discuss whether your bank believes such benefits should or could be provided by private solutions instead.

Large banks, such as Goldman Sachs, coexist alongside the federal government in our economy, and our modern economy cannot operate productively or efficiently without contributions from both.

Since the financial crisis of 2008, the U.S. financial system today is substantially safer and more resilient against failure or disruptions in critical services than it was prior to the financial crisis. This is as a result of Dodd-Frank, Basel capital and liquidity and other market reforms from the government. The largest financial institutions, including Goldman Sachs, are better able to withstand stress events and are also ultimately more resolvable without threatening the financial system or needing government support, consistent with Dodd-Frank's resolution plan requirements. We have significantly more

capital and usable total loss-absorbing capacity (TLAC), which could be converted to equity in the event that our equity capital falls below the regulatory required minimums. We have also reduced the percentage of our liabilities that consist of short-term wholesale funding, while at the same time significantly increasing the percentage of our assets consisting of cash and other high quality liquid assets since prior to the enactment of these reforms.

There are instances in which large banks (like most other businesses and households) do receive certain direct benefits from the federal government, including deposit insurance and access to the Federal Reserve's discount window.

More broadly, we applaud the recent government efforts to stabilize the economy -- including via the CARES Act, Federal Reserve emergency facilities and subsequent actions. Congress and the Federal Reserve sent a clear message last March to decisively support the global economy by establishing emergency facilities designed to provide stability and support the flow of much-needed credit to businesses and communities. In general, the regulated banking sector was a conduit for the credit and liquidity programs that the Federal Reserve was directed by Congress to establish. Participation in the Federal Reserve's emergency facilities by private financial institutions such as Goldman Sachs was necessary in order for many of these programs to be implemented and reach American businesses and communities.

In an effort to support the Federal Reserve's goals and make the best use of our resources, we carefully assessed our participation in specific programs. We focused on facilities that aligned with our expertise, particularly where we have had a historical presence in the market and substantial client relationships, and where we could have the greatest impact. We were one of 41 eligible sellers who participated in the Secondary Market Corporate Credit Facility; Goldman Sachs accounted for approximately 7% of the market share in the Federal Reserve's purchasing activity. We also participated in the Money Market Mutual Fund Liquidity Facility, which was client initiated and under which banks that purchase assets from money market mutual funds can pledge those assets on a nonrecourse basis to the Federal Reserve, as well as the Primary Dealer Credit Facility, which permits broker dealers to borrow against a wide array of collateral.

Capital

18) Please indicate whether your bank fell below any regulatory capital minimums in 2019 or 2020.

Goldman Sachs did not fall below any regulatory capital minimums in 2019 or 2020. We were well-capitalized before and throughout this COVID-19 pandemic period, as confirmed by the Federal Reserve's two stress tests conducted in 2020 and the most recent test completed in June 2021.

19) Please indicate whether your bank reduced its regulatory capital in 2019 or 2020 by paying out dividends or repurchasing stock.

In 2019 and 2020, Goldman Sachs returned capital to shareholders via share repurchases and dividends. However, we voluntarily agreed with the other U.S. G-SIBs in March of last year not to repurchase shares, and we continued to comply with Federal Reserve payout restrictions that were put in place through the remainder of 2020. Throughout this same time period, we did not fall below our various regulatory capital requirements.

20) Please indicate whether your bank, or any trade association of which your bank is a member, will communicate support for a reduction in any regulatory capital requirements to Members of Congress or to any bank regulatory agency this year. Specifically, please indicate whether your bank will communicate support for any changes to the Supplemental Leverage Ratio (SLR).

The Federal Reserve has stated that it will "soon be inviting public comment on several potential SLR modifications. The proposal and comments will contribute to ongoing discussions with the Department of the Treasury and other regulators on future work to ensure the resiliency of the Treasury market." As we have done in the past, we expect to participate in the public comment process once the Federal Reserve issues a proposal.

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21) If your bank does communicate support for a reduction in any regulatory capital requirements, will your bank commit to eliminating all dividends and stock repurchases for a period of five years from such communication?

The SLR proposal referenced in Question 20 has not yet been promulgated by the Federal Reserve. That said, it is an intricate balance between using capital to invest in your business and returning excess capital to shareholders. At Goldman Sachs, we always seek to deploy our capital where it is most prudent, but we also have an obligation to return some excess capital to our shareholders. U.S. companies have always had a responsibility to earn a return for their investors. More broadly, dividends are an important source of income for American investors who expect a regular yield on their investments for spending purposes. From an investment perspective, dividends reflect a source of continuity and strength in a company's capital management policy. Thanks to the capital requirements that we are subject to, we are able to continue to purchase our stock and pay out dividends while also investing in our businesses and our people and supporting the broader economy.

22) Based on the amount of equity capital your bank typically commits to funding a representative mortgage, please estimate the number of first-lien, owner-occupied residential mortgages your bank could fund per $100,000,000 in equity capital. Please provide the relevant details of the representative mortgage used to make such calculation.

Goldman Sachs originates very few residential mortgages and we are not a residential mortgage servicer.

Diversity, Equity and Inclusion

23) Does your bank have a diversity, equity and inclusion plan that contains specific objectives? (Yes or No) If yes, how long has the company had the plan, and have the objectives been met?

Yes. Goldman Sachs has a robust diversity, equity and inclusion (DEI) strategy which encompasses efforts to foster an inclusive work environment, ensure a diverse talent pipeline, hire campus and experienced hires, increase supplier and vendor diversity and increase capital equity for investors and entrepreneurs.

Each year since 2000, we review and enhance our strategic priorities based on internal metrics, feedback and observations and external learnings and best practices. Since my tenure as CEO, we have accelerated progress on the following aspects of our DEI strategy:

- Execution and expansion of Board and stewardship efforts both as it relates to client Boards as well as our merchant bank portfolio companies.
    - In July 2019, we launched a new policy to only underwrite IPOs for companies domiciled in the U.S. that have at least one diverse board member. This July, we raised that figure to two diverse board members, at least one of whom needs to be a woman.
    - We also support our portfolio companies in their efforts to find qualified diverse talent for their portfolio boards.
- In 2019, we set forth ambitious aspirational goals and a comprehensive action plan to increase diverse representation at all levels and create an even stronger culture of inclusion for all of our people. We have met or surpassed these goals in the 2020 Campus Analyst Class:
    - Global Women: 52% (goal 50%)
    - Black Americas: 11% (goal 11%); Black UK: 13% (goal 9%)
    - Hispanic/Latinx Americas: 17% (goal 14%)
- We had the highest representation of diverse employees in our recent Partner and Managing Director classes:
    - The 2020 Partner class included:
        - 27% women
        - 7% Black

    - 5% Hispanic/Latinx
    - 17% Asian
  - The 2019 Managing Director class was our most diverse Managing Director class to date:
    - 29% women
    - 4% Black
    - 2% Hispanic/Latinx
    - 26% Asian
    - 2% LGBTQ+

- We expanded the "Rooney Rule" with the "Rule of 2" for experienced hires (vice president, managing director and partner), whereby our businesses are required to interview two or more diverse qualified candidates for each open experienced role.

We remain committed to holding ourselves and our vendors accountable in our efforts to increase activity with small and diverse businesses. We have committed to publicly report our spend with small and diverse vendors for the first time next year. Spend reported will form the baseline for a 50% increase, which we aim to achieve by 2025.

24) How are the CEO and Senior Management held accountable for failing to meet such specific objectives?

Governance and accountability are crucial factors in improving all aspects of our diversity and inclusion efforts. To drive accountability, we have implemented the following procedures:

- At the most senior level, I update the firm's Board on our progress against our objectives and aspirational goals on a monthly basis and annually I present our go forward priorities.
- The Global Inclusion and Diversity Committee, which I reconstituted in 2018 and reports directly to me, hosts accountability sessions with each of our divisions, examining diversity data and initiatives and focusing efforts on progress towards our public goals.
- Most recently we have enhanced the assessment framework by which we evaluate our firm's Management Committee to include a People Scorecard, which measures our progress against our Diversity, Equity and Inclusion goals, among our other People priorities. This assessment framework is a factor in making decisions on the Management Committee compensation at year-end.
- Finally, I believe that accountability is also driven through transparency, which is one of the reasons why we have now disclosed additional diversity data and information regarding our talent initiatives in our newly launched People Strategy Report.

25) Has your bank ever taken action against a CEO or Senior Manager for failing to meet diversity, equity and inclusion objectives?

To date, we have not had to take action against a leader for failing to meet DEI objectives. Since becoming CEO and Chairman, this has been one of my signature issues, and I am holding our senior leaders across the firm accountable for our progress and I will continue to monitor and track leaders progress against these.

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QUESTIONS FROM SENATOR TESTER

Access to Banks and Banking Services

1) There are two things that it's awfully hard for towns in Rural America to survive without – a post office and a bank. My hometown of Big Sandy had a scare recently – when Wells Fargo closed their bank branch in 2019. Luckily a Montana community bank stepped in, but not all towns are so lucky. For small businesses and consumers, accessing a financial institution is critical and for many folks. Online options just don't cut it – that's especially true in the many areas that lack sufficient broadband. How are your institutions committed to serving rural communities? And Main Street businesses across the country?

We have provided capital and philanthropic support to non-profit mission-driven lenders across rural America as part of our *10,000 Small Businesses* initiative. Our investments include MoFi (formerly known as Montana CDC, a Community Development Financial Institution (CDFI) serving small businesses across Montana), Coastal Enterprises (a CDFI serving small businesses in Maine and rural regions throughout the U.S.), Kentucky Highlands Investment Company (a community development corporation (CDC) serving Southeastern Kentucky and Idaho) and Mountain West (a mission-driven lender and SBA 504 development company serving the state of Utah).

Supporting the small business ecosystem has been a key focus of our efforts in rural communities. Through *our 10,000 Small Businesses* program, we have served over 11,400 small businesses across the U.S. in all 50 states through 19 local programs and the National Cohort. This includes business owners in underserved and rural communities nationwide, including in Iowa (160+ business owners reached in partnership with Des Moines Area Community College) and New Hampshire (90+ business owners reached in partnership with Manchester Community College). Through the National Cohort, we have reached 1,800 small business owners, with concentrations in key rural communities including Montana, Minnesota and Tennessee. To reach small businesses most in need, 10KSB partners with local organizations such as InnoPower in Indianapolis, West Virginia Entrepreneurship Ecosystem and Mississippi Development Authority.

Additionally, Goldman Sachs entered the consumer financial services market in 2016. We have two primary channels through which we acquire and serve customers, including in rural communities and Main Street businesses across the country. The first is through our consumer banking digital platform, Marcus by Goldman Sachs, in which we offer personal loans, savings and CDs, investing services, and free financial tools and trackers. The second is through associated partnerships with large brands, in which we issue credit cards to consumers such as the Apple Card.

Although we are working to launch digital checking accounts in the United States, we do not currently offer consumer checking accounts. Additionally, through our partnership with Apple via Apple Card, we are providing innovative financial services to millions of customers that help them to understand their spending and payment options better and seamlessly earn and redeem rewards.

Because Marcus is a digital platform, customers do not need to walk into a branch to open an account; they can do it directly from their mobile phone or call one of our Marcus Specialists. We believe that digital banking can be leveraged to be more inclusive, particularly with regard to communities that are underbanked such as rural communities that lack sufficient broadband. That being said, as you rightfully acknowledge in your question, we understand that digital connectivity is a prerequisite to inclusion in the digital banking. We are currently exploring ways to invest in increasing affordable high-speed internet access and to close the digital divide.

It is also why we have incorporated digital connectivity as one of our key impact areas in our recently launched new investment initiative called One Million Black Women. Through this program, and in partnership with Black women-led organizations and other partners, we will commit $10 billion in direct investment capital and $100 million in philanthropic support to address the dual disproportionate gender and racial biases that Black women have faced for generations, which have only been exacerbated by the pandemic.

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Economic Trends

2) Most of the rest of the country has spent much of the last year focused on the impacts of the coronavirus, but you all are here before our committee today because you're in roles where you can't ever be thinking about just the biggest challenge in front of you – so I want to know what else you're seeing. Are there trends that you are seeing across the country or in specific areas? Or problems you are concerned about?

It is clear that we are in the middle of a significant economic rebound. This is particularly true in the United States, driven by the lifting of health and safety restrictions amid comprehensive vaccination programs. The broader economic improvement has also been underpinned by unprecedented support by central banks and the prospect of further fiscal stimulus in the form of infrastructure spending.

Last quarter, and as I said during the hearings, I was concerned about the prospect of the U.S. economy overheating. But recent commentary from the Federal Reserve indicates that the central bank is focused on this risk, which supports our economists' view that inflationary pressures will be transitory and that any resulting risks can be adequately managed.

From here, I remain concerned about the prospect of a pandemic resurgence. The Delta variant, should it spread further, could spur policy actions that slow economic growth. We are already seeing this play out in places like Hong Kong and Australia, and potentially in parts of Europe. While vaccine take-up is progressing, it is not consistent across communities and nations, including parts of the United States.

Widespread vaccine distribution and high vaccination rates are critical to open and thriving economies. At Goldman Sachs, we are running programs to facilitate faster vaccinations for our people and their families, building on the support we are providing communities in which we operate, as we all navigate the challenges of the pandemic.

More broadly, as risk managers, we closely monitor developments and remain attentive to a variety of potential risks away from the challenges associated with COVID. Right now, the geopolitical landscape, most notably China, and cybersecurity are top of mind. As always, we remain committed to helping our clients navigate these and other risks amid an ever-changing market backdrop

Challenges

3) As Chief Executives of the largest financial institutions in our country. What are your biggest challenges? And are those challenges different in rural areas?

I would highlight two big challenges. The first relates to finding innovative ways to provide banking services and investments to underbanked and underserved communities in our country, particularly in banking deserts and rural communities. As described above, because our consumer bank Marcus is a digital platform, customers do not need to walk into a branch to open an account; they can do it directly from their mobile phone or call one of our Marcus Specialists. We believe that digital banking can be leveraged to be more inclusive, particularly with regard to communities that are underbanked such as those in rural communities that lack sufficient broadband.

The issue, however, is that digital connectivity is a prerequisite to inclusion for a digital bank. We understand this, which is why we are currently exploring ways to invest in increasing affordable high-speed internet access and to close the digital divide. We have strategically incorporated digital connectivity as one of our key impact areas in our recently launched new investment initiative called One Million Black Women (described above).

One potential solution to help more banks serve underserved and underbanked communities is through reform to the Community Reinvestment Act (CRA) for digital banks like ours, which do not have a traditional brick and mortar branch network. Our obligations under the CRA are primarily focused on the CRA assessment areas surrounding our offices in New York City and Salt Lake City. As a result, the majority of our community development lending and investing activity is focused on those geographies. We have advocated for reforming the CRA rules to provide banks more flexibility to invest in areas where it is needed most. We support the Federal Reserve's Advance Notice of Proposed Rulemaking regarding modernizing the CRA regulatory framework and its call for the CRA to more effectively meet the needs of low- and moderate-income communities, as well as those who are underserved and underbanked.

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The second major challenge relates to cybersecurity risk, which is front and center on my agenda, as well as on our Board's agenda. Like every firm, we face a steady stream of attempted cyberattacks every day, including from highly sophisticated adversaries. Protecting against cyberattacks is standard procedure for Fortune 500 companies. We take very seriously our responsibilities to our customers to maintain the highest level of privacy, security, and control over customer financial data, assets and transactions. We identify and mitigate vulnerabilities as they are discovered in four key ways.

First, we work together across the financial sector and between the government and the industry to understand the adversaries who are targeting our institutions. We share information regularly with our industry and government partners to identify new threats and protect our systems from their techniques. Going forward, we will continue to encourage even more information sharing between the financial sector and the U.S. government.

Second, we actively identify and fix vulnerabilities in our network. We actively do penetration tests with our own highly skilled staff as well as use specialized third parties to find possible vulnerabilities before potential attackers.

Third, the protection and responsible use of client data is deeply engrained in our culture and nowhere is that more critical and visible than the expansion of our consumer businesses. Our goal is always to consider privacy regulations as a floor rather than a ceiling when implementing privacy protections for customer data.

Fourth, we are focused on ensuring the resiliency and continuity of critical firm functions under all conditions. While it is impossible to prevent all incidents, we conduct regular tests of our business continuity plans and approaches to rapidly restore key systems in the event of a catastrophic event.

But we cannot solve the cybersecurity issue alone, which is why I am encouraged by the number of strong regulators across the financial sector that stipulate cybersecurity and other controls to reduce the risk of major incidents. We continue to support the need for harmonization of regulations, domestically and globally, including through use of the Financial Sector Cybersecurity Profile as a common approach to assessing cybersecurity maturity across the industry.

Affordable Housing

4) Montana, and many areas of the country, face challenges of housing availability, affordability, and aging housing stock. As you know, this is a significant issue for rural as well as urban areas and is one of the largest barriers to success, and recovery following the pandemic, nationally. In Montana, lack of workforce housing is one of the greatest inhibitors of economic development. As leaders in your field,

a. What do you believe should be done to increase workforce housing and encourage more affordable housing to be built?

b. What do you see as the largest barrier to affordable housing, particularly in rural areas?

Goldman Sachs remains committed to increasing access to affordable housing nationwide, including in rural communities. Through our Urban Investment Group (UIG), we have facilitated the creation and preservation of more than 40,000 housing units. The following principles drive UIG's strategy of investing in low-and moderate-income places and people:

I. Be Flexible: Complex community development challenges require flexible solutions. The firm's comprehensive approach to community development necessitates investments in projects that contain a variety of uses, often requiring flexible, multi-prong financing solutions that incorporate multiple financial products, government programs and public sector partners.

II. Respond to Community Needs: Goldman Sachs seeks to direct capital to projects and solutions recognized by communities as meeting important local needs. Structuring investments as public-private partnerships, typically including not-for-profit organizations and community developers, helps ensure that we are supporting government partners and addressing local priorities.

III. Take a Leadership Role: Goldman Sachs often invests in catalytic, early stage investments where we can play a leadership role in investing in places and products in which private capital typically did not flow before, or on a

larger scale than previously done. The Bank prioritizes thought leadership as well, ensuring that lessons learned and best practices are shared informally, through major industry groups, and through panels and at conferences across the United States.

Common barriers to the creation of affordable housing include zoning regulations, lack of available subsidies in critical markets, lack of regulatory requirements for affordable units, aging housing stock and infrastructure and the effects of climate change on available land use.

Cyber Security Relationships and Partnerships:

5) Are there ways that we could improve resources and coordination, between government and institutions, in combatting cybersecurity risks?

Tight coordination between government and institutions is critical to managing cyber risk effectively. We routinely collaborate with U.S. government partners via established channels including the Financial Services Information Sharing and Analysis Center (FS-ISAC) and Analysis and Resilience Center for Systemic Risk (ARC). These organizations have trusted processes for collaboration, and a remit to facilitate information sharing among members and between government partners to reduce cyber risk and improve the resilience of the sector. Direct partnerships are also in place with the Department of Homeland Security, Department of Treasury, the Federal Bureau of Investigation, and others.

However, in light of a new Administration, the sector could benefit from a recommitment/restatement that prioritizes engagement and support to the sector and specifically, institutions that underpin national and economic security (also referred to as Section 9 entities). This recommitment should also seek to clarify roles and authorities of the federal government, remove barriers to information sharing, and promote routine classified and unclassified engagement. The latest Executive Order on Improving the Nation's Cybersecurity is a good first step to achieve these goals. Moreover, institutions would like to leverage the advantages that the U.S. government is uniquely positioned to provide, contextual understanding of threats including attribution, and a strategic view point of threats at a macro level.

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QUESTIONS FROM SENATOR WARREN

On Forbearance

1) **How many non-federally backed mortgages does your company service? What percentage of your total mortgage servicing portfolio do those mortgages represent?**

Goldman Sachs originates very few residential mortgages and is not a residential mortgage servicer.

2) **Is your company offering the same post-forbearance options to borrowers with non-federally backed mortgages your company services as it is to federally-backed mortgages?**

a. **If not, please explain why, and provide information on what options your company is providing.**

See above response. Goldman Sachs is not a residential mortgage servicer.

3) **At what point does your company disclose post-forbearance options to borrowers whose mortgages you service?**

See above response. Goldman Sachs is not a residential mortgage servicer.

4) **How many mortgages serviced by your company have entered forbearance since March 27, 2020?**

See above response. Goldman Sachs is not a residential mortgage servicer.

5) **Of the mortgages above, how many mortgages serviced by your company have exited forbearance as of June 1, 2021?**

a. **Of these mortgages that have exited forbearance, how many are seriously delinquent as of June 1, 2021?**

b. **Of these mortgages that have exited forbearance, how many have cured the default as of June 1, 2021?**

See above response. Goldman Sachs is not a residential mortgage servicer.

On CRA Reform

6) **Many of you sit atop large bank holding companies with some segments of their traditional banking business having an affirmative obligation under the Community Reinvestment Act to lend, invest and serve low- and moderate-income consumers and neighborhoods. Other segments of your enterprises do not have a similar or related duty to serve LMI consumers or communities though they are performing similar activities. Fed Chairman Powell made a statement a couple weeks back that "like activities should have like regulation" .**

a. **Would you object to broader duties to serve across the financial sector for firms that provide consumer credit?**

b. **Should all participants have an affirmative obligation or duty to serve to develop products and services and market to low- and moderate-income consumers and communities?**

Goldman Sachs would not object to expanding the scope of the CRA to include evaluations of consumer credit provided by non-bank lenders. Additionally, we agree that all providers of the products that are covered by the CRA should have an affirmative obligation to ensure their products are accessible for and marketed to low- and moderate-income consumers.

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QUESTIONS FROM SENATOR CORTEZ MASTO

Nevada-specific Questions

1) **Is the Urban Development Group investing in Nevada? If so, please describe. If not, please explain why not.**

Our obligations under the Community Reinvestment Act (CRA) are primarily focused on the CRA assessment areas surrounding our offices in New York City and Salt Lake City. As a result, the majority of our community development lending and investing activity is focused on those geographies. We have advocated for reforming the CRA rules to provide banks more flexibility to invest in areas where it is needed most. We support the Federal Reserve's Advance Notice of Proposed Rulemaking regarding modernizing the CRA regulatory framework and its call for the CRA to more effectively meet the needs of low- and moderate-income communities. In particular, we support the Federal Reserve's consideration of a nationwide assessment area for Internet banks, which would give banks such as ours the flexibility to meet community development needs wherever they arise nationwide, including in Nevada.

2) **How does your bank determine which community development entities to partner with in your racial equity initiatives?**

Goldman Sachs is differentiated in its multi-faceted approach to advancing racial equity. Through our deep and longstanding relationships with leading community-based partners and organizations, we have a developed a strong reputation of trust among neighbors and community leaders:

- *Longstanding Partners*:
  - The firm's Urban Investment Group (UIG) recently provided financing to the National Urban League (NUL) to begin construction on its new headquarters in Harlem, which also includes affordable housing rental units, offices for community groups, retail space and a civil rights museum.
  - UIG has longstanding relationship with the Bedford Stuyvesant Restoration Corporation ("BSRC"), a Brooklyn based community development corporation that offers community services targeted at shrinking the racial wealth gap through its workforce development, personal and family finance and social support programs.
  - UIG works with schools across the country (including KIPP and Uncommon charter school networks) who are closing racial achievement gaps through high quality education (with 80%+ minority student populations).
  - UIG financed the redevelopment of a historic but blighted automotive factory into a healthcare facility whose main tenant is Odyssey House Louisiana, the largest substance abuse treatment center in the state.
- *New Partners:*
  - Through our new initiative One Million Black Women, we've heard from 2,600 organizations and invited groups of women to participate in roundtable discussions on healthcare, education, housing and financial literacy. Moreover, we've convened an Advisory Council of notable leaders across industries, geographies and perspectives to provide guidance and introductions to innovative and high-impact organizations and leaders.
  - We made capacity building grants to the Birth Center Equity and Prosp(a)rity Project as part of our One Million Black Women initiative. Birth Center Equity works with Black community birth center leaders to access capital at scale and build communities focused on caregiving and regeneration. Prosp(a)rity Project seeks to dismantle the barriers of $35bn in student loan debt and 35% average financial literacy rate for Black women by providing personalized financial coaching and retroactive scholarships to help manage student loan debt.
- *10,000 Small Businesses*:
  - Through our *10,000 Small Businesses* (10KSB) program, we work with partners including the Initiative for a Competitive Inner City (ICIC), the Small Businesses Development Center, Minority Business Development Agency and National Association of Women Business Owners to engage under-resourced business owners across the United States program by providing access to entrepreneurial education. As a result, the 10KSB alumni community is tremendously diverse – comprised of 48% women business owners (compared to the national average of 18%), 16% Black business owners (compared to national average of 2%) and 13% Hispanic business owners (compared to national average of 5%).

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Suspicious Activity Reports

3) **Last year, a New York Times article stated that major banks had filed Suspicious Activity Reports (SARs) that showed major financial institutions had helped suspected terrorists, drug dealers, and corrupt foreign officials move trillions of dollars around the world.3 The article reported multiple examples of major financial institutions failing to take proactive action regarding customers on whom they have filed SARs and/or against whom they have suspicions of illegal activity.**

a. **How is Goldman Sachs ensuring that it is taking proactive action regarding customers on whom they have filed SARs and/or whom they suspect are engaged in illegal activities?**

b. **How will the recent The Anti-Money Laundering Act of 2020 law affect Goldman Sachs?**

Our firm is committed to preventing and detecting money laundering and financial crime. As one reflection of our commitment, our Financial Crime Compliance team is the largest in our Compliance Division and we continue to invest in its growth. We have professionals with highly relevant law enforcement and regulatory backgrounds and they coordinate with global law enforcement agencies to protect the financial markets. In the event that potential suspicious activity is detected by our firm, we take responsive action, including enhanced monitoring, heightened diligence, and restricting and/or terminating the relationship.

Additionally, Goldman Sachs strongly supports the objectives of the Anti-Money Laundering Act of 2020, namely countering money laundering and terrorist financing by making it more difficult for bad actors to conceal ownership of corporations, LLCs and similar entities in the United States. Our firm has longstanding conservative standards for the identification of beneficial ownership and control for our customers that preceded the Customer Due Diligence Rule. We expect the Anti-Money Laundering Act of 2020 to impact the firm and certain of our private wealth customers in particular, who will be required to report their beneficial ownership (and any changes) into a national database maintained by the Treasury Department. In the coming months, we will continue to socialize these new obligations with our customers and will be preparing our own systems and processes to comply.

