BANK OF AMERICA

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Participants

Host
Alastair Ryan – BofA Securities, Research Division Co-Head of European Banks Equity Research

Participants
Brian Moynihan – Bank of America, Chairman and CEO

Presentation

Alastair Ryan

Good afternoon, and good morning. I am delighted to be hosting Brian Moynihan, Bank of America Chairman and Chief Executive with us now.

Brian Moynihan

Good morning, Alastair, how are you?

Alastair Ryan

All good. Thanks, sir.

Brian Moynihan

Alastair, I thought -- before we get started, I thought I might just cover our new management team and then get into the questions, if that makes sense to you. So we just had -- it's the first time I've done something publicly of the size and importance as your conference.

So one, thank you to all our clients that are on and the business you do with our company. Alastair and the team and Candace Browning Platt, and the whole research team across the world is a great team and the sales trading team under Jimmy DeMare that support your business in what you do, thank you for all you do for us.

What I thought is just to give you a quick shot on the new management team. So on the first -- I had 2 slides here to show you. One is a picture of the team, there's a couple of things to say about them. They're a great team that's been together working in this company for years, which is on top of the great team that I had that worked with me for years. And they're young -- they're younger, they're very talented. They have deep experience in our industry. They're very diverse as a group. They've had experiences in different parts of the company, and this is a group that will lead this company for decades -- a decade or more ahead. And that was part of our criteria as we thought through the organization.

We did in advance of our 3-year annual planning process to help those teammates take ownership of their roles. And the other side of this was our teammates that are retiring. Tom Montag has done a wonderful job for the company to retire at year-end. Anne Finucane who has done a wonderful job for our company for a long time and retire at year-end. Andrea Smith, who is our Chief Administrative Officer, again, has worked for us for 35 years plus will retire at year-end. And then David Leitch will transfer his General Counsel, work on some things and retire sometime next year.

And then Cathy Bessant, who's one of the top people in banking and year after year, who, for a decade, 12 years now, has led our GT&O organization. We decided to move that organization to a new format where we have a Technology Head and Operations Head. And Cathy is going to go to Europe and work with a lot of you to help us drive our European presence working closely with Bernie Mensah.

So that's our new team. But what doesn't change is how we go to market and how we run the company. And the next slide shows the lines of business that we report out to you as investors, our Consumer Banking business, our Global Wealth Management business, our Global Banking business, our Global Markets business, represented really by 8 customer groups that you can see in the gray to down. And people often ask me, why do we have 8 different customer segments, and that's because we have 8 different types of customers, and that's the key item.

And so these customers are different. Their behaviors are different. And they do -- they do things differently. They need different things from a retail customer to a wealthy customer -- retail mass market customer to a wealthy customers, small business to largest companies in the world and then to investment clients around the world, the global businesses or the large corporate and investment banking business under Matthew Koder and the markets business under Jimmy and with Bernie driving International.

The key to remember is this. This is not like a project that's building. These are businesses, which are top tier in their markets in what they do and where they compete, and that's across the bottom of the page. And so it's irrefragable that these are the #1 positions these businesses in.

And secondly, it is the only place that has all those businesses combined. And we focus on the continuums from -- in the U.S. from a person who's 16 opening an account, which we are winning market share with young people, all the way through to what they do the rest of their life. Whether they remain an hourly worker, they become the richest person in the world, we could serve them across that continuum, and that's what we drive and same with businesses and same with investors.

So that's just a quick opening, let people know what we're -- the changes were made and why. And Alastair, I'll turn it back to you for questions or comments or what's on your mind and what you'd like to hear about.

Q&A

Alastair Ryan

Thanks a lot, Brian. So it sounds like you expect to be CEO for quite a while longer. I guess the announcement implied through this decade, along with the rest of the management lineup. What do you think makes Bank of America a good investment for shareholders exiting the pandemic and with that long perspective you have?

Brian Moynihan

Well, the interesting thing is we are an organic growth engine that is taking market share in development markets and winning among all the customer groups we have, whether they're individuals or companies or institutional investors. And so you have this huge, powerful market share. There's huge leverage. There's huge ability to invest. But it's sitting with a spirit that is -- it's a great start, what we've done so far.

So a lot of people say to me, "aren't you proud of what you've done?" And we are 100% proud of it, but it's a nice start. We have a long way to go to really drive the power, redefine financial institutions, financial services for people for consumers in the U.S. and for companies around the world. It's really a lot to that.

And so why we're a good investment is we're organic growth engine with good returns with great risk balance. And we can either put money in the business when the demands of clients demand us to put more money in business or return the money to our shareholders because the operating profits are there to be done. And you've seen that even play out in the pandemic where we've returned a lot of capital. At the same time, we've weathered one of the worst and most violent economic storms and the human issues around the pandemic change. Our operating model still returned a lot of capital, will earn about as much money as we've ever earned, if not more, and done in a way that our -- served our clients well. And I think that's a great investment.

Alastair Ryan

Thank you. So just the comments coming out of the pandemic, can you give us an update on what you see around economic recovery? What are you hearing from clients both in the U.S., the full service bank and globally in the corporate investment space?

Brian Moynihan

So I think the -- well there -- will be -- have been and probably will be sort of a little bit of fits and starts. The greatest impact the economy has been the presence of the vaccines in developed countries, and they have to get to other countries but and the percentage of vaccination going up so that the officials aren't facing the same choices they faced in April of 2020 or March of 2020, which is an onslaught of a virus.

And with no treatment regimen that they were sure was going to work with an overwhelming amount of cases hitting hospitals, so what could you do? You had to shut down. You had to send people -- basically send them to the corner and stay away from each other and shutdown.

That is different now with even -- with the virus, the vaccines, you have less people who get disease. And even if they get a breakthrough case, very mild, very different outcome. And then you have obviously a fewer cases as we've gone through this latest Delta variant. And then we're seeing that vaccine prevalence reach further and further groups of people.

So that's the recovery. Basically, we had an economy in the U.S. especially, I'll talk a lot about the U.S. just because it's where we might have some unique insight. We had an economy in 2019, which is bigger than it ever was expected to grow at a couple of percent. The consumer spending behind it had accelerated from '18 to '19 at the faster rate than from '17 to '18. And frankly, all the way back, even out of the financial crisis, the consumer spending at Bank of America had not accelerated at this rate.

And so consumers are spending. Unemployment was down to 3% plus in the United States. Everything was good. And then the pandemic hit. We weathered a spike and through the -- frankly, the combination of the Central Bank, the fiscal stimulus, the monetary stimulus and the industry being in great shape and staying ready to help and giving to bank consumers relief, doing the PPP program, all the different things you end up going through a crisis.

And by this time last year, you saw consumer spending bigger than it was in '19. And that's -- last year, at this time, consumer spending was basically running at the same dollar volume as it did in '19, and we're 10% above that here in '20. And so even through September, you're seeing the consumer spending growing at a faster rate across what will turn out to be about $3.5 trillion. So that's number one, consumers are spending more.

Number two, the consumers have a lot of money still to spend in the United States. So the checking account balances of people who, before the pandemic, ran a balance of, say, $1,500 on average collective balance or $2,000 type of range, think of that, are now sitting with $6,000 and $7,000 in their checking account. That's irrespective of the market increase they could have gotten if they're invested or savings account. That is what is in their checking account, right, to spend. So the sustainability of spending is still high despite the notion that people think the stimulus has been spent. There's still tremendous amounts of it that haven't been spent.

And so that's -- and then the third thing that sets up in the United States is really around the core economic activity driven by the consumer. Not only their spending, but their demand for housing, and then frankly the investment market, which actually has provided wealth and support for a massive amount of Americans, not just the highest net worth. And those are all good things. So we have -- your team predicts the economy in the U.S. to grow in the high 5s this year, in the low 5s next year.