Federal Home Loan Bank

4) **Which Federal Home Loan Bank, or Banks, is Goldman Sachs a member of?**

Goldman Sachs Bank USA is a member of the New York District.

5) **How much did Goldman Sachs receive in dividends from a Federal Home Loan Bank/Banks in 2019? 2020?**

Goldman Sachs Bank USA received $3,242,687.84 in 2019 and $5,503,368.32 in 2020 in dividends from the Federal Home Loan Bank of New York.

[3] https://www.nytimes.com/2020/09/20/business/fincen-banks-suspicious-activity-reports-buzzfeed.html

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QUESTIONS FROM SENATOR SMITH

1) **During a recent hearing before the Subcommittee on Housing, Transportation and Community Development, a witness noted that many large banks don't have experience or a plan for lending to Native people. What is your plan for serving Native people living on Tribal land or in urban settings? How to you serve communities where mortgages are complicated by land being held in trust? Please describe efforts you have made to improve lending to native people, and the biggest impediments to improving access to credit.**

Among indigenous communities' most pervasive obstacles to building wealth are their remote locations and lack of established infrastructure. While Goldman Sachs does not currently offer retail mortgage loans, our consumer financial offerings – including savings accounts and personal loans – through Marcus are all available online, removing barriers to capital for historically underbanked populations.

Goldman Sachs started investing in underserved areas in 2001, well before we had a regulatory obligation to do so, because we strongly believed it made sense to invest in areas that others had overlooked and deploy our capital to make a real difference in these communities. Our Urban Investment Group (UIG)'s entire purpose is to make investments and loans that benefit underserved people and places. The team has a comprehensive approach to closing opportunity gaps – it finances the creation of affordable housing, space for educational and health facilities, grocery stores in food deserts. The team predominantly makes direct investments, as opposed to investing in funds, allowing us to engage directly with community leaders and stakeholders impacted by our investments.

Through this group, we have so far committed more than $9.8 billion to benefit underserved people and places. Since UIG was founded in 2001, our investments have spanned 33 states in 101 cities across the country, including in New York City, Newark, New Orleans, Detroit and Salt Lake City, bringing affordable housing, quality schools, new jobs, and growth capital for small businesses to neighborhoods in need. Approximately 70% of UIG's investments are located in or serve minority communities. UIG's investments have facilitated the creation and preservation of more than 40,000 housing units – the majority of which are affordable to low, moderate, and middle-income families – as well more than 2,200,000 square feet of community facility space and more than 9,600,000 square feet of commercial, retail and industrial space.

2) **I recently introduced legislation to reverse a Department of Labor rule that blocked ERISA plans from considering environmental, social, and governance (ESG) factors in their investment decisions. What is your view of that Department of Labor rule? Do you support reversing the DOL rule, and if not, why not?**

On March 10, 2021 the Department of Labor issued an Enforcement Policy Statement indicating that, consistent with Executive Order 13990, titled "*Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis*," it would not enforce the final "Financial Factors in Selecting Plan Investments" rule. The Department further indicated it intends to revisit the rule because it was concerned that "the [rule], and investor confusion about the [rule], have already had a chilling effect on appropriate integration of ESG factors in investment decisions…"

We share the Department's concern and we look forward to seeing the results of the Department's decision to revisit the rule.

3) **Should Congress act to provide clear rules that ensure plans are permitted to consider ESG factors in their investment decisions, provide they do so in a manner otherwise consistent with ERISA's standards of care?**

Yes. While we look forward to seeing the results of the Department's decision to revisit the rule, we note that, despite almost 30 years of regulatory and sub-regulatory guidance, plan fiduciaries continue to struggle to understand how or when they can consider ESG factors when managing ERISA plan assets. Such an action by Congress would benefit plan participants by providing urgently needed certainty that plan fiduciaries appropriately can consider ESG factors as part of a prudent investment process.

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QUESTIONS FROM SENATOR WARNOCK

Role of Corporate America in Supporting Voting Rights

1) Your banks are among the most prominent corporations in America, and they set the tone of the rest of our business community. I was happy to see that in April, with the notable exceptions of JP Morgan Chase and Morgan Stanley, all of your banks signed on to a joint statement in support of voting rights.

a. Some argue that businesses should not comment on issues such as democracy and voting rights. Do you believe that businesses play an important role in our democracy and society by vocally supporting voting rights?

b. What steps are your banks taking to promote democracy and voting rights with respect to your employees and the communities you serve?

I believe that we must uphold the basic and fundamental right to vote for all Americans. For American democracy to work for any of us, we must ensure that all of us have the right to vote. I was taught at a young age that voting is the lifeblood of our democracy, and in last year's election we saw record-high turnout. I think we should build on our recent progress and continue making it easier to vote for all communities in this country, and we should be doing more to encourage higher levels of participation in elections.

At Goldman Sachs, we are trying to do our part to increase voter participation in U.S. elections. For example, we offered all U.S. employees who were eligible to vote in last year's presidential election up to a half-day of paid leave on Election Day. We have also taken steps to inform our employees about local elections (e.g., New York City), including by providing resources about how to register and key deadlines.

Citi Responses to Questions for the Record

Senate Committee on Banking, Housing and Urban Affairs

Full Committee Hearing, entitled "Annual Oversight of Wall Street Firms"

May 26, 2021

Questions for Ms. Jane Fraser, CEO of Citigroup, from Chairman Sherrod Brown:

Overdraft Fees

1) For each month from January 2020 to present, provide the following information for consumer checking accounts:

a. The number of consumer checking accounts;

b. The number of customers whom the bank charged an overdraft or NSF fee;

c. The amount of overdraft fees (not including NSF fees) the bank charged to its customers;

d. The amount of NSF fees the bank charged to its customers;

e. The amount of revenue the bank generated from overdraft and NSF fees;

f. The amount of the bank's negative balance charge-offs; and

g. The number of checking account the bank involuntary closed due to unpaid fees.

2) State the bank's cost to process a returned payment.

3) Describe the bank's policy for providing refunds or other relief to customers from overdraft fees during the COVID-19 pandemic. In addition, for each month from March 2020 to present, provide the following information:

a. The number of customers who requested a refund of overdraft or NSF fees;

b. The number of customers for whom the bank provided a refund of overdraft for NSF fees; and

c. The amount of overdraft or NSF fees the bank refunded pursuant to such policy.

4) Describe any outreach by the bank to inform customers it would provide refunds or other relief from overdraft or NSF fees during the COVID-19 pandemic, including:

a. Whether this information was provided on the bank's website, and if so, on which page(s);

b. Whether this information was included in customer's account statements;

c. Whether the bank sent consumers who incurred an overdraft of NSF fee an email, text, phone call, letter, or any other communication that informed them they could request a refund of overdraft fees; and

d. any other methods of communication.

Climate

5) President Biden has committed to cutting U.S. emissions by 50% by 2030. Recently the International Energy Agency published a report stating that in order to reach net-zero by 2050, this interim emissions targets would not suffice, and that no new fossil projects should be undertaken from 2021 forward.

a. Will your bank cut financed emissions by 50% by 2030?

b. Is your bank subject to any contract conditions or penalties that would, if enforced, prevent cutting financed emissions by at least half by 2030?

c. At what time will your bank end financing for companies that develop new fossil fuel projects?

6) Has your bank publicly stated that a failure to keep climate change to less than 1.5C creates major risks for financial stability? If so, please provide documentation.

7) Please provide documentation of your bank's financed emissions for 2019 and 2020.

8) Please provide documentation of your bank's projected financed emissions for 2021.

9) By how much does your bank intend to reduce financed emissions by 2030? Please provide all relevant documentation.

10) If your bank is unable to answer questions 3 through 5, please provide an explanation as to when you expect your bank to be able to track and project financed emissions.

11) The SEC is considering mandatory climate disclosure rules that would make it easier to compare carbon footprints of publicly traded companies.

a. Does your bank support mandatory disclosure of emissions by public companies?

b. If so, please describe what level of detail such disclosures should include in order to aid your bank in accurately accounting for financed emissions.

c. Please also provide the level of detail for any climate disclosure to which your bank, or any affiliate or subsidiary, is subject because of ongoing business operation in the United Kingdom, the European Union, Japan, or any other OECD jurisdiction.

12) Consistent with your bank's stated commitment to racial justice, in meeting your bank's "net zero" plan have you adopted a no deforestation, no peatland, no exploitation policy?

Footprint

13) Please provide the total number of employees at your firm in the U.S., and a list of states in which you employ at least 10,000 residents.

14) Please provide any publicly announced plans to reduce the size of your U.S. workforce.

15) Please provide, by state, the total number of full service branches your bank operated in the United States as of 1Q 2016 and the total number of full service branches your bank operated in 1Q 2021.

16) Please provide any study or analysis your bank has conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets, or any other relevant data.

Subsidies and Public Infrastructure

17) Enumerate the benefits provided to your firm over the last ten years by the federal government including, but not limited to, those administered by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Please also discuss whether your bank believes such benefits should or could be provided by private solutions instead.

Capital

18) Please indicate whether your bank fell below any regulatory capital minimums in 2019 or 2020.

19) Please indicate whether your bank reduced its regulatory capital in 2019 or 2020 by paying out dividends or repurchasing stock.

20) Please indicate whether your bank, or any trade association of which your bank is a member, will communicate support for a reduction in any regulatory capital requirements to Members of Congress or to any bank regulatory agency this year. Specifically, please indicate whether your bank will communicate support for any changes to the Supplemental Leverage Ratio (SLR).

21) If your bank does communicate support for a reduction in any regulatory capital requirements, will your bank commit to eliminating all dividends and stock repurchases for a period of five years from such communication?

22) Based on the amount of equity capital your bank typically commits to funding a representative mortgage, please estimate the number of first-lien, owner-occupied residential mortgages your bank could fund per $100,000,000 in equity capital. Please provide the relevant details of the representative mortgage used to make such calculation.

Diversity, Equity and Inclusion

23) Does your bank have a diversity, equity and inclusion plan that contains specific objectives? (Yes or No) If yes, how long has the company had the plan, and have the objectives been met?

24) How are the CEO and Senior Management held accountable for failing to meet such specific objectives?

25) Has your bank ever taken action against a CEO or Senior Manager for failing to meet diversity, equity and inclusion objectives?

Citi Response

Overdraft Fees (Question 1)

Citi takes pride in having industry-leading, consumer-friendly overdraft practices providing both product options and enhanced services to help clients balance their needs among convenience,

flexibility and fee avoidance opportunities. In fact, our fastest growing account, now 20 percent of all accounts in the U.S., is our Access Account Package, which has no overdraft fees. As part of our everyday, consumer- friendly practices we do not offer customers the ability to overdraft at Point of Sale (POS) and Automated Teller Machine (ATM) withdrawals. Specifically, Citi offers the following services and products to reduce overdraft and Non-Sufficient Funds (NSF) fees:

- Goodwill Fee Refunds: Citi provides Goodwill Fee refunds to customers upon request, including Overdraft and NSF fees, up to a maximum, 12-month dollar amount.

- Overdraft Protection Services: Citi offers two services to cover negative balance transactions. Customers can link their credit line or savings account to automatically pay negative balance transactions for a $10 transfer fee instead of risking a returned item and $34 NSF fee. Customers who incur overdraft and NSF fees are sent an email or letter notifying of the overdraft or NSF charge. Within this communication, tips on how to manage the consumer account to avoid overdraft in the future are included in information regarding Safety Check or Checking Plus Line of Credit.

    - Safety Check – Links a Citi savings account to a Citi checking account (Access Checking included) as the "Contributing Account" to help prevent overdraft and returned items. A $10 Overdraft Protection Transfer Fee is assessed on any day when Citi transfers funds to avoid an overdraft or returned item and related fee.

    - Checking Plus - A revolving personal line of credit linked to a checking account (except the Access Checking account) to help prevent overdraft and returned items. A $10 Overdraft Protection Transfer Fee is assessed on any day when Citi transfers funds to avoid an overdraft or returned item and related fee.

- Alerts: Customers can enroll their email or cell phone in courtesy texts and e-mail communications informing them of potential negative or low balances and resulting overdraft charges. Online enrollment is not required. As applicable, these communications also offer digital funding solutions (i.e., Zelle or Transfer from another Citi Account) to remedy negative balance transactions.

The majority of Citi's negative balance charge offs are due to credit losses. Citi does not close checking accounts involuntarily due to unpaid fees; rather, our policy is to charge off unpaid accounts, which may include overdrafts and fees, at 60 days past due. Since January 2020, Citi has collected a total of approximately $120,092,000 in overdraft and NSF fees. As of June 30, 2021, Citi has approximately 3.75 million open consumer checking accounts.

Cost of Returning a Payment (Question 2)

The costs Citi incurs in processing a returned payment may vary by size and channel of deposit. The expenses associated with returned items include direct and indirect costs including but not limited to operations, fraud and compliance reviews, risk, customer service both in-branch and call center.

Pandemic Policies (Questions 3-4)

Overdraft fees in 2020 were less than 0.1% of our total revenue and fees were down 18% compared to 2019. This is a result of Citi maintaining its existing blanket goodwill policy for providing fee refunds upon request up to a 12-month limit, including OD and NSF fees, and providing other relief to customers during the COVID-19 pandemic. Information about our pandemic accommodations can be found on two Citi websites: https://www.citi.com/citi/covid-19.htm; and https://online.citi.com/US/JRS/pands/detail.do?ID=covid19

In addition, Citi took the following actions:

- Adjusted its Right-of-Setoff (ROSO) processes to provide customer relief on a temporary basis starting in April 2020 for each tranche of stimulus. The systemic process to offset delinquent overdrafts with funds from the client's relationship deposit accounts was adjusted to exclude IRS Economic Impact Payments from being eligible for ROSO for a period of 90 days from the date of the deposit.

- Provided full access to customer stimulus funds. Accounts with negative balances at the time the stimulus check was deposited received a negative balance credit for 30 days designed to ensure customers received access to the full amount of their stimulus payment starting in April 2020 for each tranche of stimulus. Citi sent customers two communications. Those communications notified them of their full access to the funds and terms of the credit. If customers had a negative balance after credit reversal, Citi did not charge them an OD or NSF fee.

- Refunded fees in other areas from March to December 2020, including Monthly Service Fees (MSF), off-us ATM fees for Citi clients, Annual Safe Deposit Fees, Early CD Withdrawal Penalties, Small Business MSF Fees, and Small Business Remote Deposit Capture Fees.

Citi used digital forms of communication to inform customers about account assistance which included fee refunds. These communications included emails to all customers with email addresses on file, as well as a public landing page on citi.com (https://online.citi.com/US/JRS/pands/detail.do?ID=covid19). Citi branches developed and distributed signage and flyers to help communicate COVID-19 relief treatments. And call center operations prepared customer service scripting to assist clients who may have been impacted. The scripting contained a list of all available treatments and FAQs to help address client inquiries. To help streamline call-ins specific to the pandemic, the Interactive Voice Response system prompted customers to mention "COVID-19" to be routed to receive assistance via dedicated assistance lines. Clients also could reach dedicated customer service lines by calling the number on the back of their debit card. In addition, Citi shared available assistance via a press release accessible on social media channels (Twitter, Facebook) and through the media (Link: https://www.businesswire.com/news/home/20200306005501/en/Citi-Assists-U.S.-Customers-Small-Businesses-Impacted).

Commitment to Sustainability (Questions 5-12)

Citi understands the scale of the risks that climate change poses and the need for our society to transition successfully to a low-carbon economy and invest in mitigation and adaptation solutions. Jane Fraser announced on her first day as CEO that Citi would be committing to net zero emissions by 2050, which includes our financed emissions. We will release our Net Zero by 2050 plan by March 2022, which will include emissions reduction targets for carbon-intensive sectors that also have low-carbon transition opportunities, including interim emissions targets for 2030 for our Energy and Power portfolios. Additionally, we have recently joined the UN-convened Net Zero Banking Alliance. As a founding member, we have committed to setting 2030 targets that focus on priority sectors where the bank can have the most significant impact. As the world's most global bank, we are interconnected with many carbon-intensive sectors that drive global economic development and we are committed to working with our clients to get it right.

While we do not discuss the terms of our contracts with our clients, we are beginning to work with them as they transition their businesses for the low-carbon economy. In April 2020, we enhanced our existing approach to the coal and oil and gas sectors. We announced a plan to phase out financing of thermal coal mining companies by 2030 with interim targets and enhanced existing prohibitions on project-related financing of coal mines. In February 2021, we also updated our coal-fired power policy to articulate a set of increasing expectations for our clients, and we will look to partner with clients that are aligned with these expectations.

Citi has publicly stated that achieving the Paris Agreement's central aim to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C, will require rapid and far-reaching transitions in energy systems, industry processes, land-use, buildings, transport and other infrastructure. Delaying this transition could significantly increase costs, lock in carbon-emitting technology and infrastructure, increase the number of stranded assets, and reduce the range of effective responses to the challenge in the medium and long term.

Citi is committed to managing climate risks and implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Building on our Environmental and Social Risk Management (ESRM) Policy and our experience in climate risk analysis, we are testing the resilience of Citi's lending portfolios to transition and physical risks related to climate change. We will also begin measuring the climate impact of our portfolios and their potential alignment with 1.5C and 2C warming scenarios. For more information, please review our Environmental & Social Policy Framework (https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf), our 2020 Finance for a Climate-Resilient Future II TCFD Report (https://www.citigroup.com/citi/sustainability/data/finance-for-a-climate-resilient-future-2.pdf?ieNocache=808), or our 2020 ESG Report (https://www.citigroup.com/citi/about/esg/download/2020/Global-ESG-Report-2020.pdf?ieNocache=328).

Additionally, Citi joined Partnership for Carbon Accounting Financials in 2020 and is preparing our first set of disclosures of financed emissions related to our lending portfolio for release later this year. With regard to disclosure, we look forward to working with the SEC and others on developing a reporting regime that helps issuers provide helpful information to investors on climate-related risks and their efforts to address climate change. Any mandatory climate disclosure requirements should draw upon existing frameworks, such as TCFD, which are already in place and being adopted. We believe that a disclosure framework should be flexible and principles based but promote consistency. We also believe that climate disclosure requirements should be grounded in the existing concept of materiality under the US securities laws. We do not think that climate disclosures should be included in audited financial statements, which could have the unintended consequence of limiting disclosure.

In Europe, Citi's in-scope legal entities are subject to the EU Non-Financial Reporting Directive (NFRD), which requires certain corporates to disclose both the impact their business has on ESG factors, and the impact ESG factors have on their business (in terms of financial risk). On 21 April 2021, the European Commission further adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would, amongst other measures, impose mandatory reporting standards under the NFRD, expand the breadth of NFRD reporting requirements, and require the disclosures to be audited. From 30 June 2021, in-scope Citi entities also became subject to the EU Sustainable Finance Disclosure Regulation (SFDR) disclosures on the 'principal adverse impacts' their investment decisions have on 'sustainability factors' which includes disclosure of a statement on its due diligence policies with respect to those impacts. Citi's SFDR disclosures are accessible here.

U.S. Workforce (Questions 13-14)

Citi has approximately 65,000 employees in the U.S., including about 13,000 in New York and Florida each. We believe this is the right size US workforce for us to serve our clients here and abroad.

Branch Footprint (Questions 15-16)

The charts below outline the total number of full-service branches Citi operated in the U.S. as of 1Q 2016 by state and the total number of full-service branches Citi operated in 1Q 2021 by state. Citi has not conducted a study about consolidation in the industry.

Total Branch Count as of March 31, 2016

State	Total Branches
California	315
Connecticut	15
District of Columbia	17
Florida	53
Illinois	62
Massachusetts	1

Total Branch Count as of March 31, 2021

State	Total Branches
California	289
Connecticut	13
District of Columbia	16
Florida	53
Illinois	60
Maryland	10

Maryland	11
New Jersey	10
Nevada	9
New York	237
Pennsylvania	1
Puerto Rico	1
South Dakota	1
Texas	2
Virginia	8
Grand Total	**743**

New Jersey	8
Nevada	8
New York	227
Puerto Rico	1
South Dakota	1
Virginia	6
Grand Total	**692**

Support from the Government and for the Government (Question 17)

The government and private sector across many industries have a symbiotic relationship that help the U.S. economy function as efficiently and productively as possible. Citi has directly benefitted from government programs and facilities, including FDIC insurance and access to the Federal Reserve's Discount Window. Banks also benefit indirectly from government activities that promote macroeconomic stabilization. For example, stimulus checks and unemployment benefits the government provided through the pandemic have undoubtedly benefited American businesses, including banks, by supporting the consumers we serve.

But in turn, banks provide an important benefit to the government and the broader economy through the services we offer. Banks, including Citi, served as a conduit for the government to deliver relief to Americans, including the Paycheck Protection Program. Citi also supports the federal government directly as a client in providing financial services at home and across the globe.

Robust Regulatory Capital (Questions 18-21)

During 2019 and 2020, Citi's capital ratios were consistently well above all regulatory minimum requirements.[1] Early in March 2020, Citi voluntarily suspended common share buybacks[2] to preserve its flexibility to respond to customer needs, support critical markets and assist in the U.S. economic recovery. In line with guidance from Federal Reserve Board, common share buybacks were resumed during the first quarter of 2021. Citi, like most other U.S. financial intuitions, maintained its dividend payment during this period for a number of reasons, including the importance of dividends for retail customers and pensioners.

[1] See Chart One for details

[2] See Chart Two for details

Chart One Regulatory Capital Ratios

Select historical Risk-based capital and leverage ratios at year-end, as reported in Citigroup's FR Y-9C:

	Common Equity Tier 1 Capital ratio[1][2]	Tier 1 Capital ratio[1][2]	Total Capital ratio[1][2]	Tier 1 Leverage ratio[2]	Supplementary Leverage ratio[2][3]
December 31, 2019	11.79%	13.33%	15.87%	7.96%	6.20%
December 31, 2020	11.73%	13.31%	15.61%	7.37%	7.00%

(1) Citigroup's Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios reflect application of the U.S. Basel III rules, including the "capital floor provision" of the so-called "Collins Amendment" of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires Advanced Approaches banking organizations, including Citi, to calculate each of the three risk-based capital ratios under both the Standardized Approach and the Advanced Approaches, and to comply with the lower of each of the resulting risk-based capital ratios.

(2) Commencing January 1, 2020, Citi's risk-based capital and leverage ratios reflect certain deferrals based on the modified regulatory capital transition provision related to the Current Expected Credit Loss (CECL) standard. For additional information, please refer to the "Capital Resources" section of Citigroup's 2020 Form 10-K.

(3) As of December 31, 2020, Citigroup's Total Leverage Exposure (the denominator of the Supplementary Leverage ratio) temporarily excluded U.S. Treasuries and deposits at Federal Reserve Banks. This temporary Supplementary Leverage ratio relief expired as scheduled on March 31, 2021. During the fourth quarter of 2020, as a result of the temporary relief, Citigroup's Supplementary Leverage ratio benefited 109 basis points. For additional information, please refer to the "Capital Resources" section of Citigroup's 2020 Form 10-K.

Chart Two Share Buybacks and Dividend Payments in 2019 and 2020

Select historical annual amounts of share buybacks and dividend payments by Citi during past years:

	In millions of dollars, except per share amounts			
Years ended December 31,	Common Share Dividends (per share amounts)	Common Share Dividends (total dollar amounts)	Common Share Repurchases	Preferred Stock Dividends
2019	1.92	4,403	17,875	1,109
2020	2.04	4,299	2,925	1,095

Citi participates in discussions with peers and representative trade associations on policies, guidance and standards affecting the financial services industry. The firm has occasionally provided feedback directly, and through trade associations, to U.S. and foreign regulatory authorities and international standard setters regarding policy proposals and consultations, as requested. Citi understands the Federal Reserve Board is currently considering potential modifications to the supplementary leverage ratio, or SLR, and looks forward to reviewing any forthcoming proposals. The firm supports comments made by Federal Reserve Board officials regarding the importance of avoiding impediments to economic growth and financial stability by permitting banks to appropriately act as intermediaries in the capital markets and to provide credit and banking services to households and businesses, particularly in support of post-COVID recovery. Citi supports the Federal Reserve Board's long-held principle that supervisory leverage ratios should serve as a backstop to risk-based capital requirements.[3] Citi believes that U.S. capital policy should foster resilience of the financial services industry, promote the

[3] Various Federal Reserve principals have supported this position, including most recently Chair Jerome Powell during a post-FOMC press conference on June 16, 2021, Chair Janet Yellen on August 25, 2017 in a speech titled, "*Financial Stability a Decade after the Onset of the Crisis*," and Governor Randal Quarles in May 2018 in a speech titled "*Liquidity Regulation and the Size of the Fed's Balance Sheet*."

provision of credit to households and business across business cycles and further U.S. financial stability.

Considerations Relevant to Mortgage Origination (Question 22)

The decision to originate to hold residential mortgages requires far broader analysis than just capital capacity. The initial evaluation would first consider client demands, business strategy, current and projected balance sheet mix, and risk appetite targets. Subsequent to those decisions, capital capacity is assessed. The evaluation of capital capacity is dynamic and complex given the U.S. Capital Rules. Moreover, capacity differs quarter to quarter, sometimes noticeably, depending on which legal entity originates the mortgage and the booking entity's balance sheet trends.

The capital capacity analysis must consider the full range of U.S. Capital Rules which mandate a number of minimum regulatory capital requirements at both the bank holding company and the bank. Specifically, any analysis would include at a minimum the three risk-based capital ratios: Common Equity Tier 1 Capital (CET1), Tier 1 Capital (T1) and Total Risk Based Capital (TRBC). The evaluation would consider the impact of leverage ratio requirements which are components of the U.S. Capital Rule including the Enhanced Supplementary Leverage Ratio (eSLR). In addition to the regulatory ratios, the U.S. Capital Framework outlines specific approaches, methodologies and assumptions a firm must employ to calculate its capital requirements, the outcome of which have a significant impact on capital capacity. We briefly described these requirements and methodologies as they apply below.

For the very largest banks, the U.S. Capital Rules require a firm's risk-based capital to be calculated using both the Standardized Approach (SA) and the Advanced Approaches (AA) methodologies. Furthermore, to identify the applicable capital requirement, the U.S. Capital Rule requires banks and the bank holding companies to employ the more constraining of the SA and AA methodologies at the bank and bank holding company level each quarter. It is important to note that while risk weighted assets inputs are derived at the transaction level, capital compliance is evaluated at the legal entity level.