So just think about it. You've got an economy which is predicted to be -- is already bigger in the United States than it was in '19 before the pandemic, predicted to grow 3x the rate. And consumer spending at a higher rate than they were then and consumers having more money, corporates using their lines of credit all-time lows. So what's the negative? The negative is the issue of supply chain disruptions, inability to get labor. And those are things that will straighten out, we hope, in the fall here, but if you've been watching the ship count sitting outside the port of Los Angeles just keeps going up. And by the way, that's just 1 port. Our shipping clients tell us that somewhere around 7%, 8%, 9%, 10% of the industry is sitting idle waiting to be unloaded. And that's a big part of that industry. And whether that's exactly right, it gives you a sense -- and that's just supply chain disruption, which is leading to the worry about inflation and debate about temporary or not.

So in America, we've got the economy as big as it was, unemployment is coming down, the specialized programs are ending, the core run rate is strong. But the big issues are with the virus and the vaccines and everything stay in sync, the 3 Vs, that stays in sync.

And then secondly, will the supply chain disruptions and labor disruptions sort of smooth out. And if that happens, I think we're set up nicely to achieve those estimates you have for next year.

And then remember, even into '23, you guys are still above trend growth rate. And the big debate will be whether the Fed has to move faster to slow this down or take the accommodation out. But they've got a lot of tapering they can do on the bond side before they have to get to the rate side. But they may be moved faster. But that -- it's always a great debate. If you're raising rates because the economy is growing fast, that's not a bad thing.

Alastair Ryan

Thank you. Thank you. So in terms of customer behaviors, you've talked in the past about how the bank's digital functionality enabled customers to continue to conduct their financial lives through the pandemic, and the bank remained engaged closely with customers. Many firms are also focused now on digital, both bank competitors and the nonbanks, all the fintechs we hear about repeatedly. What do you think differentiates Bank of America here?

Brian Moynihan

Well, I think let's start with how we run the business. We believe the business is high touch, high tech. So even though we have this tremendous digital platform across all our businesses, in the end of the day, there's still 400,000 people going to branches today. At the end of the day, our financial advisers in Merrill and the private bankers will be out meeting with clients at a record rate, the highest rate they've ever met with them, our commercial bankers, our investment bankers, our sales traders, all those people. So it's a combination.

But what does digital do? One is it makes the client interface better. So half our sales, a lot of our products are now digitally based, front to back. So something like mortgage, which you could initiate digitally, now you can complete digitally. And that allows you to reach markets and do things and have an ease of access, especially in refinance boom. Credit card, same thing. So you see -- auto loan, same thing. So you're seeing 50%, 60% of the loan products sold that way, which is good news. The digital investment product, Merrill Edge, same thing.

And then -- but then you go to the -- how does it help in the private bank and other places. Like digital signature, which doesn't sound too sexy to everybody, is a huge benefit in the investment space because that allowed business to be conducted during the pandemic, and now customers are used to it. So digitization as a sales process, digitization as a service process, digitization as an intimacy and connectivity that Erica has with our clients. But digitization is also efficiency, which gives you a chance to invest in more sales capacity for the high touch, high tech. In other words, we are building numbers of salespeople go out and call on clients every day. We have 10% more MDs in investment bank today than we had in '19, to give you a sense. And so the affordability, that is driven by the digitization of the operations.

Now a question we often get asked is are we relevant? And the answer is yes. You see our customers, our engagement, the digital log-ins 2.5 billion last quarter, whatever it was and all that stuff. But the important thing is how they use it, Erika, and the tens of millions of clients, as Zelle growing at 80% and fast in engagement there. So that's how they're using.

And then also, the question is are we relevant to young people? And we are open -- we are putting on new 16-year-old to 25-year-old customers at a rate higher than we've ever done, and 25- to 35-year-old customers at a rate higher than we've ever done at a rate which exceeds our market share and we're growing that business. And that is a digitally driven interface in discussion.