For context and background, we summarize below the SA and AA capital methodologies and assumptions as they relate to capital support of residential first lien mortgage exposure. In addition, we also summarize the application of eSLR requirements at the bank and bank holding company level.

Summary of Standardized Approach Application to Residential Mortgages

Under the SA,[4] a U.S. bank must assign a 50% risk weight to a first-lien residential mortgage exposure that:

i. Is secured by a property that is either owner-occupied or rented; and,
ii. Is made in accordance with prudent underwriting standards, including standards relating to the loan amount as a percent of the appraised value of the property; and
iii. Is not 90 days or more past due or carried in nonaccrual status; and

[4] Section 32(g) of the U.S. Capital Rules

iv. Is not restructured or modified.

First-lien residential mortgage that do not meet the preceding criteria are assigned a 100% risk weight per the rule.

Summary of Advanced Approaches Application to Residential Mortgages

Under the AA, the U.S. Capital Rules require firms to estimate the probability of default (PD), loss given default (LGD), exposure at default (EAD) for exposure. Further, firms must calculate credit conversion factors (CCF) as risk parameter inputs to supervisory formulas to calculate risk-weighted assets.[5]

Summary of eSLR Application to Residential Mortgages

As noted above, the U.S. Capital Rules also establish leverage ratio requirements on banks and bank holding companies, including the eSLR. The eSLR imposes a 5.0% effective minimum requirement at the bank holding company level and a 6.0% effective minimum requirement at the bank level. As a non-risk-based measure of capital adequacy, the eSLR requires capital to be held against the full amount of the exposure, regardless of its risk weight assignment.

As reflected above, the process to identify capital capacity is highly complex and incorporates numerous inputs, and assumptions and the consideration of the various capital requirements and methodologies. Consequently, an accurate response would require considerably more information.

Diversity, Equity & Inclusion (Questions 23-25)

Citi has a long-standing commitment to diversity and inclusion. Please see details about our diversity and inclusion strategic plan in our annual Citi Global Citizenship Reports; our annual Environmental, Social, and Governance Reports; and our Annual Diversity Report.

Citi set multi-year representation goals in 2018 and we are working to meet those goals by the end of 2021. Citi holds senior leaders accountable for progress against these goals through regular periodic reporting on Executive Scorecards. Progress and accountability are assessed as part of Citigroup's CEO monthly review with the senior management team and Citi's Board of Directors reviews progress and objectives annually. See our proxy for additional information.

The CEO and Executive Management Team (EMT), along with approximately 400 other employees, are evaluated and compensated based on performance in four pillars: Leadership, Financial, Risk & Controls and Client Franchise. Included in the Leadership pillar are diversity metrics that are assessed as high, medium and low performance. For the CEO and EMT members, and other members with those metrics, below-standard performance against diversity, equity and inclusion metrics impacts the performance rating and incentive compensation received for that year.

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[5] Under the AA, Citi's exposure-weighted average risk weight for the residential mortgage portfolio was 23% as of March 31, 2021.

There are also diversity measures in Citi's Voice of the Employee Survey, which measures employee engagement through a global survey of all employees. Diversity is a specific component of review during Citi's annual succession planning process.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Jon Tester:

Access to Banks and Banking Services

1) There are two things that it's awfully hard for towns in Rural America to survive without – a post office and a bank. My hometown of Big Sandy had a scare recently – when Wells Fargo closed their bank branch in 2019. Luckily a Montana community bank stepped in, but not all towns are so lucky. For small businesses and consumers, accessing a financial institution is critical and for many folks online options just don't cut it – that's especially true in the many areas that lack sufficient broadband.

a. How are your institutions committed to serving rural communities? And Main Street businesses across the country?

Economic Trends

2) Most of the rest of the country has spent much of the last year focused on the impacts of the coronavirus, but you all are here before our committee today because you're in roles where you can't ever be thinking about just the biggest challenge in front of you – so I want to know what else you're seeing.

a. Are there trends that you are seeing across the country or in specific areas? Or problems you are concerned about?

Challenges

3) As Chief Executives of the largest financial institutions in our country

What are your biggest challenges? And are those challenges different in rural areas?

Affordable Housing

4) Montana, and many areas of the country, face challenges of housing availability, affordability, and aging housing stock. As you know, this is a significant issue for rural as well as urban areas and is one of the largest barriers to success, and recovery following the pandemic, nationally. In Montana, lack of workforce housing is one of the greatest inhibitors of economic development. As leaders in your field,

a. What do you believe should be done to increase workforce housing and encourage more affordable housing to be built?

b. What do you see as the largest barrier to affordable housing, particularly in rural areas?

Cyber Security Relationships and Partnerships:

5) Are there ways that we could improve resources and coordination, between government and institutions, in combatting cybersecurity risks?

Citi Response

Support for Rural Communities and Small Business (Question 1)

Citi's retail bank business model is vastly different than most of our closest competitors. For more than 200 years, our core business has been in serving multinational clients by lending money, making payments and accessing the capital markets around the globe. That still holds true today and our U.S. retail footprint mirrors that priority with most of our nearly 700 branches located in six large metropolitan areas. That said, we look for innovative ways to serve consumers and small businesses across the United States through a variety of products and services – many of them digital which can be accessed from anywhere. While we understand the frustration that digital products don't work for everyone – especially in parts of rural America without broadband access - we are working with NGO partners to address a variety of societal challenges, including the concerns of rural America. COVID-19 allowed us to rethink how we serve small businesses across the country and while it's not a large part of our portfolio – we were able to quickly fund nearly 50,000 loans for nearly $5 billion. Eighty percent of those loans went to companies with 10 or fewer employees. Small business is vital to the American economy and we continue to look for ways to better serve this segment of our business.

Economic Outlook and Challenges (Questions 2-3)

We're in a significantly better place than we were a year ago. In fact, the pace of the macro recovery is exceeding our expectations. We're pleased with the strong take-up of vaccination rates here in the U.S., which is driving reopening and reopening is contributing to solid GDP growth. We have to be mindful of the unevenness of the global recovery, especially where vaccine distribution is lagging. Stimulus efforts here in the U.S. have been key to our recovery, and the prospect of spend related to infrastructure projects provides some promise for a longer-term continued recovery. We're keeping a close eye on inflation, whether it's transitory and what Fed actions may come as a response, as this could be an important factor in the recovery we're seeing here in the U.S.

Support for Affordable Housing (Question 4)

From the multi-family perspective, the challenge for workforce housing development is that the income levels are too high for any current government program, and below the income and rent levels that would make such housing attractive economic opportunities for market rate developers. Another challenge in rural areas, financial institutions generally want to see at least a 10% discount of rents for affordable developments versus market rate rents in similar

geographies. That discount is frequently not found in rural areas, even though what might be perceived to be a small rent differential to a lender might be significant for a tenant.

Legislation to facilitate the construction of affordable housing in rural areas as well as workforce/middle-income housing has been introduced and could help stimulate investment in this area. In the single-family space, Citi has several strong down payment and lending options for home affordability, including Citi's HomeRun program, which requires low down payments and removes mortgage insurance requirements for eligible borrowers with low to moderate incomes, and its Lender Paid Assistance program, which provides eligible homebuyers a credit of up to $5,000 to lower closing costs to make buying a home more affordable. On the supply side, innovative construction solutions have potential for building more employee housing in rural areas.

Public-Private Information Sharing for Cybersecurity (Question 5)

Ultimately, there still needs to be improved information sharing from the government to the private sector. We have a number of procedures in place to allow for the flow of sensitive information but there is still a significant time and detail lag on nation-state cyber threats. We would welcome the chance to brief you and your staff on the Analysis and Resilience Center (ARC) established in 2017 to serve as a clearinghouse for cyber security threat information facing Section 9 financial firms. The Energy Sector was added earlier this year to emphasize the need for cross-sector cooperation. While ARC is moving in the right direction, there is still plenty of work to be done to harness the information possessed by the intelligence community so that it can be fully utilized by cleared, authorized private sector participants. Right now, the information flow is ad-hoc and can change based on leadership in the White House or the agency. We would welcome your help in coming up with some solutions to address this growing problem.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Elizabeth Warren:

On Forbearance

1) How many non-federally backed mortgages does your company service? What percentage of your total mortgage servicing portfolio do those mortgages represent?

2) Is your company offering the same post-forbearance options to borrowers with non-federally backed mortgages your company services as it is to federally-backed mortgages?

   a. If not, please explain why, and provide information on what options your company is providing.

3) At what point does your company disclose post-forbearance options to borrowers whose mortgages you service?

4) How many mortgages serviced by your company have entered forbearance since March 27, 2020?

5) Of the mortgages above, how many mortgages serviced by your company have exited forbearance as of June 1, 2021?

   a. Of these mortgages that have exited forbearance, how many are seriously delinquent as of June 1, 2021?

   b. Of these mortgages that have exited forbearance, how many have cured the default as of June 1, 2021?

On CRA Reform

6) Many of you sit atop large bank holding companies with some segments of their traditional banking business having an affirmative obligation under the Community Reinvestment Act to lend, invest and serve low- and moderate-income consumers and neighborhoods. Other segments of your enterprises do not have a similar or related duty to serve LMI consumers or communities though they are performing similar activities. Fed Chairman Powell made a statement a couple weeks back that "like activities should have like regulation" .

   a. Would you object to broader duties to serve across the financial sector for firms that provide consumer credit?

   b. Should all participants have an affirmative obligation or duty to serve to develop products and services and market to low- and moderate-income consumers and communities?

Citi Response

Mortgage Forbearance Programs (Questions 1-5)

Citi no longer services residential mortgage loans, having exited the business in 2019. Citi's subservicer is offering loan forbearances and modifications aligned with requirements of GSE, HUD, VA, CFPB and the CARES Act unless otherwise required by the underlying (non-Citi) investor in the mortgage loan. Of the approximately 518,000 mortgage loans subserviced, approximately 44,000 have entered forbearance since March 27, 2020 and approximately 33,000 have exited forbearance as of June 1. 2021. Of those exiting, approximately 11.6% were seriously delinquent (defined as 90+ days past due) as of June 1, 2021. Of the mortgages that have exited forbearance, approximately 83.3% were current as of June 1, 2021.

CRA Reform (Question 6)

Since the 1977 enactment of the Community Reinvestment Act ("CRA") only banks, institutions that take deposits and make loans, have had an affirmative obligation to help to meet the credit needs of the low-and moderate-income communities that they serve. This statutory obligation derives from and is linked to the benefits of deposit insurance that banks enjoy. At Citi, we fully embrace the goals of the CRA and believe that the activities of our credit extending non-bank subsidiaries already meet the needs of our communities and, furthermore, would satisfy CRA-like obligations if they were to be imposed.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Catherine Cortez Masto:

Manufactured Home Loans, Including on Native American Lands

1) The Center for Indian Country Development's report, The Higher Price of Mortgage Financing for Native Americans, finds that about 31% of Native Americans who bought homes on reservation land during the study's time frame bought a manufactured home. The report finds that manufactured home loans are much more likely to be high-cost loans.

a. What loans do you make available for people who wish to buy a manufactured home: do you offer mortgages and chattel loans, or just one or the other? What are the terms of the loans – interest rate range, term, down payment required, etc.?

b. Please specify if you have a product for Native Americans who wish to buy a manufactured home – or other type of home -- on tribal land?

Suspicious Activity Reports

2) Last year, a New York Times article stated that major banks had filed Suspicious Activity Reports (SARs) that showed major financial institutions had helped suspected terrorists, drug dealers, and corrupt foreign officials move trillions of dollars around the world.6 The article reported multiple examples of major financial institutions failing to take proactive action regarding customers on whom they have filed SARs and/or against whom they have suspicions of illegal activity.

a. How does Citigroup ensure that financial institutions take proactive action regarding customers on whom they have filed SARs and/or whom they suspect are engaged in illegal activities?

b. How will the recent The Anti-Money Laundering Act of 2020 law affect Citigroup?

Archegos Capital Management

3) In the May 2020 Financial Stability Report7, the Federal Reserve warned about the high level of business-sector debt." Since, then the implosion of the Archegos Capital Management resulted in a $10 billion loss to Credit Suisse and Morgan Stanley.

a. How will Citigroup ensure it can accurately project major trading losses for your private fund clients?

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[6] https://www.nytimes.com/2020/09/20/business/fincen-banks-suspicious-activity-reports-buzzfeed.html

[7] https://www.federalreserve.gov/publications/files/financial-stability-report-20200515.pdf. Page 33.

Cyber risks

4) Federal Reserve Bank of Cleveland President Loretta Mester urged further development and use of stress testing to assess the financial system's resilience to cyber risks.

We see more cybercriminals target small businesses, leading to a loss of revenue, jobs and in some cases, putting some out of business. How will Citigroup consider the impact of cybercrime when they lend to small businesses?

Federal Home Loan Bank

5) Which Federal Home Loan Bank, or Banks, is Citigroup a member of?

6) How much did Citigroup receive in dividends from a Federal Home Loan Bank/Banks in 2019? 2020?

Asian American Communities

7) We know there is a severe wealth gap within the Asian American community. For example, a 2013 study found that the top 10 percent of Asian Americans had 168 more times the wealth of the top of bottom 20 percent ($1,448,118 compared to $9,319 in 2010-2013).

a. Can you please specify the investments you are making in Asian American/Pacific Islander communities? Which organizations are you working with?

Native American Communities

8) Our tribal communities were among the hardest hit by the COVID-19 pandemic. Data from the Centers for Disease Control and Prevention found that Native communities were 3.5 times more likely to contract COVID than non-Hispanic white communities. Many tribes' economies were also severely impacted with the closures of businesses, including gaming.

a. Please detail the investments Citigroup is making in our tribal communities?

b. Does Citigroup plan to undertake any initiatives targeted to reservations, such as offering financial services or supporting small businesses?

Citi Response

Mortgage Lending to Native Americans (Question 1)

Citi Mortgage ended loans for manufactured homes in 2003. Native Americans on tribal lands are eligible for any of our mortgage products provided they meet the loan criteria. Citi is participating in the OCC effort known as Project REACh which, among other initiatives, is tasked with finding solutions to barriers of home ownership in minority communities across the country including Native American communities.

Anti-Money Laundering (Question 2)

Citi does not knowingly assist or facilitate transactions involving any suspected terrorists, drug dealers, or corrupt foreign officials. Citi diligently maintains a comprehensive Anti-Money Laundering Policy designed to ensure compliance with all applicable laws, rules, and regulations related to the detection and prevention of money laundering, terrorist financing, and other unlawful activities. Citi's Policy requires that each business maintain a compliance program that provides for, among other measures, a Customer Identification Program to ensure appropriate due diligence is conducted on all customer relationships, and appropriate methods of monitoring transactions and account relationships to identify, and report as required, potentially suspicious activity. The filing of a SAR does not reflect a finding by the bank that a crime has been committed. Citi utilizes these robust programs to mitigate the chance financial channels are used for terrorist financing, money laundering and other illicit purposes. Citi will continue to dedicate the resources, personnel, and technology required to ensure that we are doing everything we can to protect the franchise from being used to facilitate money laundering and terrorist financing thereby helping to protect the integrity of the financial system.

The Anti-Money Laundering Act of 2020 (AML Act) is the most significant AML legislative reform since 2001 and over time will greatly impact the ways that the private and public sectors address AML compliance. In addition to implementing national beneficial ownership requirements, the legislation requires the modernization of AML requirements, which will allow financial institutions to be nimbler in preventing and detecting financial crime. The law also codifies the "risk-based approach" in order to further align private sector programs with national priorities. While the legislation represents an important shift in the way that AML compliance is approached in the United States, the majority of the impact to financial institutions will be felt once regulations are promulgated in accordance with the law over the next several years.

Citi will likely be affected by regulations that address provisions of the AML Act in multiple ways, including but not limited to the following: changes may need to be made to operational compliance processes that address beneficial ownership requirements and suspicious activity report (SAR) /currency transaction report (CTR) requirements in line with new or changed regulations. Citi may be able to further enhance the effectiveness of its compliance program through additional information that is shared by the public sector on relevant typologies and emerging risks.

Preventing Trading Losses from Private Fund Clients (Question 3)

Citi strives to evaluate and address the risks presented by clients that trade markets products by maintaining strong independent compliance and risk management programs and continuously evaluating exposure through risk tools and analytics. New clients are evaluated for suitability and go through a formal onboarding process. Detailed due diligence is carried out to understand a client's leverage, liquidity, strategy, concentration, suitability, and level of financial transparency, before a client is approved for trading with Citi under the applicable Risk Acceptance Criteria outlined in our Credit and Risk Programs. Additionally, clients undergo a rigorous Know Your Customer process that evaluates, among other aspects, the type of business they are engaged in, the scope of that business, and the associated ownership.

On an ongoing basis, there is monitoring of financial performance, and post trade (and for certain clients and exposures, pre-trade) monitoring of utilization against approved credit facility limits, margin, and tenor limits which are set at a counterparty level as well as monitoring of overall relationship exposure against established risk appetite concentration limits.

At a counterparty level, there are regular stress tests being performed and escalated based on internal limits in instances where clients could be under-margined relative to stress moves.

There is also ongoing monitoring of margin calls / disputes which are early warning signs of potential concerns that need addressing. Regular risk meetings are held between the Business and Control Functions, where key issues are raised and discussed.

Cybersecurity and Small Business (Question 4)

Citi Small Business has a well-established framework in place for managing credit risk including credit policies, credit limits, and risk appetite along with processes with respect to originations, early problem recognition, portfolio reviews, and stress tests. While Citi's assessment of creditworthiness does not include our client's vulnerability to cybercrime, Citi recognizes the significant evolving threat landscape, ever increasing sophistication of cybersecurity attacks and use of new technologies to conduct financial transactions. Citi and its clients, customers and third parties are and will continue to be at risk for cyber attacks and information security incidents. As a result, Citi employs an intelligence-led strategy to protect against, detect, respond to and recover from cyber attacks. Furthermore, Citi actively participates in financial industry, government and cross-sector knowledge-sharing groups to enhance individual and collective cyber resilience. Citi also provides clients information on our security capabilities and resources for our clients at https://online.citi.com/US/ag/security-center.

Federal Home Loan Banks (Questions 5-6)

Citi is a member of the Federal Home Loan Bank of New York and received dividends in the following approximate amounts over the last two years.

2020	$70,400,000
2019	$66,020,000

Helping Asian American and Native American Communities (Questions 7-8)

Citi and the Citi Foundation are long-time supporters of community organizations that are delivering greater access to civil rights, social services, affordable housing and economic development opportunities to the Asian American and Pacific Islander (AAPI) community, including, among others:

- The **National Coalition for Asian Pacific American Community Development** (National CAPACD), a network of more than 100 grassroots, Asian American and Pacific Islander (AAPI)-serving community development and direct services groups meeting the affordable housing, small business, and access to credit needs of low-income Asian Americans, Pacific Islanders, Native Hawaiians, refugees, and immigrants. Citi supports the organization's programs and public policy advocacy efforts to improve credit and access to finance as well as prevent displacement of Asian-owned small businesses and housing especially in high-cost markets.

- **Asian Americans for Equality**'s (AAFE) COVID-19 Emergency Small Business Relief Loan Fund which delivers multilingual small business supports and loans for immigrant-owned businesses throughout New York.

- **Chhaya Community Development Corporation** (Queens, NY), **Thai Community Development Center** (LA), and others to deliver home buyer education and counseling services for primarily low- and moderate-income (LMI) households, enabling them to purchase affordable homes.

- **Little Tokyo Service Center**'s LTSC Community Development Corporation utilizes Citi support to prevent elder financial abuse and fraudulent COVID-19 schemes targeting low-income seniors with limited English language proficiency in Los Angeles County. The program makes an effort to serve elders who prefer to speak English, Japanese, Korean and Chinese.

In 2021, Citi and the Citi Foundation signed onto The Asian American Foundation's AAPI Giving Challenge, a call to action for more funding of AAPI issues and organizations.

Likewise, Citi and the Citi Foundation have been long-time supporters of organizations supporting the Native American community, particularly in South Dakota where we have a significant employee presence. Over the last 10 years Citi has lent more than $138 million across South Dakota. Lending has been complemented by long-standing philanthropic relationships with community partners. Citi and the Citi Foundation have invested in organizations supporting the Native American community, including funding for career development and entrepreneurship for young people, convening Native Community Development Financial Institutions (CDFI) to share best practices and provide greater access to financial products and services. In 2020, two Native American CDFIs received funding from the Citi Foundation as part of a national request for proposals (RFP) to provide unrestricted funding to CDFIs that support small businesses owned by people of color. Through this investment the Citi Foundation aims to empower these CDFIs to pivot, adjust or expand to address evolving needs and meet clients where they are as

the organizations face increased demand of their services due to COVID-19. In addition, further funding for Native American CDFIs is being considered as part of a current small business focused RFP. Department Stores National Bank (DSNB), a Sioux Falls-based Citi subsidiary, received an outstanding CRA rating for the 2017-2019 exam period, noting that DSNB made approximately $19 million in total CRA qualified investments, including $16.2 million in the assessment area and $2.8 million in the broader statewide regional area, which includes the entire state of South Dakota and encompasses nine Native American reservations.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Tina Smith:

1) During a recent hearing before the Subcommittee on Housing, Transportation and Community Development, a witness noted that many large banks don't have experience or a plan for lending to Native people. What is your plan for serving Native people living on Tribal land or in urban settings? How to you serve communities where mortgages are complicated by land being held in trust? Please describe efforts you have made to improve lending to native people, and the biggest impediments to improving access to credit.

2) I recently introduced legislation to reverse a Department of Labor rule that blocked ERISA plans from considering environmental, social, and governance (ESG) factors in their investment decisions. What is your view of that Department of Labor rule? Do you support reversing the DOL rule, and if not, why not?

3) Should Congress act to provide clear rules that ensure plans are permitted to consider ESG factors in their investment decisions, provide they do so in a manner otherwise consistent with ERISA's standards of care?

Citi Response

Support for Native Americans (Question 1)

Citi and the Citi Foundation have been long-time supporters of organizations supporting the Native American community, particularly in South Dakota where we have a significant employee presence. Over the last 10 years Citi has lent more than $138 million across South Dakota. Lending has been complemented by long-standing philanthropic relationships with community partners. Citi and the Citi Foundation have invested in organizations supporting the Native American community, including funding for career development and entrepreneurship for young people, convening Native Community Development Financial Institutions (CDFI) to share best practices and provide greater access to financial products and services. In 2020, two Native American CDFIs received funding from the Citi Foundation as part of a national request for proposals (RFP) to provide unrestricted funding to CDFIs that support small businesses owned by people of color. Through this investment the Citi Foundation aims to empower these CDFIs to pivot, adjust or expand to address evolving needs and meet clients where they are as the organizations face increased demand of their services due to COVID-19. In addition, further funding for Native American CDFIs is being considered as part of a current small business focused RFP. Department Stores National Bank (DSNB), a Sioux Falls-based Citi subsidiary, received an outstanding CRA rating for the 2017-2019 exam period, noting that DSNB made approximately $19 million in total CRA qualified investments, including $16.2 million in the assessment area and $2.8 million in the broader statewide regional area, which includes the entire state of South Dakota and encompasses nine Native American reservations.

DOL and ERISA (Questions 2-3)

Citi has concerns with the Department of Labor (DOL) rule addressing ERISA plans and ESG factors. We worked with the Securities Industry Financial Markets Association (SIMFA) to comment on the rule (https://www.sifma.org/wp-content/uploads/2020/07/SIFMA-Comment-on-DOL-ESG-Proposed-Rule-July-2020.pdf).

DOL currently has a non-enforcement policy in place with regards to the rule, and as part of his executive order on climate-related financial risk, President Biden has directed the DOL to consider rescinding or revising the Financial Factors regulation. Given the growth in ESG investing, clarity in the statute, consistent with the DOL's guidance as formalized in an interpretive bulletin issued by the DOL in 1992 would be welcome.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Raphael Warnock:

Role of Corporate America in Supporting Voting Rights

1) Your banks are among the most prominent corporations in America, and they set the tone of the rest of our business community. I was happy to see that in April, with the notable exceptions of JP Morgan Chase and Morgan Stanley, all of your banks signed on to a joint statement in support of voting rights.

a. Some argue that businesses should not comment on issues such as democracy and voting rights. Do you believe that businesses play an important role in our democracy and society by vocally supporting voting rights?

b. What steps are your banks taking to promote democracy and voting rights with respect to your employees and the communities you serve?

Racial Wealth Gap/Home Appraisals

2) At the hearing, you all committed to taking actionable steps to address the racial bias within the residential mortgage appraisal process as part of your institution's efforts to help shrink the widening racial wealth gap. What action steps are your banks taking to implement reforms to address racial disparities in the home appraisal process?

Citi Response

Support for Voting Rights (Question 1)

The right to vote is the foundation of American democracy and as you noted we have spoken out about it. Citi not only supports this fundamental right, we have taken steps to encourage our colleagues to vote, such as providing paid time-off for the 2020 election.

On July 8, Citi joined the Bipartisan Policy Center as one of four founding members of the Business Alliance for Effective Democracy, a select group of major U.S. corporations seeking improvements to the policies and laws that impact our democracy. In launching the alliance, BPC released a set of principles for voting access and integrity.

Addressing Racial Bias in Home Appraisal Process (Question 2)

Citi obtains mortgage appraisals from appraisal management companies and has policies and procedures in place to mitigate the risk of appraisal discrimination. For example, our Collateral Risk Management team reviews every home appraisal including an evaluation of sales used as comparisons and appraiser's comments. In addition, Citi has an appeal process in which borrowers may challenge an appraisal that results in Citi re-evaluating that appraisal. Citi

monitors its appraisal management companies vendors and periodically asks them to confirm that they are providing fair lending training to their appraisers and complying with the fair lending laws. Government, regulators, consumer advocates, and industry are currently exploring ways to eliminate bias in the appraisal process and Citi is active in the various trade associations that are discussing appraisal discrimination and ways to address this issue.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Mike Crapo:

1) In 2018, Citigroup announced a commercial firearms policy, which will require new retail sector clients to adhere to a series of "best practices." Citigroup will require that clients do not sell firearms to individuals who have not passed a background check, that they restrict the sale of firearms for individuals under the age of 21 and that they do not sell bump stocks or high-capacity magazines. However, in several states you can legally own or purchase a firearm at the age of 18. Additionally, the purchase of firearms accessories is legal in most U.S. States.

I have long held that banks should not attempt to replace lawmakers in issuing guidelines that could effectively cut off financial services to law-abiding citizens.

a. Do you view the practice of limiting access to credit for some industries but not others as discriminatory?

b. Do you think it is appropriate for financial institutions to issue guidance to effectively cut off financial services for law-abiding citizens?

c. Will you issue additional guidance restricting credit access for legally protected industries?

Citi Response

Firearms Policy

As a regulated financial institution, Citi follows OCC guidance and sets policies and practices to assess the totality of risks associated with client relationships, such as credit, interest rate, liquidity, operational, compliance, strategic, and reputation risk. Clients in different industrial sectors have different risk profiles and our policies and practices in providing financing are tailored to the particular risks in each sector or financial product as appropriate.

Since 2003, Citi has had an Environmental and Social Risk Management (ESRM) Policy to ensure that we effectively identify potential environmental and social risks associated with our clients' activities that could lead to credit or reputational risks to Citi, and assess whether those risks are appropriately mitigated and managed by the client in line with responsible industry practice for their respective industries. The ESRM Policy is not discriminatory against any particular industry or sector but applies globally across sectors with potential environmental and social risks. Rather than prohibiting business, it enables us to engage responsibly and prudently with clients in many sectors and better understand their management practices as part of our standard due diligence.

One of the sectors covered in Citi's ESRM Policy is firearms retailers in the corporate or small business sectors – the policy does not apply in any way to individual citizens. Coverage of this sector in the ESRM Policy was added in response to the elevation in the severity of gun-related violence against civilians due to mass shootings, particularly affecting schools.

Committee on Banking, Housing and Urban Affairs
Annual Oversight of Wall Street Firms
May 26, 2021

Responses to Questions to Jamie Dimon, Chairman and CEO, JPMorgan Chase & Co.

Chairman Sherrod Brown

Overdraft

1. **For each month from January 2020 to present, provide the following information for consumer checking accounts**
    a. **The number of consumer checking accounts;**
    b. **The number of customers whom the bank charged an overdraft or NSF fee;**
    c. **The amount of overdraft fees (not including NSF fees) the bank charged to its customers;**
    d. **The amount of NSF fees the bank charged to its customers;**
    e. **The amount of revenue the bank generated from overdraft and NSF fees;**
    f. **The amount of the bank's negative balance charge-offs; and**
    g. **The number of checking account the bank involuntary closed due to unpaid fees.**
2. **State the bank's cost to process a returned payment.**
3. **Describe the bank's policy for providing refunds or other relief to customers from overdraft fees during the COVID-19 pandemic. In addition, for each month from March 2020 to present, provide the following information (number of customers who requested, amount refunded, etc).**
    a. **The number of customers who requested a refund of overdraft or NSF fees;**
    b. **The number of customers for whom the bank provided a refund of overdraft for NSF fees; and**
    c. **The amount of overdraft or NSF fees the bank refunded pursuant to such policy.**
4. **Describe any outreach by the bank to inform customers it would provide refunds or other relief from overdraft or NSF fees during the COVID-19 pandemic.**
    a. **Whether this information was provided on the bank's website, and if so, on which page(s);**
    b. **Whether this information was included in customer's account statements;**
    c. **Whether the bank sent consumers who incurred an overdraft of NSF fee an email, text, phone call, letter, or any other communication that informed them they could request a refund of overdraft fees; and**
    d. **any other methods of communication.**

We strive for transparency, value, awareness, and customer choice regarding our Overdraft Services with our disclosures, tools, and resources. While we offer a high quality, low cost no-overdraft account (Secure Banking), there are customers who choose accounts that support the ability to overdraft – a service that can be more cost efficient than paying a late fee on an overdue bill, prevent a negative hit on a credit report, or avoid having a utility shut off. We have many customers who have opted into our Overdraft Protection service, linking their savings account to their checking account to automatically transfer funds to cover an overdraft event and avoid overdraft fees. We also have customers who choose to opt-in for Chase Debit Card Coverage, a service that applies to everyday debit card

transactions, such as groceries or gasoline so that these transactions may be approved even when funds are unavailable.

As with all products, we are continually evaluating for ways to improve the product. We've evolved our Overdraft Services meaningfully over the last ten years – many in the last few years alone – to make it easier for customers to manage their accounts and avoid surprises. Some of these changes include:

- We post customer-initiated transactions, including point-of-sale and recurring debit card transactions, checks, and ACH payments, in chronological order so transactions are paid/processed in the same order the customer saw on their online or mobile device during the day
- We show check transactions deposited at other institutions as "pending" to customers during the day for more visibility and to give them time to make deposits to prevent overdraft
- We do not charge a fee if the available balance was sufficient at the time the debit card transaction was authorized, even if the account balance is overdrawn at the time the transaction is presented for payment
- We do not charge "Extended Overdraft Fees" - fees charged on accounts continuously overdrawn for more than 5 business days

In 2020, we received $1.46 billion in net-revenue from Overdraft (NSF/OD) Fees, on 60.5 million consumer accounts. This was a decrease of 29% YoY, due to the fee refunds we provided to customers struggling from the economic impacts of the pandemic; the increasing popularity of Secure Banking,; and reduction in customer transactions due to the pandemic.

The cost for any bank includes the risk associated with overdrawn accounts for which the funds cannot be recovered. When customers overdraft and do not repay the amount overdrawn, it is taken as a financial loss to the bank. There are Collections teams which manually review cases and attempt to recoup at least a portion of the overdrawn balance, offering different options and waiving fees in order to reduce the financial burden to customers.

Climate

5. **President Biden has committed to cutting U.S. emissions by 50% by 2030. Recently the International Energy Agency published a report stating that in order to reach net-zero by 2050, this interim emissions targets would not suffice, and that no new fossil projects should be undertaken from 2021 forward.**
    a. **Will your bank cut financed emissions by 50% by 2030?**
    b. **Is your bank subject to any contract conditions or penalties that would, if enforced, prevent cutting financed emissions by at least half by 2030?**
    c. **At what time will your bank end financing for companies that develop new fossil fuel projects?**
6. **Has your bank publicly stated that a failure to keep climate change to less than 1.5C creates major risks for financial stability? If so, please provide documentation.**
7. **Please provide documentation of your bank's financed emissions for 2019 and 2020.**
8. **Please provide documentation of your bank's projected financed emissions for 2021.**

9. **By how much does your bank intend to reduce financed emissions by 2030? Please provide all relevant documentation.**
10. **If your bank is unable to answer questions 3 through 5, please provide an explanation as to when you expect your bank to be able to track and project financed emissions.**
11. **The SEC is considering mandatory climate disclosure rules that would make it easier to compare carbon footprints of publicly traded companies.**
    a. **Does your bank support mandatory disclosure of emissions by public companies?**
    b. **If so, please describe what level of detail such disclosures should include in order to aid your bank in accurately accounting for financed emissions.**
    c. **Please also provide the level of detail for any climate disclosure to which your bank, or any affiliate or subsidiary, is subject because of ongoing business operation in the United Kingdom, the European Union, Japan, or any other OECD jurisdiction.**
12. **Consistent with your bank's stated commitment to racial justice, in meeting your bank's "net zero" plan have you adopted a no deforestation, no peatland, no exploitation policy?**

JPMorgan Chase first announced its Paris-aligned financing commitment in October 2020, which includes establishing carbon reduction targets for 2030 for some of the most carbon-intense sectors. This means we are measuring the GHG emissions of our clients in key sectors of our financing portfolio (our "financed emissions") and are setting reduction targets for these sector portfolios that are Paris-aligned. We have created the Center for Carbon Transition to help our clients invest in lower-carbon solutions, and help them set a path for achieving net-zero emissions by 2050.

JPMorgan Chase has developed Carbon Compass – our methodology to align our financing with the goals of the Paris Agreement. To start, we have established intermediate emission targets for 2030 for our Oil & Gas, Electric Power and Auto Manufacturing portfolio. Our targets are:

- Auto Manufacturing 2030 target: 41% reduction in the carbon intensity from manufacturing of new vehicles, and tailpipe emissions from such vehicles
- Electric Power 2030 target: 69% reduction in carbon intensity from electric power generation, which accounts for the vast majority of the sector's climate impact
- Oil & Gas 2030 targets: 35% reduction in operational carbon intensity, as well as a 15% reduction in end-use carbon intensity – reflecting a decrease in emissions from the combustion of oil & natural gas downstream and increase in renewable energy generation

For more information, including our 2019 baselines, please see our 2020 ESG Report and our Carbon Compass Methodology.

We also recently announced our aim to finance and facilitate more than $2.5 trillion over 10 years to advance long-term solutions that address climate change and contribute to sustainable development. And we have publicly advocated for market-based carbon policy solutions, including a price on carbon, and investments in innovative technology to help companies transition to a cleaner future. The bottom line is: The challenges we face in combating climate change are significant, and we recognize the world will continue to rely on resources such as oil and natural gas until commercial, affordable and low-carbon alternatives can be developed to meet all of our global energy needs. The solution is not as simple as walking away from fossil fuels Instead, we must work

together, across public and private sectors, in a bipartisan fashion, to manage risk and invest in new solutions and technologies.

Regulators around the world are examining the potential systemic risks and mitigants associated with climate change. Much of that work is being coordinated globally through the Financial Stability Board. In the US, the Board of Governors of the Federal Reserve has recognized climate change as a potential source of systemic risk and have established an internal group to examine the related issues. The U.S. Treasury has been directed pursuant to an Executive Order to produce a report examining these issues, as well. In 2020, JPMorgan Chase participated in a report, Managing Climate Risk in the U.S. Financial System. to the Commodity Futures Trading Commission's Market Risk Advisory Committee examining these issues.

We support effective disclosure of climate-related financial risk. We provide extensive disclosure in our 2020 ESG Report on how the firm manages matters related to climate change, including our governance structure and how we integrate climate-related considerations into our overall sustainability strategy. Going forward, we plan to disclose our progress on our commitment to align our financing portfolio with the goals of the Paris Agreement.

Footprint

13. **Please provide the total number of employees at your firm in the U.S., and a list of states in which you employ at least 10,000 residents.**
14. **Please provide any publicly announced plans to reduce the size of your U.S. workforce.**
15. **Please provide, by state, the total number of full service branches your bank operated in the United States as of 1Q 2016 and the total number of full service branches your bank operated in 1Q 2021**
16. **Please provide any study or analysis your bank has conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets, or any other relevant data.**

Today, we have more than 166,000 employees residing in the U.S., We have more than 10,000 employees living in each of the following states: Texas, New York, Ohio, California, Illinois, Florida and New Jersey. There are no publicly-announced plans to reduce the size of the firm's workforce.

As of the first quarter of 2021, we serve over 63 million households including more than 4 million small businesses from nearly 4,900 branches located in 39 states and the District of Columbia – up from only 23 states in 2016. Below is a chart showing the number of full service branches in 2016, and 2021. In the coming weeks, we will operate branches in all 48 contiguous U.S. states and the District of Columbia. We open 30% of our new branches in low- to moderate-income neighborhoods. Today, nearly one-third of all our branches are in communities of color, and one-third of our small business banking customers are in majority-minority census tracts. We have about 150 branches in the Southwest Border region, and nearly 100 branches in rural communities, with more to come as we expand into our new markets.

State	1Q16	1Q21
AL		2
AZ	253	208
CA	1001	949
CO	112	118
CT	49	50
DC		16
DE		6
FL	389	416
GA	83	97
ID	20	16
IL	357	297
IN	172	129
KS		2
KY	61	48
LA	146	105
MA		23
MD		20
MI	239	195
MN		10
MO		8
NC		14
NE		2
NH		3
NJ	212	201
NV	48	60

NY	743	625
OH	272	240
OK	30	27
OR	113	77
PA		37
RI		3
SC		9
TN		8
TX	615	510
UT	54	48
VA		14
WA	206	175
WI	71	55
WV	24	16
Grand Total	**5,270**	**4,839**

Subsidies and Public Infrastructure

17. **Enumerate the benefits provided to your firm over the last ten years by the federal government including, but not limited to, those administered by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Please also discuss whether your bank believes such benefits should or could be provided by private solutions instead.**

The bold and swift action taken by Congress, the Federal Reserve and the Administrations over the last 15 months was instrumental in reversing financial panic, avoiding a deep and lasting economic crisis, and providing vital emergency aid directly to individuals and small businesses. While real damage was done, particularly for those at the lowest ends of the economic spectrum, the size and scope of the programs mitigated further economic deterioration and put this country on a path for a healthy economic recovery. The nation, including our financial system, benefited from these actions. Beyond the recent response to the crisis, the nation, including our financial system, benefits economically from the activities Congress has directed the Federal Reserve System, the Federal

Deposit Insurance Corporation and the Office of the Comptroller of the Currency to administer, including the stability and economic growth that results from lender of last resort liquidity to markets, deposit insurance for depositors and a well-regulated banking system.

Capital

18. **Please indicate whether your bank fell below any regulatory capital minimums in 2019 or 2020.**
19. **Please indicate whether your bank reduced its regulatory capital in 2019 or 2020 by paying out dividends or repurchasing stock.**
20. **Please indicate whether your bank, or any trade association of which your bank is a member, will communicate support for a reduction in any regulatory capital requirements to Members of Congress or to any bank regulatory agency this year. Specifically, please indicate whether your bank will communicate support for any changes to the Supplemental Leverage Ratio (SLR).**
21. **If your bank does communicate support for a reduction in any regulatory capital requirements, will your bank commit to eliminating all dividends and stock repurchases for a period of five years from such communication?**
22. **Based on the amount of equity capital your bank typically commits to funding a representative mortgage, please estimate the number of first-lien, owner-occupied residential mortgages your bank could fund per $100,000,000 in equity capital. Please provide the relevant details of the representative mortgage used to make such calculation.**

JPMorgan Chase is well above its current regulatory capital requirements and internal buffers, so there has been no reduction in regulatory capital from returning capital to shareholders. At no point in 2019 or 2020 did we fall below any regulatory capital minimums. On an annual basis for 2019 and 2020, the capital we returned to shareholders has not exceeded our organic capital generation for each year – so we have actually seen an increase in our capital levels.

We agree with the Federal Reserve's conclusion that "the banking system has been a source of strength during the past year and stress test results confirm that large banks could continue to lend to households and businesses even during a sharply adverse future turn in the economy." The continued upward trajectory of required capital – whether driven by QE or procyclicality – is at odds with the message from U.S. agencies that banks are highly capitalized and acted as a source of strength during the COVID crisis.

One lesson that became clear through the crisis is that size-based requirements – SLR, GSIB – were initially contemplated during a time when system-wise reserves were much lower. The enormity of the government's response to the pandemic was necessary and we applaud it. But the cash from the government's response – whether that's from QE, or stimulus passed by Congress – ends up on bank balance sheets in the form of deposits, making banks naturally have less room under requirements like SLR or GSIB surcharge that are driven by size. Policymakers should ask themselves – should banks be holding more capital just because there is significantly more cash in the financial system? If no, adjustments should be made so banks can continue to serve customers and clients, particularly as we all share the goal of long-term economic recovery.

Despite this, we continued to lend through the crisis. We had, and continue to have, more than enough capital to support the current demand we receive for lending – including new mortgages – within our risk framework. In 2020, we continued to meet the borrowing needs of our clients – households, businesses, municipalities – providing more than $1 trillion in credit in 2020. This is despite low loan demand, which was down in part due to the significant government stimulus hitting consumers and businesses, and the attractive capital market options available to larger businesses.

Diversity, Equity and Inclusion

23. **Does your bank have a diversity, equity and inclusion plan that contains specific objectives? (Yes or No) If yes, how long has the company had the plan, and have the objectives been met?**
24. **How are the CEO and Senior Management held accountable for failing to meet such specific objectives?**
25. **Has your bank ever taken action against a CEO or Senior Manager for failing to meet diversity, equity and inclusion objectives?**

Yes. Over the last few years, the firm's diversity, equity and inclusion work has evolved enormously. And, in 2020, we hired a new Head of Diversity and Inclusion who reports directly to the co-Presidents of our firm.

We know that attracting the best talent can only be achieved through a dedicated focus on inclusive recruiting and internal advancement opportunities. We have made progress in this area with programs such as Advancing Black Pathways, a program focused specifically on increased hiring, retention, and development of Black talent. In year two of the program, we are currently at 63% of our 5-year goal to hire 4,000 Black students. Over the past five years, we have increased the number of Black professionals in our most senior ranks, with the number of Black Managing Directors and Executive Directors up by more than 50 percent. We have more work to do in increasing diversity in our most senior ranks and will be aggressive in pursuing our goals.

We believe being transparent about our workforce data will help drive progress. Since 2010, we have publicly shared Equal Employment Opportunity Commission information about our workforce on our website. Starting in 2019, we began publishing global workforce data for our employees and Board of Directors, with demographics that include the LGBTQ+ community, veterans, and people with disabilities. Starting this year, we will publish our consolidated EEOC reports on our public website for the first time.

Our executive compensation program is designed to hold our senior leaders accountable for long term business performance and, starting last year, for diversity and inclusion efforts and outcomes. Executives are also held accountable, when appropriate, for meaningful actions and issues that negatively impact business performance in current or future years. Early in 2020, we established an executive accountability framework that strengthens the way the Firm incorporates diversity, equity and inclusion priorities and progress into year-end performance evaluations and compensation decisions for senior leaders. Later, in October of 2020, we launched a $30 billion, five-year

commitment to advance racial equity through our lines of business. Progress towards the five-year goals are being measured and tracked and will be reported out publicly.

Senator Jon Tester

Access to Banks and Banking Services

1. **There are two things that it's awfully hard for towns in Rural America to survive without – a post office and a bank. My hometown of Big Sandy had a scare recently – when Wells Fargo closed their bank branch in 2019. Luckily a Montana community bank stepped in, but not all towns are so lucky. For small businesses and consumers, accessing a financial institution is critical and for many folks online options just don't cut it – that's especially true in the many areas that lack sufficient broadband.**
    a. **Are you committed to continuing to serve rural and frontier communities? Including through physical retail branches?**
    b. **How are your institutions committed to serving rural communities? And Main Street businesses across the country?**

    We continue to serve customers in rural communities today with 93 branches and are exploring innovative branch formats to address the lack of financial services access among many underserved households.

    Beginning in the second quarter of 2021, we will be opening Chase branches in 10 new states: Arkansas, Iowa, Maine, Mississippi, Montana, North Dakota, New Mexico, South Dakota, Vermont and Wyoming. This makes us the first bank to be in all 48 lower states. This is part of our ongoing branch expansion strategy that we announced in 2018 when we entered 15 new states.

    We also provide capital to rural communities by partnering with organizations and intermediaries that are rooted in these communities.

Economic Trends

2. **Most of the rest of the country has spent much of the last year focused on the impacts of the coronavirus, but you all are here before our committee today because you're in roles where you can't ever be thinking about just the biggest challenge in front of you – so I want to know what else you're seeing.**

    Are there trends that you are seeing across the country or in specific areas? Or problems you are concerned about? What are your biggest challenges? And are those challenges different in rural areas?

    Overall, we are encouraged by the continued progress against the coronavirus and the economic recovery that is underway, especially in the United States – although we should acknowledge the challenges that the rest of the world is facing and hopeful that a global recovery will follow closely behind. The steps Congress took to support the economy and

provide direct support to individuals, enhanced unemployment benefits, and forgivable loans to small businesses undoubtedly reversed the deterioration of the economy and unemployment – albeit not without permanent damage in the form of the loss of many small businesses and deterioration in labor force participation. The American consumer balance sheet is in excellent shape, with leverage lower than it has been in 40 years, with excess savings that is being used to pay down debt, or spend on goods and services.

We remain concerned that broader public policy challenges, however, continue to hold us back as a country. Access to affordable healthcare, an education system failing too many of our children, crumbling infrastructure, climate change, and racial economic inequality are just some of the problems challenging our great nation. These problems are neither Democratic nor Republican – nor are the solutions. But they are fixable with hard work, thoughtful analysis, pragmatism, and working together.

Affordable Housing

3. **Montana, and many areas of the country, face challenges of housing availability, affordability, and aging housing stock. As you know, this is a significant issue for rural as well as urban areas and is one of the largest barriers to success, and recovery following the pandemic, nationally. In Montana, lack of workforce housing is one of the greatest inhibitors of economic development. As leaders in your field,**

    a. **What do you believe should be done to increase workforce housing and encourage more affordable housing to be built?**

    Policymakers should increase funding to build and preserve affordable housing, incentivize private investment in affordable housing, reduce household cost burden, and remove zoning and land use barriers.

    This should include:

    - Further expand and stabilize the LIHTC program by supporting the Affordable Housing Credit Improvement Act of 2021 (AHCIA), designed to maintain financial stability for housing developments while incentivizing investment and targeting funding to produce more affordable housing for the most cost-burdened households, households of color, and low-income households. These reforms are estimated to finance up to 2 million additional affordable rental units over ten years.
    - Remove barriers to affordable rental housing production in opportunity connected communities by supporting legislation that incentivizes states and localities to reform restrictive zoning and land use policies such as The Housing Supply and Affordability Act, which would reward localities that design and implement comprehensive housing policy plans to increase the affordability and supply of housing. The legislation would provide $300 million in annual planning

and implementation grants to states and localities to help them reduce zoning and land use barriers to housing development.

- Support the Yes In My Backyard Act, which would require localities receiving Community Development Block Grant funds to file a report every five years that details their progress in adopting certain local policy reforms that mitigate burdensome and/or discriminatory land use regulations.

b. What do you see as the largest barrier to affordable housing, particularly in rural areas?

Limited funding for new construction has impacted the availability of affordable housing in rural communities. In addition, inadequate funding for renovations and improvements of existing affordable housing have contributed to the rapidly declining condition of the rural affordable housing stock. Demand for affordable housing continues to outpace the supply across the country, and rising housing prices make it increasingly difficult for many individuals and families to afford and sustain housing, especially housing located in opportunity connected communities with greater access to jobs and economic mobility. Increasing federal funding to produce and preserve affordable rental housing and affordable homes for purchase is critical to help address housing challenges in rural communities.

Cyber Security Relationships and Partnerships:

4. Are there ways that we could improve resources and coordination, between government and institutions, in combatting cybersecurity risks?

Cybersecurity is an incredibly important priority for us, and for America – a priority I cannot overemphasize. At JPMorgan Chase, we invest over $700 million and dedicate thousands of employees to maintain our defenses and enhance our resilience to an ever-increasing threat. But attacks are increasing in number and sophistication across all sectors, including government, utilities, technology companies, electrical grids and now an oil pipeline company. This is a serious national security concern that requires partnership and collaboration to address.

To this end, firms designated as critical infrastructure from financial services and the electricity sectors have invested significant resources to create a collaborative private sector organization for the analysis of cyber risk to the financial system. We need the government to meet us halfway and provide dedicated national security resources that will collaborate with critical infrastructure companies and help defend the national interest from cyberattacks.

Also, as evidenced by the SolarWinds incident, we need appropriate reforms to ensure the sensitive data that's held by financial regulators is properly secured and that policies are in place to guide timely and meaningful notification and response to impacted firms when a breach does occur.

We also continue to advocate for a principles-led, risk-based approach to cybersecurity risk management, particularly the Financial Sector Profile (FSP). The FSP is a cyber risk management tool developed with the cooperation of over 150 global intuitions. It synthesizes existing globally-accepted principles and standards for effective and more efficient regulations. Broader global regulatory acceptance and industry adoption of the FSP will engender a more consistent and harmonized approach to cyber risk management.

Senator Elizabeth Warren

On Forbearance

1. **How many non-federally backed mortgages does your company service? What percentage of your total mortgage servicing portfolio do those mortgages represent?**
2. **Is your company offering the same post-forbearance options to borrowers with non-federally backed mortgages your company services as it is to federally-backed mortgages? If not, please explain why, and provide information on what options your company is providing.**
3. **At what point does your company disclose post-forbearance options to borrowers whose mortgages you service?**
4. **How many mortgages serviced by your company have entered forbearance since March 27, 2020?**
5. **Of the mortgages above, how many mortgages serviced by your company have exited forbearance as of June 1, 2021?**
    a. **Of these mortgages that have exited forbearance, how many are seriously delinquent as of June 1, 2021?**
    b. **Of these mortgages that have exited forbearance, how many have cured the default as of June 1, 2021?**

Chase services around 400,000[1] non-federally backed mortgages, which represents ~14.5% of its total servicing portfolio. These numbers do not include home equity lines of credit.

Since March 27, 2020, around 295,000[2] of all Chase-serviced mortgages had entered forbearance (not including HELOCs). Since then, around 200,000 had exited forbearance (and about one-fourth of those continued to make all payments on time throughout the forbearance period). Today, we have around 55,000 mortgage loans in a forbearance program.

Upon entering forbearance, we notify customers that they will have multiple post-forbearance payment options. We also communicate options to them before their forbearance expires and upon expiration. For both federally backed and non-federally backed mortgage loans, we offer to bring the loan current by moving missed payments to the end of the loan term – either as a balloon payment (deferment) or by adding new monthly payments to the end of the loan (extension). For those who cannot resume making their regular monthly payments at the end of the forbearance period, we offer a loan modification, which brings the loan current and may provide permanent payment reduction. The specific guidelines for individual programs vary based upon the investor/insurer. For Fannie Mae, Freddie Mac, Chase-owned, and Private Investor mortgages, we can offer both deferments and loan modifications, including streamline loan modification options. USDA and VA loans may be eligible for extensions and loan modifications, again including streamline loan modification options. FHA loans may be eligible for Partial Claim options (similar to a deferment), loan modifications, and combination Partial Claim/loan modifications.

[1] Data as of May 31, 2021
[2] Data as of May 31, 2021

On CRA Reform

6. **Many of you sit atop large bank holding companies with some segments of their traditional banking business having an affirmative obligation under the Community Reinvestment Act to lend, invest and serve low- and moderate-income consumers and neighborhoods. Other segments of your enterprises do not have a similar or related duty to serve LMI consumers or communities though they are performing similar activities. Fed Chairman Powell made a statement a couple weeks back that "like activities should have like regulation".**
    a. **Would you object to broader duties to serve across the financial sector for firms that provide consumer credit?**
    b. **Should all participants have an affirmative obligation or duty to serve to develop products and services and market to low- and moderate-income consumers and communities?**

We deeply understand CRA's importance and strongly support its goals. If duty to serve were applied more broadly across banking products, we believe that CRA should continue to incentivize the activities that are most impactful to communities. JPMC would not object if Congress amended the CRA statute to cover entities that provide consumer and small business credit but are not currently covered by CRA.