So the question is are you confident? Yes, you can see the customers like what we do. Is it -- are you investing heavily? Yes. But are you relevant? And you see that both in the retail side. But then on CashPro, which is the institutional side of the core interface, that number has gone through the roof. And it's become the dominant way customers move money on a global transaction services platform. So digital takes all that. What makes us special is we have it. It's scaled. It's operating. We're investing heavily.

Alastair Ryan

Thank you. I guess -- in Europe, there's a lot of debate about we've got to get out of the branches, we've got to shrink. But Bank of America saw a strong return to physical sales in the second quarter as well. So how do you think about getting the balance right across the bank's footprint?

Brian Moynihan

So if you think about the last 12 years, maybe 14 years if we go back to when we really started in earnest thinking about this question, we had 6,100 branches and $300 billion in deposits in our consumer business. We now have 3,800 -- 900 branches -- 700 branches open on a given day, and we were -- and we're up to $1 trillion in deposits.

And so think about that leverage. That is dictated by the ability to serve customers digitally for lots of things. So what is going on in the branches is, to your point, more sales. They have more destination locations. They are places where people go to have the kind of conversation that they don't feel comfortable doing on the machine. And by the way, that's across all age cohorts. It is -- these are difficult transactions to a home loan or should I do this or that in the investment space. And so that's why the branch system is key to being successful.

And to reach -- when you have the kind of market share we have, you have to reach the whole market. You can't pick a niche and say I'm going to be really successful with people that only would do it digital or only between the ages of X and Y. That's not a big business. We're a big business. We make billions of dollars a quarter in our consumer and wealth management businesses together.

And so that's been the strategy. And so digital -- physical sales are important. You're seeing the production levels back to where they were before the pandemic as sort of a near-term trend. But longer term, yes, we are getting half digital sales, but we're also growing our non-digital sales at the same time, and that's by having more salespeople as a percentage of people who operate in our branches, because all the service transactions are basically being migrated to digital execution.

Alastair Ryan

Thank you. Now $3.5 billion, I'm sure that gives you pause of thought now and again, but that's the annual spend on technology initiatives. It feels like a very big number, but I guess it could be bigger or some people would demand you it could be bigger. How do you think about allocating spend between projects, creating efficiencies, those improving client experience and growing the top line?

Brian Moynihan

Our -- that management team I showed you at the front basically goes through it and comes up with recommendations, and very rarely do I have to shift it around much because at the end of the day, they're closer to it, and frankly, their teams are closer to it. But -- so it's spent part on efficiency, part on new enablement, part on just increasing the resiliency and the never-down aspects of what we do. So it goes across everything. And this is just technology initiatives.

The operations -- technology operations divided together $13.5 billion in expense, and we brought that expense down by $1 billion plus a quarter over the years while the volumes have grown exponentially. So that's a constant fight that Tom Scrivener and his team have to drive now and Aditya on the technology side. So that's how we allocate it.

Now what's the prioritization? Really, it's what's most important to the business. And sometimes, it is the integrated view of the data for the trading business across finance risk and the traders themselves is tremendously important. So we invest in that. And well, that's not product enabling. It's a platform that enables products. It enables capabilities to be leveraged more. And by the way, makes the platform much more efficient, and you can see the cross positions and the information from those positions and the issues is good to the sales team to see what's going on and thinking about it as well as the traders to take the risk as well as the risk managers.

So roughly to be 1/3, 1/3, 1/3 type of numbers, but that moves back and forth. And look, my team would say we should spend more and more and more. The reality is you got to get this done, and you got to get it done right. And so we do major transformational work, 50 weekends out of 52, because you want to do this when the systems are quieter over the weekend. And there's a little bit of a governor on this doing this right to make sure this all works, because these millions of lines of code releases and stuff are tricky to implement.