Senator Catherine Cortez Masto

Nevada-specific Questions

1. **In your written testimony, you commit to "healthy and inclusive economic growth" and describe some thoughtful and important approaches.**
    a. **Is the Homebuyer Grant Program or Community Centers available in Nevada? If so, how has it been accessed? If not, why was Nevada not considered as a location for these initiatives?**

    As part of our $30 billion racial equity commitment, JPMC expanded the Homebuyer Grant to up to $5,500 to help more customers cover closing costs and down payment when buying a home in 6,700 minority neighborhoods nationwide. This includes four minority neighborhoods in Nevada.

    In 1Q 2022, the firm will open a Community Branch in Las Vegas, with two additional branches acting as satellites. Community Branches are a new community-inspired model that aim to help underserved communities. Each branch will have a full-time Community Manager, who will work with the community and businesses to increase awareness of available resources, financial health tools and products and services. The branch follows similar branches in cities like Harlem and Minneapolis and is part of a bigger vision to transform community banking into community building. Chase will open 13 new community-inspired branches in traditionally underserved neighborhoods by the end of 2021 and hire 150 community managers by 2022.

    b. **Has JPMorgan Chase invested in any CDFI that serves Nevada? Are any of the mid-sized entrepreneurs of color initiative Nevadans?**

    Since its inception in Detroit in 2015, the Entrepreneurs of Color Fund has provided over 1,200 loans and deployed more than $32 million in capital to Black, Latinx and other underserved entrepreneurs. The firm's signature program has grown to include a network of 12 Community Development Financial Institutions (CDFIs) in five metro areas: Detroit; the Bay Area; South Bronx; Chicago; and the Greater Washington, D.C. area.

    In Nevada specifically, the firm has grants totaling $165k (2014-2021) to Las Vegas Urban League's Innovation Center For Entrepreneurship which provides a physical and virtual repository of education, training, and real-time consulting/advisory services that our communities can access in aims of driving our local economy through the creation of new small businesses and the strengthening of already existing small businesses. Entrepreneurs receive services around: (1) finance and tax training; (2) business plan development and other business start-up need-to-knows; (3) applying for grants and other capital funding; and (4) strategy development tools and tactics. The Entrepreneurship Center will help existing small-to-medium sized businesses to: (1) better understand and efficiently manage profit; (2) better understand the principle of

finance, cash management, and asset utilization; (3) develop organizational structures that will improve their resource management; and (4) build human resource infrastructures aimed at improving staff quality.

c. **Have any Project Spark investments been made in Nevada? If so, please detail. If not, please explain why not.**

Project Spark is a brand-new initiative aimed at providing capital to funds managed by diverse, emerging alternative managers, including minority-led and women-led venture capital funds and other private funds. As of June 21, 2021, Project Spark has not yet invested in any eligible funds domiciled in Nevada.

d. **Are any of JPMorgan Chase's multi-family borrowers in Nevada receiving the promised discount for committing to not raise rents?**

None of our multi-family borrowers are in Nevada.

e. **Have any Nevadans benefitted from JPMorgan Chase's Second Chance Initiative? If yes, please detail. If not, please explain why not.**

JPMorgan Chase is committed to Second Chance hiring and "banned the box" to increase the access of people with criminal backgrounds to jobs at the firm. This helps ensure qualified applicants with criminal backgrounds receive the same consideration as any other applicant, when their background has no bearing on job requirements.

In 2020, JPMorgan Chase hired more than 2,100 people with criminal backgrounds in the U.S., roughly 10% of our new hires, whose history had no bearing on the roles they were hired to perform.

The firm is in the initial stages of launching a financial health program to facilitate a monthly financial education series for Nevadans, including to those currently incarcerated at a local low security prison. The program was originally planned to launch in April 2020 but was delayed to the pandemic. In April 2021, the firm sponsored Hope for Prisoners' Las Vegas Second Chance Luncheon and four employees are currently engaged in their mentoring program. Mentoring consists of one year of one-on-one sessions, peer-to- peer contact and ongoing support groups designed to provide clients with dependable assistance to navigate the challenges they face during the reintegration process.

f. **How does your bank determine which community development entities to partner with in your racial equity initiatives?**

JPMC builds and sustains relationships with community organizations involved in advocacy, thought leadership, and service to low- to moderate-income communities and communities of color. Through long-term relationship building we facilitate

conversations, roundtables and listening sessions to understand local needs and work with local nonprofits to advance inclusive economic growth and racial equity in community.

In 2020 we established a Community Engagement team to focus on deepening relationships with business, civic, advocacy and nonprofit leaders to support the needs of local residents where we operate, as well as to solicit feedback to shape local initiatives. In the first quarter of 2021, the Community Engagement team worked with over 150 groups around the firm's Path Forward commitment, which aims to advance racial equity and provide economic opportunity to underserved communities.

Franchise Lending

2. **I recently published a report on unfair and deceptive franchise practices. Does JPMorgan Chase lend to franchise businesses? Does JPMorgan Chase utilize SBA guaranteed loan programs to support loans to franchise businesses? How does JPMorgan Chase ensure that the loan will be repaid with proceeds from the franchise business itself, not assets of the borrower or the government?**

   Chase offers franchise lending, and the majority of the requests are approved with an SBA guaranty. The Franchise must be listed on the SBA Franchise Directory to be eligible for SBA financing. If the business is an existing location, historical cash flow will be analyzed to ensure the business has sufficient cash flow to repay the debt. All borrowers are required to have industry experience and outside sources of repayment if they are startup locations.

Asian American Communities

3. **We know there is a severe wealth gap within the Asian American community. For example, a 2013 study found that the top 10 percent of Asian Americans had 168 more times the wealth of the top of bottom 20 percent ($1,448,118 compared to $9,319 in 2010-2013).**
   a. **Can you please specify the investments you are making in Asian American/Pacific Islander communities? Which organizations are you working with?**

      JPMC has a long history of partnership with community organizations serving the AAPI community. At the national level this includes decades long relationships with the National Coalition for Asian Pacific American Community Development (National CAPACD) and the US Pan Asian American Chamber of Commerce. Investments with National CAPACD have supported, among other efforts, a multi-generational financial capability initiative with their affiliates across the U.S. At the local level we engage with, through grantmaking and dialogue, AAPI-serving organizations in many markets. We continually seek to expand the stakeholders with whom we engage, and to this end are building relationships with additional AAPI-serving organizations including the National Council of Asian Pacific Americans and API Civic Engagement.

This year, in response of the surge of anti-Asian violence, we have donated $1MM to three AAPI social justice organizations, Asian American Federation in NYC, Chinese for Affirmative Action (Stop AAPI Hate) in San Francisco, and Asian Americans Advancing Justice in LA, DC, and other cities. In addition, for every dollar an employee donates to our designated partners, our firm will donate two dollars. We closed the employee campaign at the end of Heritage month with $160k in employee funds which means ~$480k to the nonprofits. In partnership with our firmwide Asian Executive Forum, the AsPIRE Business Resource Group, and the DE&I team, we are holding conversations with leaders both internally and externally and have planned a robust schedule of ongoing events that will engage colleagues globally to inform and influence how we can continue to address this issue.

Tribal Communities

4. **Our tribal communities were among the hardest hit by the COVID-19 pandemic. Data from the Centers for Disease Control and Prevention found that Native communities were 3.5 times more likely to contract COVID than non-Hispanic white communities. Many tribes' economies were also severely impacted with the closures of businesses, including gaming.**
    a. **What investments is your bank making in our tribal communities?**
    b. **Do your institutions plan to undertake any initiatives targeted to reservations, such as offering financial services or supporting small businesses?**

    While not specific to Tribal communities, we have a very large focus on improving financial health and access to banking in underserved communities. This includes a commitment to helping one million people open low-cost accounts over the next five years, and significant support for Community Financial Development Institutions that serve traditionally underserved and low- to moderate-income communities with banking and lending for consumers and small businesses.

Federal Home Loan Bank

5. **Which Federal Home Loan Bank, or Banks, is JPMC a member of?**
6. **How much did JPMC receive in dividends from a Federal Home Loan Bank/Banks in 2019? 2020?**

    JPMC is a member of the Federal Home Loan Bank of Cincinnati. Members are required to purchase stock in the Federal Home Loan Bank, commensurate with the amount of FHLB advances the member conducts. As a direct result of FHLB advance activity, the Firm maintained a required FHLB stock position throughout 2019 and 2020, which earned dividends of $38.4mm and $25.6mm, respectively.

Anti-Money Laundering Act

7. **How will the recent The Anti-Money Laundering Act of 2020 law affect Wells Fargo? [sic]**

If its required regulatory changes are implemented effectively, the AML Act of 2020 should help JPMorgan Chase better detect and deter financial crime by focusing its resources on AML priorities defined by the government, increasing information sharing, and encouraging technological innovation. The requirement to establish a beneficial ownership registry for US corporations and LLCs at FinCEN should also enhance transparency and help financial institutions know their customers more effectively and efficiently, particularly if FinCEN verifies the information in the registry and financial institutions are able to rely on it for purposes of satisfying their client due diligence obligations.

Senator Tina Smith

1. **During a recent hearing before the Subcommittee on Housing, Transportation and Community Development, a witness noted that many large banks don't have experience or a plan for lending to Native people. What is your plan for serving Native people living on Tribal land or in urban settings? How to you serve communities where mortgages are complicated by land being held in trust? Please describe efforts you have made to improve lending to native people, and the biggest impediments to improving access to credit.**

   Chase offers Fannie Mae and Freddie Mac mortgages for properties on Tribal Land, where the property is held in fee simple or is on Tribal Trust Land. Originating mortgages for properties on Tribal Trust Land poses unique challenges because of the complex land ownership interests. The lender has a leasehold interest but no interest in the property, so all leaseholds must be reviewed for compliance with Fannie Mae or Freddie Mac guidelines and must be governed by state law. The lender must secure approval from the Department of the Interior (administered by the Bureau of Indian Affairs), which generally takes six to eight months. The lender may further face processing hurdles, like delays in land title reports provided by the Bureau of Indian Affairs.

   While not specific to Native people, we recently expanded our Homebuyer Grant program to up to $5,500 to help more customers with closing costs and a down payment when buying a home in more than 6,700 minority communities nationwide.

   We also recently announced that we are building a new utility in partnership with the OCC's Project REACh that will begin to address the 50 million Americans who are "credit invisible" and cannot access affordable loans. Working with Early Warning Systems and the three credit bureaus, a number of banks will soon pilot the utility that allows lenders to use deposit data to improve their ability to assess the creditworthiness for customers with no credit history or score. We expect a short-term impact on hundreds of thousands of Americans with no credit file, and that is just the beginning of new opportunities for more Americans to access the credit that is essential to building wealth.

2. **I recently introduced legislation to reverse a Department of Labor rule that blocked ERISA plans from considering environmental, social, and governance (ESG) factors in their investment decisions. What is your view of that Department of Labor rule? Do you support reversing the DOL rule, and if not, why not?**
3. **Should Congress act to provide clear rules that ensure plans are permitted to consider ESG factors in their investment decisions, provide they do so in a manner otherwise consistent with ERISA's standards of care?**

We believe the fiduciary obligations of ERISA plans are incredibly important. ESG integration is the practice of analyzing financially material ESG factors as part of a fund's investment process, along with other material factors and analysis, to seek financial returns. We believe this practice can be effective in enhancing risk-adjusted financial returns and is consistent with the fiduciary obligations of ERISA plans.

Senator Raphael Warnock

Role of Corporate America in Supporting Voting Rights

1. **Your banks are among the most prominent corporations in America, and they set the tone of the rest of our business community. I was happy to see that in April, with the notable exceptions of JP Morgan Chase and Morgan Stanley, all of your banks signed on to a joint statement in support of voting rights.**
    a. **Some argue that businesses should not comment on issues such as democracy and voting rights. Do you believe that businesses play an important role in our democracy and society by vocally supporting voting rights?**
    b. **What steps are your banks taking to promote democracy and voting rights with respect to your employees and the communities you serve?**

Prior to the joint statement you reference, Jamie Dimon had already issued his own statement: "Voting is fundamental to the health and future of our democracy. JPMorgan Chase employees span the United States and as state capitols debate election laws, we believe voting must be accessible and equitable. We regularly encourage our employees to exercise their fundamental right to vote, and we stand against efforts that may prevent them from being able to do so. We are a stronger country when every citizen has a voice and a vote."

We have long encouraged our employees to participate in democracy, to make their voices heard through casting a vote – and we give them paid time off to exercise this right.

Racial Wealth Gap/Home Appraisals

2. **At the hearing, you all committed to taking actionable steps to address the racial bias within the residential mortgage appraisal process as part of your institution's efforts to help shrink the widening racial wealth gap. What action steps are your banks taking to implement reforms to address racial disparities in the home appraisal process? [Alyssa]**

Our Home Lending business is actively engaging with industry partners and regulators to find ways to address gaps in the residential appraisal process, including:

- **Promoting increased diversity in the appraisal industry:** JPMorgan Chase is providing mentors for trainees in the Appraiser Diversity Pipeline Initiative. This initiative, led by the Appraisal Institute and Fannie Mae, is designed to attract new people in the field, help trainees overcome common barriers to entry and foster diversity.
- **Promoting equal access to valuation data:** Promoting equal access to valuation data and improved appraisal process techniques throughout the industry.
- **Investing in innovation:** JPMorgan Chase made a $1 million philanthropic investment in Ashoka and Brookings – two organizations known for their innovative, independent and data-driven analysis – to launch the *Valuing Homes in Black-Majority Neighborhoods* challenge to collect and study the most promising innovations to help address the appraisal gap.

JPMC also developed and is advancing data-driven policy recommendations specific to the property value gap, which will require regulatory and policy changes, in particular by the OCC, CFPB, Federal Housing Agency (FHFA)/the Government Sponsored Enterprises (GSEs), and state authorities to mitigate bias in the home valuation process.

Senator Mike Crapo:

1. **In my role as Chairman of the Senate Banking Committee, I repeatedly expressed concerns with banks making lending decisions based on politics, rather than on creditworthiness. Banks should not attempt to replace lawmakers in issuing guidelines that could effectively cut off financial services to law-abiding citizens, such as firearm manufacturers, simply for failure to comply with the bank's firearms preferences.**

   Do you intend to issue guidance restricting financing to firearm and ammunition manufacturers, oil companies or other legally protected industries?

   No, we do not intend to issue any guidance restricting financing to these industries at this time. As JPMorgan Chase Chairman and CEO Jamie Dimon indicated at the hearing, we use risk-based assessments to determine our tolerance for risk, as our regulators would expect. On firearms specifically, we do not prevent any consumer from purchasing a firearm legally. We finance manufacturers of "assault-style weapons" for military and law enforcement, not for civilian use, and have stringent controls for our retail clients that sell firearms.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Chairman Sherrod Brown:

Overdraft Fees

1) For each month from January 2020 to present, provide the following information for consumer checking accounts:

a. The number of consumer checking accounts;

b. The number of customers whom the bank charged an overdraft or NSF fee;

c. The amount of overdraft fees (not including NSF fees) the bank charged to its customers;

d. The amount of NSF fees the bank charged to its customers;

e. The amount of revenue the bank generated from overdraft and NSF fees;

f. The amount of the bank's negative balance charge-offs; and

g. The number of checking account the bank involuntary closed due to unpaid fees.

Answer: Bank of America's approach – that is, to help clients proactively manage their everyday banking needs and reduce overdraft related fees – began well before the pandemic and continues today. Since 2009, we have deviated from peer banks in not allowing overdrafts on one time consumer debit card purchases and, therefore, our clients are not charged overdraft fees on these transactions. Additionally, we have continued to make industry leading policy changes to benefit consumers by eliminating certain fees, including, for example, no longer charging additional fees when an account remains overdrawn for several days (also known as the Extended Overdraft Balance Charges).

We remain committed to providing our customers education, information, and solutions for avoiding overdrafts. Our SafeBalance® account, which provides clients the power of everyday banking with no overdraft or insufficient funds fees, was among the first in the industry to launch and receive Bank-On certification, and is our fastest growth portfolio. Customers can open SafeBalance® at a financial center, through our call center or online, and also have the option to switch into SafeBalance®. It is also featured as an alternative to help prevent overdrafts in overdraft-related client communications.

Also, with the launch of Bank of America Advantage Banking, our simplified suite of deposit products, new consumer accounts are subject to "overdraft guardrails". These guardrails ensure if a client becomes a frequent user of overdraft, they are either proactively offered the ability to switch into SafeBalance® or they have the ability to overdraft turned-off altogether.

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Additionally, we are the first and only bank amongst our peers to launch a low cost, small dollar loan product, Balance Assist™, to assist clients with their short-term liquidity needs. In the coming months, we will enhance our Overdraft Protection service, which already has 7MM enrolled clients, to enable clients to link up to 5 Bank of America accounts together to help cover transactions and prevent overdraft occurrences and fees. This service is called Balance Connect and clients will be able to manage this service directly via online banking or our mobile application.

Annually, we send over 140MM low balance alerts which provide clients with information on the balances within their accounts. Through Erica®, our Artificial Intelligence (AI)-driven virtual financial assistant, we provide 23MM Balance Watch Insights, annually, which will notify clients if, based on previous transaction information and current behavior, their account balance is trending towards $0.

We have been assisting our customers during this unprecedented time, providing ~$187MM in NSFOD refunds between January 2020 and May 2021. We also processed over 43MM Economic Impact Payments (EIP) and for clients who had a negative balance at the time of the EIP, provided ~1.1MM temporary credits totaling $200MM. These credits helped to ensure our clients had access to the full amount of their stimulus payment for at least 30 days.

We will continue to help clients with fee refunds, as appropriate, and other solutions when they express financial hardship.

NSFOD fees during the requested time period are below. For context, we also are providing the total number of payments transactions during the same period.

	NSFOD Fees	Number of Payments Transactions
1Q20	$370MM	3.88B
2Q20	$187MM	3.42B
3Q20	$255MM	3.90B
4Q20	$301MM	4.03B
1Q21	$254MM	3.92B

2) State the bank's cost to process a returned payment.

Answer: Bank of America does not track the specific figure because it would be difficult to derive an accurate, meaningful estimate given all the range of fixed and variable costs to be considered. However, over the prior four quarters ending 1Q21, Bank of America incurred ~$12 billion in non-interest expense to support our Consumer Deposit customers. This expense

included sustaining and developing our industry leading high-tech, high touch strategy and infrastructure, providing client assistance with Bank of America service associates and proactive client communications, ensuring that our clients can bank anywhere through our expansive financial center and ATM network and industry leading digital and mobile banking capabilities. Additionally, this expense includes client care activities, transaction processing including returned payments, and fraud protection for clients.
Our Associates throughout our financial centers, call centers, and digital channels are dedicated to support our clients with their banking needs and address any questions they have or assistance they may require.
As indicated in our response to Question 1, we continue to lead the industry, empowering our clients with simple and safe financial solutions to manage their finances. We have invested significantly, and will continue to do so, in the development of new products and technology to support our clients and help them avoid overdrafting their accounts and/or having payments returned

3) Describe the bank's policy for providing refunds or other relief to customers from overdraft fees during the COVID-19 pandemic. In addition, for each month from March 2020 to present, provide the following information:

a. The number of customers who requested a refund of overdraft or NSF fees;

b. The number of customers for whom the bank provided a refund of overdraft for NSF fees; and

c. The amount of overdraft or NSF fees the bank refunded pursuant to such policy.

Answer: In the normal course, Bank of America provides its customers with assistance in times of need. During the pandemic, we deployed our Client Assistance program (CAP) which provided specific relief to customers who expressed financial hardship related to the COVID-19 pandemic. This program provided 1.5 million refunds for insufficient funds or overdrafts (NSFOD), totaling $52MM.

Beyond the CAP program, we provided additional NSFOD refunds totaling ~$110MM, during the requested time period of March 2020 to May 2021. In addition to these refunds, we provided 1.1MM temporary credits totaling $200MM to clients with overdrawn balances. These credits helped to ensure these clients had access to the full amount of their stimulus payment, or Economic Impact Payments (EIP), for at least 30 days.

4) Describe any outreach by the bank to inform customers it would provide refunds or other relief from overdraft or NSF fees during the COVID-19 pandemic, including:

a. Whether this information was provided on the bank's website, and if so, on which page(s);

b. Whether this information was included in customer's account statements;

c. Whether the bank sent consumers who incurred an overdraft of NSF fee an email, text, phone call, letter, or any other communication that informed them they could request a refund of overdraft fees; and

d. any other methods of communication.

Answer: In response to the COVID-19 pandemic, we proactively communicated with clients via emails, digital messaging, and statement messaging, and posted a dedicated online Client Resource Center on bankofamerica.com and through our mobile banking applications.

We deployed a targeted outreach call campaign resulting in 18 million calls proactively made to check-in with clients and let them know account assistance is available if needed. We also leveraged social media posts, press releases, and senior management interviews for client outreach during the unprecedented time.

In addition, when we notify clients of an overdraft, we also offer information about our SafeBalance® account that charges no overdraft or insufficient funds fees, encourage them to use our Mobile app to proactively check their balances and set up automatic low balance alerts, enable Balance Watch insights from our virtual financial assistant Erica, and enroll in our overdraft protection service to help avoid future overdrafts and fees.

Climate

5) President Biden has committed to cutting U.S. emissions by 50% by 2030. Recently the International Energy Agency published a report stating that in order to reach net-zero by 2050, this interim emissions targets would not suffice, and that no new fossil projects should be undertaken from 2021 forward.

a. Will your bank cut financed emissions by 50% by 2030?
b. Is your bank subject to any contract conditions or penalties that would, if enforced, prevent cutting financed emissions by at least half by 2030?
c. At what time will your bank end financing for companies that develop new fossil fuel projects?

Answer: Bank of America has been setting emission reduction goals for operations for more than a decade and we have committed to reach net zero before 2050 for our financing activities, operations and supply chain. We are not aware of any contract conditions that would prevent our objectives. To date we have reduced our location-based GHG emissions by 60% for Scope 1 and 2. As for financed emissions, we are working now to implement The Global GHG Accounting & Reporting Standard for the financial industry developed by the Partnership for Carbon Accounting Financials (PCAF) to calculate financed emissions for our business loans. In 2022 we will begin to set 2030 emission reduction targets that align with science for high emitting sectors starting with power and energy.

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The Bank does not, however, follow a categorical approach on prohibition of business with entire sectors, such as the energy sector (including oil, gas or mining companies). In evaluating individual client relationships and transactions, Bank of America actively engages with clients and prospective clients with significant exposure to environmental and social risks and, in some circumstances, conducts enhanced due diligence as part of our normal know-your-customer (KYC) routine. This due diligence will include, but may not be limited to, the market and credit risk associated with a relationship or transaction as well as any potential legal or reputational risks identified. We will not knowingly engage in certain activities that, while not illegal, are contrary to our values, operating principles and code of conduct. For additional detail, we would refer to the Bank of America Environmental & Social Risk Policy Framework, in particular pages 5-7 which outlines Bank policy on Due Diligence, heightened risk review and the prohibited list, and pages 10-11 which outline similar for fossil fuel related business, and which is linked to here: https://about.bankofamerica.com/content/dam/about/pdfs/environmental-and-social-risk-policy-framework-report.pdf

6) Has your bank publicly stated that a failure to keep climate change to less than 1.5C creates major risks for financial stability? If so, please provide documentation.

Answer: In our Taskforce on Climate-related Financial Disclosures (TCFD) report, we highlight the projected economic damages of temperatures rising to various levels. For additional detail, we would refer to the Bank of America TCFD report which is linked here: https://about.bankofamerica.com/en/making-an-impact/task-force-on-climate-related-financial-disclosures-report

7) Please provide documentation of your bank's financed emissions for 2019 and 2020.

Answer: As mentioned previously, we have not calculated our financed emissions for 2019 and 2020 as the methodology to do so was not released until November 2020. We are working to implement the methodology now, including systems and data infrastructure and expect to report our financed emissions in 2022.

8) Please provide documentation of your bank's projected financed emissions for 2021.

Answer: See response to question 7.

9) By how much does your bank intend to reduce financed emissions by 2030? Please provide all relevant documentation.

Answer: We have committed to reach net zero before 2050 for our financing activities, operations and supply chain. We will start to set 2030 emission reduction targets in 2022 for key high emitting sectors. These targets will be aligned with decarbonization pathways that have little or no overshoot for a 1.5° scenario.

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10) If your bank is unable to answer questions 3 through 5, please provide an explanation as to when you expect your bank to be able to track and project financed emissions.

Answer: Assuming this question relates to the financed emissions questions in 7-9 above, we expect to be able to track financed emissions in 2022. The data is not sufficient at the present time to project financed emissions.

11) The SEC is considering mandatory climate disclosure rules that would make it easier to compare carbon footprints of publicly traded companies.

a. Does your bank support mandatory disclosure of emissions by public companies?

b. If so, please describe what level of detail such disclosures should include in order to aid your bank in accurately accounting for financed emissions.

c. Please also provide the level of detail for any climate disclosure to which your bank, or any affiliate or subsidiary, is subject because of ongoing business operation in the United Kingdom, the European Union, Japan, or any other OECD jurisdiction.

Answer: In September 2020, the World Economic Forum's International Business Council (IBC) — chaired by Brian Moynihan and working with the accounting firms Deloitte, EY, KPMG and PwC — released a set of 21 core disclosure metrics, and 34 expanded disclosure metrics that are aligned to the UN's Sustainable Development Goals. As of June 2021, Bank of America and more than 80 other global corporations had agreed to implement reporting on the Stakeholder Capitalism Metrics. Bank of America made the Stakeholder Capitalism Metrics disclosure in its 2020 Annual Report.

We also recently responded to the Security and Exchange Commission's request for public input on climate change disclosure. In that letter we state that investors and markets would benefit from a single climate-related disclosure framework, similar to the IBC Stakeholder Capitalism Metrics, which is critical to establishing the transparency needed to better identify, manage and measure the financial effects of climate-related risks and opportunities on businesses and economies. We encouraged the Commission to establish a framework and multi-phased approach for climate-related disclosure that balances the pressing need for high-quality disclosure against the significant challenges companies face to produce such disclosure, and encouraged continued support of the International Financial Reporting Standards Foundation in establishing an international sustainability standards board. Once a U.S. climate-related disclosure rule has been finalized, the Commission should mandate climate-related reporting, consistent with the mission of the Commission, for all registrants similar to the specialized reporting related to the Conflict Minerals Rule. As a global financial institution, we work to meet regulatory expectations on managing climate risk that apply to our international entities including those under supervision of the European Central Bank and the Bank of England. As instructed by the UK Prudential

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Regulatory Authority (PRA), Merrill Lynch International and BANA London will be asked by the end of 2021 to:

- Consider disclosing how climate-related financial risks are integrated into governance and risk management processes, including the process to assess whether these risks are considered material or principal risks
- Evolve disclosures to make these as insightful as possible and to ensure disclosures reflect the Bank's evolving understanding of the financial risks from climate change
- Consider engaging with Taskforce for Climate-Related Financial Disclosures (TCFD) framework and other initiatives in developing approach to climate-related financial disclosures

According to the European Union's Sustainable finance taxonomy -Regulation (EU) 2020/852 ("EU Taxonomy") regulation, Bank of America Europe and Bank of America Securities Europe will be required starting Jan 1, 2022 to start disclosing how our business aligns with the following climate objectives:

- Climate change mitigation and adaption
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

12) Consistent with your bank's stated commitment to racial justice, in meeting your bank's "net zero" plan have you adopted a no deforestation, no peatland, no exploitation policy?

Answer: Bank of America has publicly stated policies within our Environmental & Social Risk Policy Framework with respect to biodiversity and ecosystems, which includes our Forests Practices Policy. This policy places additional value on forestry certification as a due diligence tool as well as includes an explicit prohibition of illegal logging and practices involving uncontrolled fire.

Furthermore, with regards to our policies regarding palm oil, which is the aspect of our business most likely to be relevant to the No-deforestation, No-peat and No-exploitation Implementation Reporting Framework (NDPE IRF), we use the Roundtable on Sustainable Palm Oil (RSPO) certification as a minimum requirement for clients. We use this standard for clients whose business is focused on ownership and management of palm oil plantations and operations, including growers and mills, to have their operations certified or have in place an outlined action plan and schedule for certification.
In general, we follow United Nations (UN) guidelines around many ESG principles, including through supporting all 17 of the UN's Sustainable Development Goals and tracking the principles of the UN's Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights.

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Footprint

13) Please provide the total number of employees at your firm in the U.S., and a list of states in which you employ at least 10,000 residents.

Answer: As of July 14, 2021, we have 170,979 US employees. There are five states where we have 10,000 or more employees who live AND work in the state: CA, NC, TX, FL, and NY.

14) Please provide any publicly announced plans to reduce the size of your U.S. workforce.

Answer: We continue to manage our headcount and to fund franchise investments. There are no publicly announced plans to reduce the U.S. workforce.

15) Please provide, by state, the total number of full service branches your bank operated in the United States as of 1Q 2016 and the total number of full service branches your bank operated in 1Q 2021.

Answer: Below are the counts of Bank of America's full-service financial centers by state for the time periods requested:

State	1/1/2016 Full Center Counts	1/1/2021 Full Center Counts
AR	22	18
AZ	142	129
CA	909	852
CO	2	13
CT	133	108
DC	26	25
DE	4	5
FL	564	502
GA	176	157
IA	6	3
ID	3	3
IL	165	137
IN	0	5
KS	31	23
KY	1	1
MA	228	194
MD	157	141
ME	16	11
MI	126	91
MN	1	11
MO	82	67
NC	157	130
NH	26	20
NJ	267	221

NM	24	20
NV	67	65
NY	299	271
OH	0	11
OK	30	23
OR	63	45
PA	62	66
RI	33	28
SC	82	76
TN	58	56
TX	376	353
UT	0	6
VA	138	119
WA	179	152
Total	4655	4158

16) Please provide any study or analysis your bank has conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets, or any other relevant data.

Answer: Bank of America conducts ongoing analysis of the effectiveness of our financial center footprint, which is tied to the overall assessment we make about how best to serve clients across all of the channels, including financial centers, online, and mobile. Our objective is always to ensure we are providing our tens of millions of clients multiple channels to access all of the products, services, and capabilities we offer. We evaluate financial center performance along an extensive and proprietary list of criteria including (but not limited to) usage, availability, accessibility, affordability of services, etc. Due to the highly competitive nature of this marketplace, however, we are unable to share that ongoing research.

Subsidies and Public Infrastructure

17) Enumerate the benefits provided to your firm over the last ten years by the federal government including, but not limited to, those administered by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Please also discuss whether your bank believes such benefits should or could be provided by private solutions instead.

Answer: As we provided in our written testimony, Bank of America benefits from its status as a nationally chartered financial institution as well as from government support for, and assistance in, the safeguarding of our physical and digital security. Prudently enacted fiscal and monetary policy fosters a strong national economy and the well-being of our population. We are fortunate to play a part in a robust U.S. banking system, and our ongoing success as a business relies on a strong, stable and predictable U.S. regulatory environment coupled with appropriate and rigorous oversight and supervision.

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The U.S. regulatory framework in place prior to the health crisis put Bank of America and the industry on a strong footing, and we applaud the swift and comprehensive actions that Congress, Treasury Department, Federal Reserve and other U.S. Federal Government agencies took to mitigate the economic impact of the coronavirus. Those actions—quantitative easing, stimulus programs, financing facilities, and pre-emptive regulatory relief—combined to ensure the continued health of our citizens, our markets and our economy. Overall, the government's robust response bolstered confidence and ensured the health crisis did not evolve into a financial one. Adjustments to U.S. financial regulations in response to the pandemic were sensible given the heightened uncertainty, and would have been even more meaningful to provide stability to the sector if the financial impacts of the crisis been more severe:

- Temporarily excluding U.S. Treasuries and central bank reserves from the consolidated Supplementary Leverage Ratio (SLR) made sense, given the uncertain amount of bank balance sheet expansion that quantitative easing could have caused. While that exclusion has now sunset—with no firm having breached its minimums—it will be important for regulators to revisit that requirement, since the relationship between low-risk assets and risk assets has changed meaningfully since the leverage backstops were calibrated. While the temporary exclusions increased Bank of America's SLR, as of the first quarter of 2021, our company's more binding constraint was the common equity tier 1 capital ratio. Excluding the temporary relief, our SLR at the end of the first quarter 2021 was in excess of the minimum 5% requirement.

- Allowing an optional extended phase-in of the regulatory capital impact of the Current Expected Credit Loss (CECL) accounting standard helped ensure capital was available for customers and markets.

- Permitting banks to offer forbearance to borrowers without causing those loans to be characterized as troubled debt restructurings helped preserve capital for those who needed it.

Additionally, the U.S. Federal Government's relief measures were beneficial to markets generally, and to consumers including our clients.

- While quantitative and monetary easing pressured our net interest income due to lower interest rates, we saw high deposit inflows as liquidity flooded into the system.

- The funding facilities for various types of assets helped stabilize the markets for those assets (although Bank of America did not need to access these facilities).

- As a major facilitator of PPP lending, discussed earlier in this testimony, we saw first-hand how PPP loans helped businesses across the country weather the storm and continue paying their workers.

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- Stimulus checks and supplemental unemployment payments helped keep our clients current on their loan payments, even if temporarily displaced from the workforce.

Finally, Bank of America's clients also benefit from protections, such as deposit insurance, that safeguard depositor assets and increase consumer confidence in the banking system. Bank of America pays into the Federal Deposit Insurance Corporation (FDIC) Deposit Insurance Fund, which is used to protect the depositors of insured banks and to resolve failed banks. We paid approximately $585 million in premiums to the FDIC in 2020, and nearly $13 billion over the past decade.

Capital

18) Please indicate whether your bank fell below any regulatory capital minimums in 2019 or 2020.

Answer: No, Bank of America's capital ratios were above the regulatory capital minimums, including applicable regulatory buffers, at all times in 2019 and 2020.

19) Please indicate whether your bank reduced its regulatory capital in 2019 or 2020 by paying out dividends or repurchasing stock.

Answer: In 2019, Bank of America's Common Equity Tier 1 (CET1) capital declined $0.5 billion, or 0.3%, to $166.8 billion. BAC paid $7.6 billion in common and preferred stock dividends and executed $27.2 billion in common stock repurchases (net of issuance to employee-related share plans).

In 2020, BAC's CET1 capital increased $9.9 billion, or 6%, to $176.7 billion, an all-time high level. BAC paid $7.7 billion in common and preferred stock dividends and executed $5.7 billion in common stock repurchases (net of issuance to employee-related share plans).

From the beginning of 2019 through the end of 2020, Bank of America maintained its strong capital position, with at least $20 billion of excess capital (or $210 billion additional lending capacity) to its most binding capital metric, CET1 ratio, regulatory requirement of 9.5%.

20) Please indicate whether your bank, or any trade association of which your bank is a member, will communicate support for a reduction in any regulatory capital requirements to Members of Congress or to any bank regulatory agency this year. Specifically, please indicate whether your bank will communicate support for any changes to the Supplemental Leverage Ratio (SLR).

Answer: Bank of America is not planning to communicate support for a reduction in overall regulatory capital requirements this year. Trade associations of which we are a member may opt to communicate a view even if not specifically supported by Bank of America.

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21) If your bank does communicate support for a reduction in any regulatory capital requirements, will your bank commit to eliminating all dividends and stock repurchases for a period of five years from such communication?

Answer: Bank of America is not planning to communicate support for a reduction in overall regulatory capital requirements this year.

22) Based on the amount of equity capital your bank typically commits to funding a representative mortgage, please estimate the number of first-lien, owner-occupied residential mortgages your bank could fund per $100,000,000 in equity capital. Please provide the relevant details of the representative mortgage used to make such calculation.

Answer: At present, capital is not a constraint to meeting the homeownership needs of our customers. Bank of America's first mortgage loan originations totaled $69 billion in 2020. We also have tripled our Bank of America Community Homeownership Commitment to $15 billion through 2025, aiming to help more than 60,000 LMI individuals and families purchase a home. Since 2019, the initiative has helped nearly 21,000 individuals and families purchase a home, providing over $180 million in down payment and closing cost grants.

Diversity, Equity and Inclusion

23) Does your bank have a diversity, equity and inclusion plan that contains specific objectives? (Yes or No) If yes, how long has the company had the plan, and have the objectives been met?

Answer: Yes. We firmly believe all employees should be treated with respect, live free of discrimination and be able to bring their whole selves to work. This is core to who we are as a company and how we drive Responsible Growth. Creating an inclusive environment starts at the top and extends to all teammates. Our Board, its committees and our CEO play a key role in the oversight of our culture, holding management accountable for ethical and professional conduct and a commitment to being a great place to work. The Bank also has a chief governing body for our diversity and inclusion strategy – the Global Diversity & Inclusion Council (GDIC) - that promotes diversity goal setting, which is embedded in our performance management process and occurs at all levels of the organization. The GDIC consists of senior executives from every line of business and control function, has been in place for over 20 years and is chaired by our CEO. The Council sponsors and supports business, operating unit and regional diversity and inclusion councils to ensure alignment to enterprise diversity strategies and goals.

Since 2015, we have maintained or increased workforce diversity while reducing our total headcount by 4%. We will continue to drive progress, which over time means a workforce that is even more reflective of the clients and communities we serve. The Bank has accomplished significant increases in women and people of color in management levels and our US campus hiring class. Our board is 50% diverse and one of only a handful of S&P 100 boards with six or more women. Looking across our company, 50% percent of our management team is diverse, more than half of our global workforce is women, and 48% of our U.S.-based teammates are

people of color. And over the past decade, the number of people of color we hire in the U.S. from universities has increased by 50%. We benchmark against our peers and are proud of our position relative to the EEO financial services benchmarks for senior and mid-level women and people of color categories. See also our annual Human Capital Management Report, the latest edition of which was submitted with Brian Moynihan's testimony.

24) How are the CEO and Senior Management held accountable for failing to meet such specific objectives?

Answer: Since 2007, Brian Moynihan has chaired the GDIC and the management team sets the diversity and inclusion goals of the company. The CEO and each management team member has action-oriented diversity goals, which are subject to our quarterly business review process, used as part of talent planning and included in scorecards reviewed by the Board. Management team members cascade goals to ensure commitment and accountability across the company, as well as support and drive an inclusive work environment. A senior Human Resources executive partners with the CEO and management team to drive our diversity and inclusion strategy, programs, initiatives and policies. We have built robust analytics and put processes in place at all levels of the company to drive progress and accountability. Diversity progress is measured across our top three management levels, composed of more than 1,300 people in senior roles who are part of our executive talent management process and who fuel the pipeline for our management team. We hold our more than 20,000 managers accountable for driving progress in diversity within their teams.

25) Has your bank ever taken action against a CEO or Senior Manager for failing to meet diversity, equity and inclusion objectives?

Answer: The Bank has a Global Diversity & Inclusion Council that promotes diversity goal setting, which is embedded in our performance management and assessment processes and occurs at all levels of the organization.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Jon Tester:

Access to Banks and Banking Services

1) There are two things that it's awfully hard for towns in Rural America to survive without – a post office and a bank. My hometown of Big Sandy had a scare recently – when Wells Fargo closed their bank branch in 2019. Luckily a Montana community bank stepped in, but not all towns are so lucky. For small businesses and consumers, accessing a financial institution is critical and for many folks online options just don't cut it – that's especially true in the many areas that lack sufficient broadband.

a. Are you committed to continuing to serve rural and frontier communities? Including through physical retail branches?

b. How are your institutions committed to serving rural communities? And Main Street businesses across the country?

Answer: Bank of America is committed to offering banking services to rural customers primarily through our award winning digital platform and phone channels, both of which includes free educational tools such as Better Money Habits.

Select grants or investments are available nationwide such as Community Homeownership Commitment grant, Community Development Banking or Community Development Financial Institutions (CDFI) lending.

In many cases, Bank of America also offers our clients in rural communities no-fee access through fee refunds or upfront credit to their checking accounts.

Economic Trends

2) Most of the rest of the country has spent much of the last year focused on the impacts of the coronavirus, but you all are here before our committee today because you're in roles where you can't ever be thinking about just the biggest challenge in front of you – so I want to know what else you're seeing.

a. Are there trends that you are seeing across the country or in specific areas? Or problems you are concerned about?

Answer: The most important issue before us is that we continue to recover from the global health crisis. Overall, we see optimism returning in our clients, which is helping drive economic growth. Spending levels suggest most consumers have emerged from the health crisis in good, if not better, financial shape. Business owners, who six months ago were primarily concerned about navigating the pandemic and keeping their doors open, are now most focused on how to hire workers and get the materials they need to meet customer demand (which, themselves, have the potential to curtail economic growth). The key to sustaining positive economic momentum

for our country is to continue making progress against the virus, including keeping infection and hospitalization rates on a downward trajectory.

Challenges

3) As Chief Executives of the largest financial institutions in our country

What are your biggest challenges? And are those challenges different in rural areas?

Answer: We are driven by the needs of our clients, whether they be individuals, small businesses, middle market or large clients. Our challenges will always be meeting their needs and our clients are telling us staffing, wage growth, and supply chain issues are the most immediate challenges.

As a major financial institution in the U.S., we are sensitive to the performance and progress of the U.S. economy. One of the key risks to our continued economic recovery today is to lose ground in the fight against the virus. That could result in further lockdowns and/or a slow-down or paucity of economic activity, which would negatively impact our company and all the communities in which we work and live.

Affordable Housing

4) Montana, and many areas of the country, face challenges of housing availability, affordability, and aging housing stock. As you know, this is a significant issue for rural as well as urban areas and is one of the largest barriers to success, and recovery following the pandemic, nationally. In Montana, lack of workforce housing is one of the greatest inhibitors of economic development. As leaders in your field,

a. What do you believe should be done to increase workforce housing and encourage more affordable housing to be built?

b. What do you see as the largest barrier to affordable housing, particularly in rural areas?

Answer: To address barriers to affordable housing, more development may be encouraged through modifying local zoning regulations where they are applicable to allow for greater density and encourage or require more affordable housing requirements. New home building has been impacted by increased costs and constrained skilled labor availability for construction. Bank of America provides financing for all loan sizes to support affordable housing and workforce housing. We help address the affordable housing shortage through innovative capital deployment and increasing economic mobility in the communities we serve through our business, partnerships and community support.

In 2020, we provided a record $5.87B in loans, tax credit equity investments and other real estate development solutions to help build strong, sustainable communities by financing affordable

housing and economic development across the country. Between 2005 and 2020, we financed 215K+ affordable housing units. Additionally, we have provided $108M in philanthropic grants since 2012 to organizations working in affordable housing, and in 2021, we announced a $60M investment to support Enterprise Community Partner's Equitable Path Forward, a five-year initiative to help facilitate racial equality in housing. We are the first bank to launch a fund with dedicated financing and support to BIPOC (Black, Indigenous and People of Color) developers.

We are also focused on helping make homeownership more affordable. We tripled our Bank of America Community Homeownership Commitment® to $15B through 2025, having surpassed our original $5B commitment, to help 60K+ LMI individuals and families purchase a home. Since 2019, the initiative has helped nearly 23K individuals and families purchase a home, providing nearly $200M in down payment and closing cost grants.

Cyber Security Relationships and Partnerships:

5) Are there ways that we could improve resources and coordination, between government and institutions, in combatting cybersecurity risks?

Answer: Financial institutions meet daily challenges from nation-state actors and cyber criminals and devote significant resources to cybersecurity and collaboration with government partners to protect our financial system and the customers we serve. Firms have made significant investments individually and collectively through organizations that include the Financial Services Information Sharing and Analysis Center, the Financial Services Sector Coordinating Council, and the Analysis and Resilience Center—groups that work to improve information sharing and readiness between sectors.

We would welcome a deeper discussion with policymakers on how the public-private partnership can be improved and how the federal government could focus resources to provide more meaningful support to these efforts. For example, the 2020 report by the Cyberspace Solarium Commission recommends intelligence support to the private sector and a structure for operational collaboration (recommendations 5.1.1 and 5.1.2). We believe steps like this would shift the nation's current approach from reacting after an incident has already occurred to more proactive threat mitigation and prevention. The ability to leverage the intelligence community's foreign threat collection, analysis and early warning capabilities would provide meaningful support to the nation's most critical infrastructure.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Elizabeth Warren:

On Forbearance

1) How many non-federally backed mortgages does your company service? What percentage of your total mortgage servicing portfolio do those mortgages represent?

Answer: As of May 2021 month-end, Bank of America serviced more than 1 million non-federally backed residential accounts, which is slightly more than half of our over 2 million total mortgage servicing accounts.

2) Is your company offering the same post-forbearance options to borrowers with non-federally backed mortgages your company services as it is to federally-backed mortgages?

a. If not, please explain why, and provide information on what options your company is providing.

Answer: The Bank services based on investor guidelines. While our Bank-owned and Private Label Servicing (PLS) portfolio guidelines are not exactly the same as federally-backed, we do have relief programs available across portfolios.

Starting March 16, 2020, Bank of America enacted the Client Assistance Program, which provides clients the ability to request payment relief for their consumer mortgage accounts. We also offer short-term and long-term mortgage relief options. Short-term options include 3-month deferrals and 3-month forbearance (6-month for government backed mortgages), in each case renewable up to 12-18 months; and long-term options include maturity date extensions and payment reduction for those coming out of short-term relief programs.

3) At what point does your company disclose post-forbearance options to borrowers whose mortgages you service?

Answer: At the time of forbearance issuance, the Bank advises the customer generally that various repayment options may be available, dependent on the customer's end of forbearance circumstances. Approximately 45 days prior to the end of a customer's forbearance payment assistance plan, the Bank proactively attempts to engage customers verbally and in writing through emails, phone calls, solicitation letters, proactive modification letters, pledge default letters, and payment reminder letters, to discuss post-forbearance options.

4) How many mortgages serviced by your company have entered forbearance since March 27, 2020?

Answer: Approximately 10% of Mortgages serviced by Bank of America entered forbearance since March 27, 2020.

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5) Of the mortgages above, how many mortgages serviced by your company have exited forbearance as of June 1, 2021?

a. Of these mortgages that have exited forbearance, how many are seriously delinquent as of June 1, 2021?

b. Of these mortgages that have exited forbearance, how many have cured the default as of June 1, 2021?

Answer: As of June 1, 2021, 77% of Mortgage clients exited forbearance; of these, over 90% have cured the default. 7% of Mortgage clients that exited forbearance are 30+ days past due as of June 1, 2021 of which 5% are seriously delinquent defined as 90+ days past due (exits include cancelled or expired).

On CRA Reform

6) Many of you sit atop large bank holding companies with some segments of their traditional banking business having an affirmative obligation under the Community Reinvestment Act to lend, invest and serve low- and moderate-income consumers and neighborhoods. Other segments of your enterprises do not have a similar or related duty to serve LMI consumers or communities though they are performing similar activities. Fed Chairman Powell made a statement a couple weeks back that "like activities should have like regulation" .

a. Would you object to broader duties to serve across the financial sector for firms that provide consumer credit?

b. Should all participants have an affirmative obligation or duty to serve to develop products and services and market to low- and moderate-income consumers and communities?

Answer: Bank of America is fully committed to supporting the objectives and historic goals of the CRA and believes that the Act should continue to strengthen the development of the communities that we serve. The CRA has encouraged banks to meet the credit needs of low- and moderate-income neighborhoods and individuals. We share the interests in promoting and advancing economic opportunity by building on the CRA's foundations and enhancing the framework to ensure banks can lend more to low- and moderate-income areas, small businesses, and other communities in need of financial services. Bank of America has incorporated these obligations into strategy for supporting the communities we serve and which is covered in more detail in written testimony.

We defer to Congress and the financial services regulators on the scope of other entities that should be subject to the CRA.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Catherine Cortez Masto:
Nevada Specific Questions

1) I appreciate Bank of America's partnership with Nevada's state government unemployment insurance office to deliver unemployment insurance.

a. What did BofA learn in this partnership in Nevada? Does BofA have recommendations in the delivery of pre-paid debit cards to get funds to the right person quickly? How can we avoid fraud?

Answer: Prepaid benefit cards are a target for benefits enrollment and transaction fraud. The risks include criminal networks using stolen identities to apply for benefits and receive cards using the stolen information, cards unlawfully intercepted, and unlawful access to recipient prepaid card accounts using stolen or unlawfully obtained identification data. Prepaid card and/or check services have been chosen by states as an alternative disbursement method for the unbanked. The most efficient method to disburse benefits is via ACH (with direct deposit), which presents significantly less risk exposure to the types of fraud experienced with prepaid cards. While not a panacea to fraud, utilizing ACH with Direct Deposit will provide a more efficient disbursement of funds for benefits recipients that have deposit accounts at Banks. Additionally, by utilizing ACH, States can more easily leverage the identification and verification procedures banks in the United States are required to deploy, which would likely reduce fraud. And reducing the number of prepaid card benefit recipients will reduce the volume of inquiries in order to allow state agency staff or contractors to better address common issues, such as lost or stolen cards, lost PINs and other issues that arise with prepaid card benefit recipients.

Our recommendations for reducing fraud are for states to have sufficient well-trained people, sound processes, and good systems to verify the identity of applicants and validate eligibility. Implementing robust claimant verification protocols that use multiple sources to flag potentially fraudulent claims will help mitigate benefit enrollment fraud. The US Dept. of Labor OIG recently issued a report making a number of recommendations to be implemented at the state level. Addressing the issues and findings the OIG identified as well as ensuring better integration between law enforcement and state unemployment agencies should help reduce the amount of fraud in the unemployment system. (See https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf).

2) Your testimony says BofA invests in CDFIs in all 50 states.

a. Which CDFI(s) does BofA invest in in Nevada? When was this investment made and for how much? What were some of the outcomes of this investment?

Answer: To provide further clarity to this part of the testimony, we invest in CDFIs, MDIs, and minority investment funds that finance affordable housing in all 50 states. The Bank was

working with a CDFI headquartered in Nevada that merged with an out of state CDFI a couple of years ago. In addition, Bank of America has invested in CDFIs serving Nevada and in numerous MDIs and minority investment funds, which may work with businesses in Nevada.

3) Does BofA invest in Financial Centers that serve Nevada? If so, please provide details on this investment.

Answer: Bank of America has invested over $20MM in its physical network in Nevada, inclusive of new financial centers, renovations and ATMs since 2016. As of July 2021, we operate 65 financial centers in Nevada including two of our new advanced financial centers which provide portals for directly interacting with a variety of subject matter experts matched to the inquiry being made by the customer).

Franchise Lending

4) I recently published a report on unfair and deceptive franchise practices.1 Does Bank of America lend to franchise businesses? Does Bank of America utilize SBA guaranteed loan programs to support loans to franchise businesses? How does Bank of America ensure that the loan will be repaid with proceeds from the franchise business itself, not from assets of the borrower or the government?

Answer: Bank of America does serve franchise businesses primarily through two different channels: Small Business, and Middle Market Banking, depending upon the nature and size of the business. Our Small Business banking also offers loans utilizing the SBA guaranteed loan programs. Larger Middle Market loans rely on SBA less frequently, but occasionally do originate SBA 504 loans.

Franchise loans, including franchise restaurant loans, are underwritten with cash flow from operations as the primary source of repayment of the loan. These are not asset-based loans. As such, the Bank ensures there is adequate cash flow to cover the fixed charges, including debt service. While the government guarantee certainly makes loans more available to some businesses, to date the Bank has not sought collection of a government guarantee on a loan default. Furthermore, it is possible some businesses owners who face financial distress may choose to leverage personal assets to make payments.

Asian American Wealth Gap

5) We know there is a severe wealth gap within the Asian American community. For example, a 2013 study found that the top 10 percent of Asian Americans had 168 more times the wealth of the top of bottom 20 percent ($1,448,118 compared to $9,319 in 2010-2013).

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1 https://www.cortezmasto.senate.gov/imo/media/doc/Franchise%20Report%20from%20the%20Office%20of%20Senator%20Cortez%20Masto.pdf

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Can you please specify the investments you are making in Asian American/Pacific Islander communities? Which organizations are you working with?

Answer: Bank of America has been and remains committed to a culture of inclusion, which includes working within the Asian American communities. For 20 years, Bank of America has had an internal Asian Leadership Network (ALN) providing opportunities for teammates to grow within the Bank and engage with the communities they serve. This includes 21 chapters with over 12,000 employee members. As also have an Asian Advisory Council made up of senior Asian leaders who work with colleagues of Asian descent to advance their careers and grow relationships with their clients. In addition to direct engagement in the Asian community, the Bank has contributed to Community Development Financial Institutions and nonprofits that support the community. Through the Bank of America Charitable Foundation we've invested over $13 million to support the AANHPI community since 2017, $7.5 million this year alone as part of our expanded $1.25 billion racial equity and economic opportunity five year commitment. To learn more, go to https://newsroom.bankofamerica.com/content/newsroom/press-releases/2021/03/bank-of-america-increases-commitment-to-advance-racial-equality-.html.