And so we speed up the pattern by which we do it. And we have spent this amount of money and have shifted dramatically over the last 10 years towards enablement, for lack of a better term. But the constraints are more can you get it all done well, frankly, then you could spend more money because you may not get it done if you just said let's spend more money.

Alastair Ryan

Thank you. And now I'd like to talk about checking, current accounts is what you call them. So I remember here in London a few years ago, an investor asking you what the bank does. And I thought that was kind of a weird question to be asking a Chief Executive. But your answer was interesting. It was heavily about checking accounts. So as you say, $1 trillion in consumer deposits now #1 in prime checking accounts in the U.S. With Fed funds now at 10 basis points, I guess it was probably 1.5% or so back then. Does checking still matter?

Brian Moynihan

It does, because at the end of the day, and you can put this in a modern parlance, we are a subscription business, right? Somebody pays us either through fees or accounts across all our businesses to maintain their core relationship and the way they engage with society financially. In a mass market consumer, that's a checking account. For a wealthier consumer, that's a checking account, and it's an investment account because they're -- investing is a core part of what they do because they have excess cash flow.

When you get to the commercial side, again, it's the core way that they pay their payables and receive their receivables and how they reconcile and how they pay their team, et cetera. When you get to the investing side, the prime broker and other accounts enable the core transaction flow through the system. So that's what I kind of -- we were talking about consumer banking I'm sure at the time.

But what you mean is that, that relationship and that annuity stream, that -- and so yes, in times and periods where rates are lower, they don't feel like they make as much money because of the way we transfer price and everything else. But if you don't have them, you don't have the customers. And that's the mistake people make.

So people often say, "Well, you're asset sensitive, and what could you do?" And you said, well, we could get rid of the -- we can quit growing deposits, but that would be a pretty stupid trade for us or investors or even the customers to not let our customers get this great chance to have this top-tier business that can help them serve their lives. And -- but it's a -- in the parlance of a lot of people, it's a subscription business. People are paying us an annuity stream with deposits or with fees and more fees on the GTS side now because the credit rates on deposits are lower so you can have that arbitrage.

With the consumers, it's more free balances. And what's interesting about them is if you go back and look as rates rose in the United States, we went from 4 basis points or something like that, all in cost of funds, to 11 in the consumer business, even when the Fed funds rate was at 2 because it's all transactional free and money and motion. And that's what drives the business. Even the wealth management business. I think we only got to 30 basis points against that.

Again, because this money is not the money people are investing. That's a different pot of money. We have $3 trillion plus of that. So I think it's a statement that the customer is your customer. Anything short of that, you sold a product. And if the need for the product is periodic, it's not the same. And this relationship gives you the right to ask to do more. And if you do it well, you'll get more.

Alastair Ryan

Thank you. So I've been with the firm a little over 8 years. You've talked throughout that time about responsible growth. I'm sure you didn't start the day I started here. But just putting that in the context of sustainability. So you talk about that in terms of continuous investment in the franchise, productivity improvements, initiatives around human capital, driving the bank to be the best place to work.

But I want to focus on delivering for communities. As you led the charge in stakeholder capital for the industry, I mean, bits and big figures, a $1 trillion mobilization goal by 2030. How do we keep score how you're doing? I guess 2 lenses: first, how far has the bank come? And second, how to distinguish the firm against peers?

Brian Moynihan

Well, it's an interesting story how far the bank's come. The bank has come -- it hasn't come full circle. It's always been doing this. So the oldest part of our company is from the 1780s, which English standards in your country is like brand new, but it's pretty old in this country. It's the second bank. And it was formed by a group of people who said, "Hey, we need a bank to help firms grow faster in our community and to safeguard people's money." And there was -- the Massachusetts Bank formed and it's the charter we still have on the national banking side.

So you kind of think about that, and it was charter #2, and it's been there. And so you think about that idea of community. We are only as good as the communities and the strength of the economies around us because we transmit the economy from you as an individual for a company and for an investor.