We recognize that certain parts of the community have been at higher risk of infection and death, and faced significant poverty and lack of education even before the pandemic. We continue to look for opportunities to provide longer-term philanthropic support where there is the greatest need. Examples include support for Asian-owned small businesses as well as addressing barriers to economic opportunity including employment, housing, and basic needs facing Tongan, Cambodian, Bangladesh, Vietnamese, Hmong, and Laotians communities who are among the most vulnerable. Through the Bank of America Charitable Foundation we have signed onto the Asian American Pacific Islanders in Philanthropy public call for solidarity and collective action along with over 700 funders to support the movement for multi-racial social inclusivity. Learn more at: https://aapip.org/our-stories/a-call-for-solidarity-and-collective-action-asian-american-philanthropy-letter-of

Our support has primarily been achieved through grants to a number of national and local nonprofits. This year, as part Bank of America's response to the surge in Anti-Asian hate and discrimination, the Bank committed an additional $1 million to three national nonprofit partners: National CAPACD, Leadership Conference, and Asian Americans Advancing Justice. We also approved a 2:1 employee matching gift opportunity, appointed Connie Chung Joe, CEO of Asian Americans Advancing Justice — Los Angeles, to serve as a member of Bank of America's National Community Advisory Council (NCAC), in support of ongoing dialogue and stakeholder engagement with the Asian community in the U.S., and increased local market support for AANHPI communities.

Through ALN, we developed robust partnerships with a $50,000 grant to Center for Pan Asian Community Services, Inc. and $200,000 in grants, to date, for the National Association of Asian American Professionals (NAAAP). We are in our 10th consecutive year in partnership with the NAAAP Leadership Convention, ERG Summit and Recruitment Expo for the last two years. To date, we've provided over $200,000 in grants, and members contribute 10,000 volunteer hours annually. Our teammates have contributed over 30,000 volunteer hours with the National

Association of Asian American Professionals over the past eight years. In March of this year the Bank took additional actions to help accelerate and expand pre-existing work with the Asian community. Finally, we also announced a $3 million partnership with The Asian American Foundation, of which $2 million will go towards long-term needs facing the AANHPI community.

Native American Communities

6) Our tribal communities were among the hardest hit by the COVID-19 pandemic. Data from the Centers for Disease Control and Prevention found that Native communities were 3.5 times more likely to contract COVID than non-Hispanic white communities. Many tribes' economies were also severely impacted with the closures of businesses, including gaming.

a. What investments is your bank making in our tribal communities?
b. Do your institutions plan to undertake any initiatives targeted to reservations, such as offering financial services or supporting small businesses?
c. b. Do your institutions plan to undertake any initiatives targeted to reservations, such as offering financial services or supporting small businesses?

Answer: Bank of America recognized early on the impact of the health crisis on Native American communities and directed more than $13 million in 2020 to Native American communities across the U.S. that were disproportionately impacted by the coronavirus. The funds included capital investments into CDFIs and philanthropic grants to nonprofits and institutions focused on meeting health, hunger and jobs-related needs in Native American communities as part of the Bank's overall efforts to advance economic opportunity and racial equality. Bank of America also donated personal protection equipment (PPE) including over 1 million masks, 222,000 gloves, and hand sanitizer to Native American communities last year.

Key investments included $10 million to Native American Bank, the only national American Indian-owned community development bank in the country, to provide capital for small businesses, affordable housing, community facilities such as schools and healthcare clinics, and consumer lending needs. An additional $3.1 million was in the form of grants to nonprofits serving Native American community needs — nearly half of these grants went to local nonprofits in states serving some of the highest proportions of Native Americans. The Bank will continue serving those communities through both our philanthropic and business activities.

The Bank also provides financing to US recognized Native American tribes that supports the development and construction of affordable housing and infrastructure projects. These projects are financed using LIHTCs or HUD Title VI Loan Program with an emphasis on promoting much-needed rural housing. We are continuing to seek out community development opportunities in these communities and have some in various states of review at this time. Bank of America is also proud of its 20+ year history with the National American Indian Housing Council (NAIHC) and its mission to promote and support Native housing entities in their efforts to provide culturally relevant and quality, affordable housing for native people. As

you may be aware, NAIHC advocates for housing opportunities and increased funding for Native American housing and community development programs. NAIHC also conducts national and regional training in all facets of Native housing management, and conducts on-site technical assistance for Native housing program professionals. Bank of America has provided over $780,000 in support to the NAICH since 2000.

Bank of America has also created an internal Native American Working group with participation from across the organization. It includes our Native American Executive Council and Native American Professional Network as well as executives from key lines of business and geographic markets with high concentrations of Native Americans. The group is actively developing strategies to build upon our success and grow our engagement within Native American communities. We currently support Native American businesses of all sizes, from the largest casinos and hospitality businesses, to small entrepreneurs. Bank of America is the largest banker for reservation casinos which, in addition to serving as an economic driver, also employ thousands of workers.

Many challenges still remain including major concerns with health, housing, education and jobs. The Bank will develop its own initiatives and coordinate closely with key partners including: American Indian College Fund, Citizen Potawatomi Community Development Corp, Denver Indian Center, Denver Indian Health and Family Services, First Nations Community Health Source, First Nations Development Institute, Indian Pueblo Cultural Center, Mesa Community College, National American Indian Housing Council, National Congress of American Indians, Native American Connections, Navajo Technical University, Partners in Health in collaboration with Community Outreach & Patient Empowerment, Oklahoma City Indian Clinic, Our Native American Business Entrepreneurship Network (ONABEN), and United National Indian Tribal Youth (UNITY).

Federal Home Loan Banks

7) Which Federal Home Loan Bank, or Banks, is BofA a member of?

Answer: Bank of America has 2 active FHLB memberships: FHLB Atlanta – Bank of America, NA, and FHLB San Francisco – Bank of America California, NA.

8) How much did BofA receive in dividends from a Federal Home Loan Bank/Banks in 2019? 2020?

Answer: We are limited in our ability to provide certain proprietary, confidential, and competitively-sensitive information.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Tina Smith:

1) During a recent hearing before the Subcommittee on Housing, Transportation and Community Development, a witness noted that many large banks don't have experience or a plan for lending to Native people. What is your plan for serving Native people living on Tribal land or in urban settings? How to you serve communities where mortgages are complicated by land being held in trust? Please describe efforts you have made to improve lending to native people, and the biggest impediments to improving access to credit.

Answer: Bank of America has provided critical financial services to Native American governments and territories for more than 60 years, and is also the largest investor into CDFIs at $1.6 billion across the U.S. Across the entire country, we have 485 centers within 10 miles of Native American tribal areas and over 200 (43%) of them are new or have been renovated since 2016. We are working to build upon our success in the community and expand our reach. Currently, we are identifying existing and potential nonprofit partners on a national and local level that will help address the continued challenges faced by Native Americans in the areas of health, housing, job creation and small business. In addition, Bank of America is committed to offering banking services to rural customers primarily through our award winning digital platform and phone channels, both of which includes free educational tools such as Better Money Habits.

Bank of America also has an internal Native American Working group, comprised of our Native American Executive Council and Native American Professional Network as well as executives from key lines of business and geographic markets with high concentrations of Native Americans. The group is focused on building an end to end strategy to drive greater awareness across the enterprise of the issues and challenges facing the Native American community. Its research indicates Native American entrepreneurs remain a key economic driver, and the Bank is actively seeking opportunities to work with those small businesses, whether they be on reservations or elsewhere across the nation.

2) I recently introduced legislation to reverse a Department of Labor rule that blocked ERISA plans from considering environmental, social, and governance (ESG) factors in their investment decisions. What is your view of that Department of Labor rule? Do you support reversing the DOL rule, and if not, why not?

Answer: We will review your proposed legislation, but have not yet taken a position on it or the DOL rule.

3) Should Congress act to provide clear rules that ensure plans are permitted to consider ESG factors in their investment decisions, provide they do so in a manner otherwise consistent with ERISA's standards of care?

Answer: The ERISA fiduciary standards of care provide effective, and important protection for plan participants. Plan fiduciaries would welcome unambiguous and lasting rules for evaluating ESG factors in investment selection.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Raphael Warnock:

Role of Corporate America in Supporting Voting Rights

1) Your banks are among the most prominent corporations in America, and they set the tone of the rest of our business community. I was happy to see that in April, with the notable exceptions of JP Morgan Chase and Morgan Stanley, all of your banks signed on to a joint statement in support of voting rights.

a. Some argue that businesses should not comment on issues such as democracy and voting rights. Do you believe that businesses play an important role in our democracy and society by vocally supporting voting rights?

b. What steps are your banks taking to promote democracy and voting rights with respect to your employees and the communities you serve?

Answer: The right to vote — and the vital work that must be done to protect access to that right — is a fundamental principle in the United States. Our history, in fact, is punctuated by the moments when we expanded that right to those to whom it had been denied too long. We must continue to right the wrongs of our past, and stand united in our advocacy for equal voting rights for all. Our company's recent, increased commitment to advance racial equality and economic opportunity is informed by our belief that we must seek every avenue to overcome the systemic obstacles to our democratic principles that have developed over many years. This includes obstacles to the right to vote.

Racial Wealth Gap/Home Appraisals

2) At the hearing, you all committed to taking actionable steps to address the racial bias within the residential mortgage appraisal process as part of your institution's efforts to help shrink the widening racial wealth gap. What action steps are your banks taking to implement reforms to address racial disparities in the home appraisal process?

Answer: Bank of America has been and remains committed to fair and consistent treatment of customers in all of our processes including home appraisals. Over half of all BofA mortgages are made to low-to-moderate income (LMI) and multicultural clients and communities. A biased appraisal can prevent families from getting approved for a loan or raise the price of a loan and is not a practice accepted by the bank. No customer should have to feel the need to erase their race or ethnicity by de-personalizing their home or having another individual represent them at the appraisal property inspection in order to have a fair outcome. It is clear the industry must do more to combat racial inequality including potential disparities in home appraisals.

Historically, Bank of America has ensured the quality and credibility of the appraisals provided by independent appraisers. All appraisals receive a rules-based automated review as well as a manual review by an independent party. As part of our review process, we evaluate the

accuracy of appraisals by examining the comparable sales chosen, potential over and under valuation, possible Fair Housing Act violations, and significant value adjustments. Bank of America maintains control processes that cover the following areas: 2nd line quality testing; client requests for reconsideration of value or a 2nd appraisal; complaint capture, assessment and response; appraisal independence; and oversight of appraisers completing reports on behalf of the bank, including disciplinary action (removal from the bank's vendor appraiser panels and/or referrals to state appraisal boards).

Bank of America has completed an assessment of our appraisal process and has concluded it is a well-controlled process, however, we have identified several areas of opportunity and are taking action to enhance our program. The bank is streamlining our client appraisal escalation process, enhancing communications and documentation related to client reconsideration of value requests. We are adding additional independent reviews of client directed reconsideration of value requests and have enhanced our existing process to review and address complaints alleging bias or racial discrimination.

Solutions require a collective effort by all stakeholders. To that end, the financial services industry has coalesced on the issue of equity in appraising, including: lenders, regulators, trade associations, think tanks and advocate groups. Bank of America is committed to being an active participant as the industry assesses and develops solutions. We are members of the Office of the Comptroller of the Currency's (OCC) Project REAcH, and are actively engaged in The Appraisal Foundation's (TAF) and Appraisal Sub-Committee's (ASC) review of the Uniform Standards of Professional Appraisal Practice (USPAP) and the minimum qualification and requirements to become an appraiser. Furthermore, we look forward to being engaged in the Administration's recently announced new task force to Review Impact of Appraisals on Minority Homeowners and Homebuyers being led by Housing and Urban Development (HUD) Secretary Marcia Fudge.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Mike Crapo:

1) In my role as Chairman of the Senate Banking Committee, I repeatedly expressed concerns with banks making lending decisions based on politics, rather than on creditworthiness. Banks should not attempt to replace lawmakers in issuing guidelines that could effectively cut off financial services to law-abiding citizens, such as firearm manufacturers, simply for failure to comply with the bank's firearms preferences.

In 2018, Bank of America announced it would stop financing manufacturers of "military-style firearms." These products are legal in several states and under federal law.

a. Do you intend to issue additional guidance restricting access to legally protected industries?

Answer: Bank of America does not currently intend to issue guidance relating to access to financial services for legally protected industries. The Bank does not follow a categorical approach on prohibition of business with entire sectors, such as the energy sector (including oil, gas or mining companies) or the firearms sector. In evaluating individual client relationships and transactions, Bank of America actively engages with clients and prospective clients with significant exposure to highly-associated environmental and social risks, which due diligence may include the market and credit risk associated with a relationship or transaction as well as any potential legal or reputational risks identified. For additional detail, we would refer to the Bank of America Environmental & Social Risk Policy Framework, in particular pages 5-7 which outlines Bank policy on Due Diligence, heightened risk review and the prohibited list, and which is linked to here: https://about.bankofamerica.com/content/dam/about/pdfs/environmental-and-social-risk-policy-framework-report.pdf

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Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Chairman Sherrod Brown:

Overdraft Fees

1) For each month from January 2020 to present, provide the following information for consumer checking accounts:

a. The number of consumer checking accounts;

As of month-end May 2021, Morgan Stanley had 211,510 consumer checking accounts.

b. The number of customers whom the bank charged an overdraft or NSF fee;

Morgan Stanley does not charge overdraft fees. Morgan Stanley assessed NSF fees to 15,672 customers for the period January 2020 through May 2021.

c. The amount of overdraft fees (not including NSF fees) the bank charged to its customers;

Morgan Stanley does not charge overdraft fees on consumer checking accounts.

While not an overdraft, the bank does offer a "coverdraft" feature whereby funds from another bank account a consumer holds within Morgan Stanley can automatically be moved to cover insufficient funds. Morgan Stanley collected $12,315 in coverdraft fees during this time period.

d. The amount of NSF fees the bank charged to its customers;

Morgan Stanley assessed $1,308,000 in NSF fees for the period January 2020 through May 2021.

e. The amount of revenue the bank generated from overdraft and NSF fees;

Morgan Stanley does not charge overdraft fees. Gross revenue collected from NSF fees for the period was $1,308,000.

f. The amount of the bank's negative balance charge-offs; and

Morgan Stanley charged off $231,282 in negative balances for the period January 2020 through May 2021.

g. The number of checking account the bank involuntary closed due to unpaid fees.

Morgan Stanley involuntarily closed 569 consumer checking accounts due to unpaid fees during the period January 2020 through May 2021.

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2) State the bank's cost to process a returned payment.

Morgan Stanley's cost to process a returned check is $0.25, and $.03 for an ACH return.

3) Describe the bank's policy for providing refunds or other relief to customers from overdraft fees during the COVID-19 pandemic. In addition, for each month from March 2020 to present, provide the following information:

a. *The number of customers who requested a refund of overdraft or NSF fees;*

b. *The number of customers for whom the bank provided a refund of overdraft for NSF fees; and*

c. *The amount of overdraft or NSF fees the bank refunded pursuant to such policy.*

Morgan Stanley does not charge overdraft fees and did not change its policy regarding the assessment of NSF fees for the time period referenced.

4) Describe any outreach by the bank to inform customers it would provide refunds or other relief from overdraft or NSF fees during the COVID-19 pandemic, including:

a. *Whether this information was provided on the bank's website, and if so, on which page(s);*

b. *Whether this information was included in customer's account statements;*

c. *Whether the bank sent consumers who incurred an overdraft of NSF fee an email, text, phone call, letter, or any other communication that informed them they could request a refund of overdraft fees; and*

d. *any other methods of communication.*

Please see our response to Question 3.

Climate

5) President Biden has committed to cutting U.S. emissions by 50% by 2030. Recently the International Energy Agency published a report stating that in order to reach net-zero by 2050, this interim emissions targets would not suffice, and that no new fossil projects should be undertaken from 2021 forward.

a. *Will your bank cut financed emissions by 50% by 2030?*

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In September of last year, Morgan Stanley was the first large U.S. financial institution to commit to net-zero financed emissions by 2050. We were one of the first American banks to join the recently announced Net Zero Banking Alliance. We recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will support low-carbon solutions by 2030. We have set a goal to achieve carbon neutrality for our global operations by 2022. As part of this goal, we will source 100% of our global energy needs from renewable energy.

b. *Is your bank subject to any contract conditions or penalties that would, if enforced, prevent cutting financed emissions by at least half by 2030?*

Morgan Stanley has committed to net-zero financed emissions by 2050 and will plan its contractual commitments accordingly.

c. *At what time will your bank end financing for companies that develop new fossil fuel projects?*

Morgan Stanley has committed to net-zero financed emissions by 2050. Further, we recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will support low-carbon solutions by 2030. Morgan Stanley is committed to working with companies to facilitate their transition to a low-carbon environment.

6) Has your bank publicly stated that a failure to keep climate change to less than 1.5C creates major risks for financial stability? If so, please provide documentation.

Morgan Stanley believes that the impact of climate change risks on the financial system warrants increased attention. Physical climate impacts are already affecting individuals, communities, businesses and the economy in harmful ways. Effectively addressing climate change will take coordinated efforts among the private sector, civil society and government. Morgan Stanley is committed to being part of the solution, and we work with clients and customers around the globe to facilitate the transition to a low-carbon economy.

7) Please provide documentation of your bank's financed emissions for 2019 and 2020.

Please see our response to Question 10.

8) Please provide documentation of your bank's projected financed emissions for 2021.

Please see our response to Question 10.

9) By how much does your bank intend to reduce financed emissions by 2030? Please provide all relevant documentation.

Morgan Stanley has committed to net-zero financed emissions by 2050. Further, we recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will

support low-carbon solutions by 2030.

10) If your bank is unable to answer questions 3 through 5, please provide an explanation as to when you expect your bank to be able to track and project financed emissions.

In July 2020, Morgan Stanley was the first large U.S. financial institution to join the Partnership for Carbon Accounting Financials ("PCAF"), a global, financial institution-led initiative to develop a harmonized, credible approach to measuring and disclosing financed emissions. We sit on PCAF's highest-level governing body and are playing a proactive role in developing relevant methodologies across a range of asset classes. With our membership in PCAF, we have committed to begin disclosing some of our financed emissions within three years of joining.

11) The SEC is considering mandatory climate disclosure rules that would make it easier to compare carbon footprints of publicly traded companies.

a. *Does your bank support mandatory disclosure of emissions by public companies?*

Morgan Stanley recognizes the importance that disclosure plays in supporting markets in allocating capital efficiently. This same principle applies to potentially significant factors such as climate change. Improving disclosure on climate change will help investors and lenders make better decisions by understanding which companies may be exposed to relative levels of climate risk, or have various opportunities to improve profitability as our economy decarbonizes.

We suggest the SEC take a principles-based approach to any climate-related disclosure regulation in order to make climate disclosures more decision-useful, comparable, consistent and relevant for users. The SEC should consider whether some or all reporting in this area should initially be voluntary and then phased in as mandatory over-time once data and other challenges have been adequately addressed; a "disclose or explain" approach might be considered. We also believe that it is important to consider what standards are being considered internationally as we support a goal of harmonization.

b. *If so, please describe what level of detail such disclosures should include in order to aid your bank in accurately accounting for financed emissions.*

Morgan Stanley has been a long-time and public supporter of disclosure initiatives such as the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). Morgan Stanley published our first TCFD report in 2020. We recommend that the SEC consider utilizing the TCFD framework, which we believe strikes the appropriate balance between harmonizing global standards and enabling geographic and sector-based flexibility.

c. *Please also provide the level of detail for any climate disclosure to which your bank, or any affiliate or subsidiary, is subject because of ongoing business operation in the United Kingdom, the European Union, Japan, or any other OECD jurisdiction.*

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Morgan Stanley's external climate disclosures primarily reflect those of the Morgan Stanley Group. Currently, there are no harmonized global regulatory frameworks on this topic. Consequently, our Non-U.S. climate disclosures are aligned with the pillars of TCFD and are included within the annual financial statements of the main Morgan Stanley operating subsidiaries to comply with local regulation and legislation of the specific OECD countries in which they are present.

For example, existing Non-U.S. climate disclosure requirements include those of the Companies Act and the Prudential Regulation Authority's Supervisory Statement on "Enhancing banks' and insurers' approaches to managing climate change risk" in the United Kingdom, as well as the European Central Bank's "Guide on Climate-related and Environmental Risks" and the Sustainable Finance Disclosure Regulation in the European Union.

12) Consistent with your bank's stated commitment to racial justice, in meeting your bank's "net zero" plan have you adopted a no deforestation, no peatland, no exploitation policy?

Morgan Stanley has an Environmental and Social Policy Statement which outlines our approach to managing environmental and social risk. Our Policy Statement reflects our global commitment to our stakeholders, communities and the environment to identify and address environmental and social risks. We analyze these risks through our due diligence processes that incorporate international frameworks. Morgan Stanley is sensitive to a number of issues, including those relating to deforestation and peatland. Forests are important to our environment, communities and biodiversity, and deforestation and forest degradation pose significant threats to each. We seek to support the sustainable management of forests, including the protection of high conservation value forests. We prefer to finance only preservation and light, non-extractive use of forest resources for projects in forests where high conservation values are endangered. We will not knowingly finance companies or projects that collude with or are knowingly engaged in illegal logging or utilize illegal or uncontrolled fire or commercial logging projects in United Nations Educational, Scientific and Cultural Organization World Heritage sites. Morgan Stanley is also committed to being a responsible corporate citizen, respecting human rights and supporting the protection and advancement of human rights.

Footprint

13) Please provide the total number of employees at your firm in the U.S., and a list of states in which you employ at least 10,000 residents.

The total number of Morgan Stanley employees in the United States was 47,802 as of March 31, 2021. We employ at least 10,000 residents in New York State.

14) Please provide any publicly announced plans to reduce the size of your U.S. workforce.

Morgan Stanley has not announced any plans to reduce the size of our U.S. workforce. Early in the pandemic, we were the first U.S. financial services institution to make a commitment of no reductions in the workforce through 2020, thereby providing reassurance to employees in a very

difficult time. This commitment extended not only to our own employees, but also to the employees of vendors who provide the Firm with essential services, such as security guards and cafeteria workers.

15) Please provide, by state, the total number of full service branches your bank operated in the United States as of 1Q 2016 and the total number of full service branches your bank operated in 1Q 2021.

Morgan Stanley is not a brick-and-mortar bank and does not have any retail branches.

16) Please provide any study or analysis your bank has conducted on the topic of consolidation in the banking industry in relation to the availability, accessibility, or affordability of services, competitiveness of consumer, commercial or other markets, or any other relevant data.

Morgan Stanley has not conducted any recent study or analysis on the topic of banking industry consolidation in relation to services accessibility or market competitiveness.

Subsidies and Public Infrastructure

17) Enumerate the benefits provided to your firm over the last ten years by the federal government including, but not limited to, those administered by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Please also discuss whether your bank believes such benefits should or could be provided by private solutions instead.

Like all American businesses and households, Morgan Stanley benefits in various ways from the stability and opportunities provided by the federal government's investments in broad-based projects, including public infrastructure. Similarly, we benefit, directly and indirectly, from operating in a society that supports home ownership, education and public health initiatives, all of which are supported in various ways by federal, state and local governments.

Morgan Stanley has not been a beneficiary of any extraordinary, Firm-specific federal government support since 2011. As a U.S. bank holding company, we benefit from operating under a regulatory regime that has, since the 2008-09 financial crisis, ensured that the U.S. banking sector is the best-capitalized and most resilient in the world.

Capital

18) Please indicate whether your bank fell below any regulatory capital minimums in 2019 or 2020.

Morgan Stanley's regulatory capital ratios remained above regulatory capital minimums throughout 2019 and 2020.

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19) Please indicate whether your bank reduced its regulatory capital in 2019 or 2020 by paying out dividends or repurchasing stock.

Morgan Stanley paid dividends and repurchased stock in 2019. In 2020, Morgan Stanley continued to pay dividends, but suspended share repurchases beginning on March 15, 2020. Repurchases were not resumed until 2021.

20) Please indicate whether your bank, or any trade association of which your bank is a member, will communicate support for a reduction in any regulatory capital requirements to Members of Congress or to any bank regulatory agency this year. Specifically, please indicate whether your bank will communicate support for any changes to the Supplemental Leverage Ratio (SLR).

Morgan Stanley analyzes all relevant proposals issued by regulatory agencies and considers, based on that analysis, whether to participate in comments on such proposals.

21) If your bank does communicate support for a reduction in any regulatory capital requirements, will your bank commit to eliminating all dividends and stock repurchases for a period of five years from such communication?

Morgan Stanley does not intend to suspend payment of dividends or repurchases of stock.

22) Based on the amount of equity capital your bank typically commits to funding a representative mortgage, please estimate the number of first-lien, owner-occupied residential mortgages your bank could fund per $100,000,000 in equity capital. Please provide the relevant details of the representative mortgage used to make such calculation.

Consistent with prudent risk management standards, Morgan Stanley considers a range of factors when making mortgage underwriting decisions, including the capacity of the borrower to adequately service the debt, the value of the mortgaged property, the overall creditworthiness of the borrower, the level of equity invested in the property, and any secondary sources of repayment. Other relevant considerations include the maximum loan amount by type of property, maximum loan maturities by type of property, amortization schedules, pricing structures for different types of real estate loans, and loan-to-value limits by type of property. In addition, the availability and cost of deposit funding and interest rate expectations are important variables in the mortgage lending business line. Finally, in the home mortgage market, an originating lender may sell certain qualifying loans to a government-sponsored enterprise, which would create additional capacity for the lender to originate new loans.

Diversity, Equity and Inclusion

23) Does your bank have a diversity, equity and inclusion plan that contains specific objectives? (Yes or No) If yes, how long has the company had the plan, and have the objectives been met?

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In 2020, we published our first annual Diversity and Inclusion Report that represents the Firm's commitment to our diversity and inclusion strategy, priorities and goals, and provides comprehensive disclosure and information on the composition of our workforce, including EEO-1 data for the first time. By providing data about our workforce and diversity and inclusion efforts, we are enabling our stakeholders to monitor and track our progress.

24) How are the CEO and Senior Management held accountable for failing to meet such specific objectives?

Morgan Stanley is committed to responsible and effective compensation programs. The Board of Directors sets annual performance priorities at the beginning of the year to guide its assessment of Firm and executive performance. The 2020 and 2021 performance priorities include talent development and diversity progress. The Board of Directors and the Compensation, Management Development and Succession Committee of the Board of Directors, then evaluate CEO and Named Executive Officer performance and compensation against performance priorities set at the beginning of the year.

25) Has your bank ever taken action against a CEO or Senior Manager for failing to meet diversity, equity and inclusion objectives?

As previously noted, the Board of Directors and the Compensation, Management Development and Succession Committee of the Board of Directors, evaluate CEO and Named Executive Officer performance and compensation against performance priorities set at the beginning of the year, which for 2020 and 2021 include talent development and diversity progress.

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Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Senator Jon Tester:

Access to Banks and Banking Services

1) There are two things that it's awfully hard for towns in Rural America to survive without – a post office and a bank. My hometown of Big Sandy had a scare recently – when Wells Fargo closed their bank branch in 2019. Luckily a Montana community bank stepped in, but not all towns are so lucky. For small businesses and consumers, accessing a financial institution is critical and for many folks online options just don't cut it – that's especially true in the many areas that lack sufficient broadband.

a. How are your institutions committed to serving rural communities? And Main Street businesses across the country?

Morgan Stanley is not a brick-and-mortar bank and does not have retail bank branch offices. As a result, we have limited ability to reach all segments of the population. We do, however, support the clients and communities in which we operate. In 2020, we announced a four-year, $15 billion plan that expands our community development activities. The principal areas of focus for our program are affordable housing, including in rural and small, underserved markets, support for community development financial institutions, and small business and economic development.

For example, in rural areas, Morgan Stanley partners with the Rural Communities Assistance Corporation ("RCAC") to deliver capital with a focused approach to the particular needs of rural communities in 13 western U.S. States. Morgan Stanley worked closely with RCAC to structure the facility to provide re-lending capital for short-term loans ranging from working capital lines to predevelopment, acquisition and construction loans, primarily to non-profit entities and/or municipalities for providing affordable housing, infrastructure and community facilities in rural communities throughout thirteen Western states. The CEO of RCAC served on the Morgan Stanley Community Development Advisory Board.

In order to help retain and attract community development expertise in rural and underserved markets, Morgan Stanley has awarded a $2 million grant to expand a highly successful rural housing training program. The program is designed to respond to the needs of private nonprofit and public housing developers for diverse representation in the rural affordable housing sector. The mission of the program has been to cultivate a new generation of community builders from the ranks of universities and community colleges in order to sustain and strengthen the ability of affordable housing developers to serve an increasingly diverse population.

Economic Trends

2) Most of the rest of the country has spent much of the last year focused on the impacts of the coronavirus, but you all are here before our committee today because you're in roles where you can't ever be thinking about just the biggest challenge in front of you – so I want to know what else you're seeing.

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a. *Are there trends that you are seeing across the country or in specific areas? Or problems you are concerned about?*

We are seeing economic growth pick up in most parts of the world led, by the United States. Strong fiscal and monetary stimulus is driving a faster recovery. Our corporate clients are engaged and financing markets continue to be busy. While there is some froth in particular market segments – such as cryptocurrencies and meme stocks – the overall economic recovery is supported by a very solid market. We are helping our clients grow the economy and drive employment to get people back to work as we move past the pandemic.

Challenges

3) As Chief Executives of the largest financial institutions in our country

What are your biggest challenges? And are those challenges different in rural areas?

Cybersecurity is a top priority for Morgan Stanley, and as evidenced by recent ransomware attacks, it is a challenge that applies to corporations operating across America. We dedicate hundreds of millions of dollars each year to cybersecurity and data protection to safeguard the Firm and our clients. We must be extraordinarily vigilant on a 24/7/365 basis and defend against numerous threats every day. Morgan Stanley operates multiple layers of strong security controls and practices to protect the personal information of its clients and employees, its proprietary data, its networks and other assets. We routinely gather intelligence on the threat environment and partner with vendors, peers in the industry, law enforcement and other government agencies to monitor cyber risks and emerging trends and to ensure that our cyber defenses are robust and effective. We understand the important role we play in safeguarding the financial system and, collectively, we take that responsibly very seriously and appreciate the support we regularly receive from our federal partners.

Affordable Housing

4) Montana, and many areas of the country, face challenges of housing availability, affordability, and aging housing stock. As you know, this is a significant issue for rural as well as urban areas and is one of the largest barriers to success, and recovery following the pandemic, nationally. In Montana, lack of workforce housing is one of the greatest inhibitors of economic development. As leaders in your field,

a. *What do you believe should be done to increase workforce housing and encourage more affordable housing to be built?*

In the last ten years, we have supported the creation of 145,000 affordable housing units. We have made $24 billion in community development loans and investments, including investing $5.5 billion in collaboration with community development financial institutions to further advance economic opportunity in underserved neighborhoods. One hundred percent of our

affordable housing private equity also includes funding for quality of life issues, which can be access to broadband, assistance in resident access to EITC, after school education, and senior aging-in-place healthcare services. Our recent $1 billion Social Bond, issued in 2020, aims to advance this work by directing capital to projects that house individuals and families with low- or moderate-incomes across the United States, many of whom are struggling to meet housing costs in the pandemic-affected economy.

b. *What do you see as the largest barrier to affordable housing, particularly in rural areas?*

A recent study from the Federal Reserve found that funding for affordable housing, particularly in rural communities, is at a historic low. There are a number of federal programs that support the production and preservation of affordable housing in rural communities and many of these programs have received significantly lower levels of funding, thus causing a significant decline in the number of units being produced each year.

The study identified the largest of the rural affordable rental housing production programs, from a historical perspective, is the USDA Section 515 program; however, the program has seen a 77% decrease in funding since 2005, and has produced virtually no new units since 2011.

To address this issue, Morgan Stanley provides financing for rural and underserved markets, including areas targeted for redevelopment by Federal, state, local, or tribal governments that require private capital to revitalize or stabilize these areas. In addition to housing, targeted redevelopment needs may include economic development and community amenities such as primary healthcare, workforce development, healthy foods, and greenspace.

Cyber Security Relationships and Partnerships:

5) Are there ways that we could improve resources and coordination, between government and institutions, in combatting cybersecurity risks?

Cybersecurity is a top priority for Morgan Stanley. We recognize the important role we play in protecting our financial system. For that reason, we work closely with our peers, our government partners, and our vendors to gather and share intelligence that helps us strengthen our collective defenses. Furthermore, we encourage the exploration of new methods to increase the amount of cyber-attack and threat information from the government to the private sector.

Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Senator Elizabeth Warren:

On Forbearance

1) How many non-federally backed mortgages does your company service? What percentage of your total mortgage servicing portfolio do those mortgages represent?

Morgan Stanley does not service residential mortgages.

2) Is your company offering the same post-forbearance options to borrowers with non-federally backed mortgages your company services as it is to federally-backed mortgages?

a. If not, please explain why, and provide information on what options your company is providing.

Morgan Stanley does not service residential mortgage loans. Morgan Stanley engages third party mortgage servicers to provide residential mortgage loan servicing for the mortgages we own. The vendors we have engaged all have post-forbearance options available for the mortgages they service.

3) At what point does your company disclose post-forbearance options to borrowers whose mortgages you service?

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Throughout the forbearance period the vendors Morgan Stanley engaged to service our mortgage loans completed calls to our borrowers to discuss post-forbearance options. The vendor also sends written communication to the borrowers prior to the forbearance expiration date advising them of their options and asking them to call to discuss.

4) How many mortgages serviced by your company have entered forbearance since March 27, 2020?

Morgan Stanley does not service residential mortgage loans. As of end of May 2021, Morgan Stanley had approximately 1,211 mortgage loans on balance sheet that had entered forbearance since March 27, 2020.

5) Of the mortgages above, how many mortgages serviced by your company have exited forbearance as of June 1, 2021?

Morgan Stanley does not service residential mortgage loans. Approximately 1,116 of the residential mortgage loans owned by Morgan Stanley have exited forbearance as of June 1, 2021, representing approximately 92% of the loans that entered forbearance.

a. Of these mortgages that have exited forbearance, how many are seriously delinquent as of June 1, 2021?

Of the approximately 1,116 residential mortgage loans that have exited forbearance, 39 of those loans had no payments made for 60 days or more.

b. Of these mortgages that have exited forbearance, how many have cured the default as of June 1, 2021?

Of the approximately 1,116 residential mortgage loans that have exited forbearance, approximately 1,072 have cured the defaults.

On CRA Reform

6) Many of you sit atop large bank holding companies with some segments of their traditional banking business having an affirmative obligation under the Community Reinvestment Act to lend, invest and serve low- and moderate-income consumers and neighborhoods. Other segments of your enterprises do not have a similar or related duty to serve LMI consumers or communities though they are performing similar activities. Fed Chairman Powell made a statement a couple weeks back that "like activities should have like regulation".

a. Would you object to broader duties to serve across the financial sector for firms that provide consumer credit?

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We support an interagency approach to CRA reform with an outcome that reflects the realities of 2021 versus those of 1977 when the CRA was introduced, including the greater diversity of institutions that offer financial services to consumers.

b. *Should all participants have an affirmative obligation or duty to serve to develop products and services and market to low- and moderate-income consumers and communities?*

The current CRA regulations, to a certain extent, allow banks to meet their CRA obligations through methods that are consistent with their business models. We believe that a revised CRA rule should preserve institutions' ability to satisfy CRA obligations through loans, investments, and other activities that are consistent with their business models and expertise.

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Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Senator Catherine Cortez Masto:

Nevada Specific Questions

1) Please detail any investments Morgan Stanley has made in Nevada, including but not limited to Morgan Stanley's Community Development Finance Group, health/housing/transit investments, bonds, Global Volunteer Month, Morgan Stanley Foundation or other approaches. If none have been made in Nevada, please explain why.

Since 2017, Morgan Stanley has led over twenty financings totaling more than $2.2 billion for various issuers across Nevada. Of the $1.5 billion Morgan Stanley has underwritten via competitive sale for Nevada issuers, over $740 million was for Clark County, $199 million was for the Las Vegas Valley Water District, and $175 million was for the State of Nevada. One example of Morgan Stanley's ongoing relationship with Nevada issuers is Morgan Stanley's long established relationship with Clark County Department of Aviation for McCarran International Airport. Morgan Stanley has been one of the senior underwriters for the airport for the past several years, and since 2017, we have served as underwriter on approximately $525 million of bond financings for McCarran International Airport, including serving as lead manager on $140 million of issuance. In June 2021, Morgan Stanley led a $71.3 million issuance for the purpose of creating cash flow relief and preserving financing flexibility for the airport as its traffic recovers from impacts of COVID-19.

Since 2017, Morgan Stanley has provided $57.3 million in loans and investments in low- and moderate-income communities in Nevada, including a loan for the development of 68 new affordable homes in rural Ely, NV in partnership with Rural Communities Assistance Corporation, a Community Development Financial Institution, and the Nevada Rural Housing Authority, a full service housing authority that assists individuals, families, elderly and disabled individuals who are low-income, find housing.

Morgan Stanley also financed the new construction of a new development with 57 affordable apartments in Las Vegas. The development is located near the RTC bus line and includes high efficiency heating and cooling equipment, high efficiency tankless hot water heaters, EnergyStar appliances, low-E vinyl thermal pane windows, and high R-value wall and attic insulation. The development also received solar tax credits.

Further, an example of Morgan Stanley's work supporting climate change-related investments in Nevada is with Fulcrum Sierra Biofuels, LLC. Since 2017, we have served as the lead underwriter for $289 million of tax-exempt "green bond" financings via the Director of the State of Nevada Department of Business and Industry. Fulcrum intends to produce low-cost, low carbon transportation fuels, including jet fuel and diesel, using municipal solid waste (e.g. household trash) as the raw material. The financings are helping Fulcrum build a series of waste-to-fuels plants; the first such facility is under construction approximately 20 miles east of Reno in the Tahoe-Reno Industrial Center.

2) Please describe some of Morgan Stanley's affordable housing investments near transit in other states. Has Morgan Stanley's investments include approaches that consider climate change? What lessons do those investments have for rapidly growing states in hot climates like Southern Nevada?

Morgan Stanley has a robust commitment to investing in affordable housing being constructed near transportation as we believe this is supportive of addressing not only climate change issues, but also serves to benefit lower income households by greatly reducing the need to own and maintain private vehicles. We also look for opportunities to link affordable housing, access to health care, and access to transportation for job opportunities.

In the last ten years, we have supported the creation of 145,000 affordable housing units. We have made $24 billion in community development loans and investments, including investing $5.5 billion in collaboration with community development financial institutions to further advance economic opportunity in underserved neighborhoods. One hundred percent of our affordable housing private equity also includes funding for quality of life issues, which can be access to broadband, assistance in resident access to EITC, after school education, and senior aging-in-place healthcare services. Our recent $1 billion Social Bond, issued in 2020, aims to advance this work by directing capital to projects that house individuals and families with low- or moderate-incomes across the United States, many of whom are struggling to meet housing costs in the pandemic-affected economy.

Connecting residents of affordable housing to high quality public transit is a priority of Morgan Stanley's community development program as a means to lower the cost burden of transportation while reducing dependence on cars and improving the environment. Since 2011, the Firm has provided $24.5 million in financing to support two equitable transit-oriented development ("E-TOD") funds in high cost, high traffic regions of California and Utah. The E-TOD funds promote the development and acquisition of affordable rental and for-sale housing within close proximity of transit sites.

Archegos Capital Management

3) In the May 2020 Financial Stability Report[1], the Federal Reserve warned about the high level of business-sector debt." Since, then the implosion of the Archegos Capital Management resulted in a $10 billion loss to Credit Suisse and Morgan Stanley.

a. *How will Morgan Stanley accurately project major trading losses for its private fund clients in the future?*

Morgan Stanley prime brokerage is one of the key platforms by which we offer institutional clients the ability to invest in equity markets in support of capital formation. Prime brokerage margin lending arrangements are determined with a view toward the client's portfolio, its diversification, direction, liquidity and concentration. In response to Archegos, Morgan Stanley

[1] https://www.federalreserve.gov/publications/files/financial-stability-report-20200515.pdf. Page 33.

is evaluating means by which we can enhance visibility into clients' relationships and holdings away from the Firm that could impact the Firm's risk profile.

b. *Will Morgan Stanley make any changes to its Compliance and Conduct Risk Committee to prevent these types of credit losses in the future? If so, please explain.*

The Archegos situation posed an idiosyncratic set of circumstances, and we are examining those circumstances closely in order to understand how we could have better risk managed the situation.

Federal Home Loan Bank

4) Which Federal Home Loan Bank, or Banks, is Morgan Stanley a member of?

Morgan Stanley has subsidiary banks that are members of the Federal Home Loan Bank of New York and the Federal Home Loan Bank of Atlanta.

5) How much did Morgan Stanley receive in dividends from a Federal Home Loan Bank/Banks in 2019? 2020?

Morgan Stanley received $5 million in dividends from the Federal Home Loan Banks of New York and Atlanta in 2020 and $6 million in dividends from the Federal Home Loan Bank of New York in 2019.[2]

[2] The 2020 figure includes the E*TRADE Banks' Federal Home Loan Bank dividends after E*TRADE's merger with Morgan Stanley on October 2, 2020.

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Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Senator Tina Smith:

1) During a recent hearing before the Subcommittee on Housing, Transportation and Community Development, a witness noted that many large banks don't have experience or a plan for lending to Native people. What is your plan for serving Native people living on Tribal land or in urban settings? How to you serve communities where mortgages are complicated by land being held in trust? Please describe efforts you have made to improve lending to native people, and the biggest impediments to improving access to credit.

Morgan Stanley financed an award-winning $12.5 million affordable housing development in St. Paul, Minnesota, that will provide 42 new apartments prioritizing Native American young people between the ages of 18 and 24 that are aging out of foster care or facing homelessness. The project has been designed to respond to the disproportionately high percentage of homelessness among young Native Americans in the region. On-site staff speak Native languages and have a deep understanding of American Indian traditions.

The project has unique Native-inspired design and blends with the diverse cultural and commercial businesses in the surrounding community. Resident services include community-building, educational guidance, family reunification, financial management, job and life skills training, and mental health services. The project, developed by Project for Pride in Living (PPL) and Ain Dah Yung Center, received the Affordable Housing Tax Credit Coalition's 2020 Charles L. Edson Tax Credit Excellence Award.

2) I recently introduced legislation to reverse a Department of Labor rule that blocked ERISA plans from considering environmental, social, and governance (ESG) factors in their investment decisions. What is your view of that Department of Labor rule? Do you support reversing the DOL rule, and if not, why not?

Morgan Stanley supports an appropriate consideration of ESG factors in a fiduciary's investment decision-making consistent with the fiduciary's responsibilities under ERISA, and to plan participants.

3) Should Congress act to provide clear rules that ensure plans are permitted to consider ESG factors in their investment decisions, provide they do so in a manner otherwise consistent with ERISA's standards of care?

Morgan Stanley would support a Congressional action that provides a clear standard that plan fiduciaries can comfortably rely upon when making investment decisions on behalf of a plan.

Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Senator Raphael Warnock:

Role of Corporate America in Supporting Voting Rights

1) Your banks are among the most prominent corporations in America, and they set the tone of the rest of our business community. I was happy to see that in April, with the notable exceptions of JP Morgan Chase and Morgan Stanley, all of your banks signed on to a joint statement in support of voting rights.

a. Some argue that businesses should not comment on issues such as democracy and voting rights. Do you believe that businesses play an important role in our democracy and society by vocally supporting voting rights?

Morgan Stanley believes that access to voting is foundational to American democracy. All Americans, regardless of their background or political affiliation, should have the ability to easily participate in free, fair and accessible elections. Laws and actions that diminish the right and access of Americans to participate in the voting process are fundamentally wrong. We join those in the business and civic communities who are advocating for equal access, and fair elections.

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Questions for Mr. James P. Gorman, Chairman and CEO of Morgan Stanley from Senator Mike Crapo:

1) In my role as Chairman of the Senate Banking Committee, I repeatedly expressed concerns with banks making lending decisions based on politics, rather than on creditworthiness. Banks should not attempt to replace lawmakers in issuing guidelines that could effectively cut off financial services to law-abiding citizens, such as firearm manufacturers, simply for failure to comply with the bank's firearms preferences.

During a 2019 House Financial Services Committee hearing you stated that Morgan Stanley has, "restricted [their] activities for those having retail sales of automatic and semi-automatic weapons."

a. *Do you think it is appropriate for financial institutions to issue guidance to effectively cut off financial services to law-abiding citizens?*

Whenever Morgan Stanley considers a potential client or transaction, we examine all the risks involved -- including risks to the environment, communities and human rights. We give serious consideration to how we do business in specific sectors that raise social issues. Activities with potential for heightened risks undergo enhanced diligence and may be referred to our Franchise Committees or senior management for review.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

LETTER SUBMITTED IN SUPPORT OF THE VETERANS AND CONSUMERS FAIR CREDIT ACT

Senator Jack Reed
Chairman, U.S. Senate Committee on Armed Services
U.S. Senate
Washington D.C. 20510

Senator Sherrod Brown
Chairman, U.S. Senate Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington D.C. 20510

Senator Jeff Merkley
United States Senate
Washington, DC 20510

May 25, 2021

Re: Support for Veterans and Consumers Fair Credit Act

Dear Senators Reed, Brown, and Merkley,

Thank you for your leadership last Congress in supporting the Veterans and Consumers Fair Credit Act, which would extend the Military Lending Act's 36% interest rate cap on consumer loans to all Americans, including veterans, Gold Star Families, and unactivated reservists. The undersigned 69 civil rights, community, consumer, faith, housing, small business, and legal services organizations and individuals write to express our support for the legislation and to urge its swift passage in the 117th Congress to protect all consumers from predatory lending.

The Veterans and Consumers Fair Credit Act addresses the problems caused by unaffordable, predatory payday, auto-title, and similar forms of loans by:

- **Reestablishing a simple, common sense limit on predatory lending** by extending the Department of Defense's 36% interest rate cap to all Americans. This would reestablish usury laws effective in virtually every state throughout most of the twentieth century.

- **Preventing hidden fees and loopholes**. The 36% rate cap is based on the Pentagon's successful rules that include not just periodic interest but fees and add-ons. Loopholes in the Truth in Lending Act's annual percentage rate have undermined cost transparency and emboldened evasions.

- **Maintaining low industry compliance costs from compromise rules already in effect**. Compliance costs for industry will be low because creditors *already* know how to comply for active-duty military and their families.

- **Upholding stronger state protections**. 36% is a relatively high rate and is appropriate only as an upper limit. States like Arkansas, Colorado, North Carolina, New Jersey, New York, and West Virginia already have strong interest rate caps lower than 36%, which will

not be impacted because the bill does not preempt any provision of State law that provides greater protections to consumers. For larger loans, in particular, rates lower than 36% are appropriate.

Rate caps have long protected consumers from the harms of predatory lending. All major world religions oppose predatory lending, and rate caps actually originated in the Code of Hammurabi. In the United States, states have had the power to set rate caps since the American Revolution, and all thirteen original states had traditional usury limits capping interest rates.

High-cost predatory loans trap families in cycles of debt. These loans are marketed as a fix to meet immediate or emergency needs. But the vast majority of payday loan borrowers are unable to repay these triple-digit interest rate loans under the original terms, forcing them to refinance these loans repeatedly. Even in normal times, more than 80% of payday loans go toward covering prior payday loans. High-cost installment loans can be an even bigger and deeper unaffordable debt trap, stretching out for years and often leading to abusive refinancing. With high-cost longer term loans, borrower payments go heavily to interest, not repayment, allowing lenders to profit even if borrowers eventually default or if the loans lead to overdraft fees or inability to pay other expenses. During the COVID-19 pandemic and economic crisis, lenders marketed themselves as "here to help" and offered to waive fees on new loans. But as a rule, their business model is to make matters worse, not provide affordable access to credit. Currently, 45 states plus DC cap the interest rates on longer term loans, but many laws have loopholes. Eighteen states and DC have interest rate caps that prevent short-term payday loans, but residents of the remaining 32 states are at the mercy of these predatory lenders.

Predatory lenders target vulnerable consumers, including veterans, senior citizens, low-income consumers, rural consumers, and communities of color. These consumers have historically been excluded from mainstream financial services, and predatory lenders see that as an opportunity to target these communities. Several research studies have shown that payday lenders target communities of color, even when accounting for income. For example, Black consumers are about twice as likely as white consumers to live within a mile of a payday lender. One study found that 45% of veterans in Texas had taken out a payday or auto title loan, in comparison to just 7% of adult Texans overall in the same year. Predatory, high-cost lending will not make up for past discrimination or help achieve financial inclusion; instead, it exacerbates existing inequities by leaving vulnerable consumers with greater access to predatory lending and pushing responsible products further out of reach.

Rate caps work and work well. The Military Lending Act protects active-duty service members and their families and currently caps interest rates on consumer loans. In 2004, before it took effect, 1577 servicemembers sought help from the Navy-Marine Corps Relief Society for paying off predatory loans; by 2010 that number had dropped to 10. Currently, only 18 states plus DC have interest rate caps that prevent short-term payday loans, which leaves the remaining 33 states at the mercy of predatory lenders.

Veterans deserve better. While the Military Lending Act (MLA) currently caps interest rates on loans to active-duty service members and their families, Gold Star Families, veterans, and unactivated reservists are not protected. These members of the military community are especially

susceptible to the financial and mental health problems associated with predatory payday loans. Predatory lenders target veterans and their families, using specialized marketing to appeal to members of the military. The protections that applied to veterans when they were active duty no longer apply, leaving them particularly exposed to financial exploitation.

Usury limits have overwhelming bi-partisan, public support. Amid the COVID-19 crisis, Americans have expressed strong support for consumer protection measures, including limitations on interest rates. A poll conducted in 2020 found 81% of voters in support of prohibiting high-interest loans across parties and regions, and 69% in support of a 36% rate cap. (Other research has demonstrated that many Americans would like to see an even lower limit on rates.) Further, every ballot measure held on the subject in recent years has passed with broad support, including most recently, in Nebraska with 83% of the vote, joining states like Colorado, South Dakota, Arizona, and Montana.

Covers all lenders, including banks, preventing evasions. The vast majority of banks already keep their interest rates below 36%. However, since banks are almost entirely exempt from state rate caps, predatory lenders are starting to launder their loans through a few rogue banks so they can charge high rates in states where their loans are illegal. Congress needs to enact a national 36% rate cap on all lenders to protect consumers across the country.

Thank you for your leadership and we look forward to working with you to pass the Veterans and Consumers Fair Credit Act.

Yours very truly,

Accountable.US
Americans for Financial Reform
Arizona PIRG
Arkansans Against Abusive Payday Lending
CALPIRG
Capital Good Fund
Catholic Conference of Illinois
Center for Economic Integrity
Center for Responsible Lending
Chicago Urban league
Christopher L. Peterson, John J. Flynn Endowed Professor of Law, University of Utah, S.J. Quinney College of Law
Colonel Paul E. Kantwill, USA (Ret.), Founding Executive Director, The Rule of Law Institute, Loyola University Chicago School of Law
Community Economic Development Association of MI (CEDAM)
ConnPIRG
Consumer Action
Consumer Federation of America
Consumer Reports
Consumers for Auto Reliability and Safety
CoPIRG

Credit Builders Alliance
Delaware Community Reinvestment Action Council, Inc.
Demos
Empire Justice Center
Florida PIRG
Georgia PIRG
Heartland Alliance
Illinois Asset Building Group
Illinois PIRG
Indiana Assets & Opportunities Network
Indiana PIRG
Iowa PIRG
Jesuit Social Research Institute
Main Street Alliance
Maryland Consumer Rights Coalition
Maryland PIRG
MASSPIRG
MontPIRG
MoPIRG
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low income clients)
National Fair Housing Alliance
NCPIRG
New Jersey Citizen Action
NHPIRG
NJPIRG
NMPIRG
Ohio PIRG
Oregon PIRG (OSPIRG)
PennPIRG
PIRG in Michigan (PIRGIM)
Prosperity Indiana
Public Citizen
Public Counsel
Public Good Law Center
Public Justice
Public Law Center
RAISE Texas
RIPIRG
South Carolina Appleseed Legal Justice Center
Texas Appleseed
TexPIRG
Tzedek DC
U.S. PIRG

Virginia Citizens Consumer Council
Virginia Organizing
VOICE - OKC
WASHPIRG
WISPIRG
Woodstock Institute