And so we always have an interest in investing and make -- it's part of our brand. It's part of our -- the right thing to do. It's part of our teammates. But it's also part of what's going to have the company be resilient and take it. And so whether it's about being a great place for teammates to work because we're a people business, we basically have $50-odd billion expenses and 60% of are people. And then of the other 40%, half of it is to put the walls around you and a roof over your head and the machines that you operate on. So it's really a people business.

And so we got to invest in people, and we want a diverse population, top to bottom. We want to hire people with a career mindset. We want to start them in a place that they can have a career here and support their families, which is our minimum wage commitments and things like that.

And then we shared for success and how we have done 4 straight years. We've done these broad-based awards in shares and cash to help people realize that they will be successful, the company is successful, that's sort of that.

And then you move to with the communities, whether it's around racial social just in the United States, which obviously, in the middle of the pandemic, which had impacts on certain communities harder than other communities. Then you had the killing of George Floyd, and we did $1.25 billion program. And what we noticed there was capital as one major driver. So we've been putting money into private equity funds so they can invest in BIPOC-owned business or BIPOC private equity players. And that so you have the synergy that they can make money as private equity players. That's good because of who they are. They can invest in companies owned by people who mirror them. That's good because the entrepreneurs of that. And then they're going to hire people that look like them, and then how do we support them with our purchasing and things. So that's all important.

And then you get into the environment, and we are a leader in driving the change. The just transition has to take place. It has to be private sector driven. You're hearing a lot of discussion from U.K. Prime Minister Johnson with Mr. -- President Biden and others about the $100 billion in Paris, so let's get that money to go from the rich companies. We do -- last year, we did like $70 billion of sustainable finance in our company alone. And if you listen to the commitments made by us and our peers, along with this group that I co-chair called the Sustainable Markets Initiative, with his Royal Highness, Prince Charles, along with the (west) climate leaders, along with the GFANZ group that Mark Carney pulled together in Advanced COP26. But most importantly here, company after company, both in the industrial side, in the consumer products side, in the financial services side and the asset managers, asset owners, all making these commitments, which are going to drive the just transition.

So that's how we think about it. And so what does that need? It needs a lot of financing. The commitments can't be made unless we start to build the facilities and do the infrastructure build and the transitional work that's going on with the oil and gas companies, which we'll continue to support if they start to execute on their plan and you're seeing them to commit to plans they're doing. We've got to help them make the plan because it's hard for them. And so that's for the financing and stuff, and it's a business opportunity of high orders. So it meets the shareholder demands and the societal demand, and that's what we call the genius of the and.

Alastair Ryan

Thank you. Now here in Europe, supervisors, including just a couple of hours ago, and central banks, they're looking to get in on the Climate Act. I would say as an observer, if you're a smart, you're in central bank now, you're not going into military policy, you're going into climate policy, which might have some implications in military policy down the road.

But to focus on climate. So climate stress tests are coming. In Europe, we're going to have a green asset ratio possibly as soon as next year. Do you think the industry is ready for interventionist policies? And are they leveling the playing field between banks and market finance? I mean I guess one of the challenges here is you regulate banks because you can. Does that just displace some activity outside of the regulatory improvements there?

Brian Moynihan

I think that the regulations and our company and our colleague companies we'll do all the work and stuff. But the reality is, is that we've got to get people to make moves tomorrow. And a stress test as a noncore horizon, and the portfolios are like 3- to 5-year portfolios. And we're talking about we need to do things by 2030, by 2040, by 2050 and every year in between.

So there's a little bit of mismatch in terms of what you can do versus what will happen. And they're also -- so people are pushing what they can, that's your point. They can show evidence and push and do stuff. What's got to focus is push where the actual action is, right? So our consumption of power, we have reduced dramatically. And we just did a deal in our headquarter state to invest in a solar power plant to help even reduce that further. The commitments to buy the major tech firms to use all clean power for their huge data infrastructure, we have the same commitments. So we're net neutral last -- in '20. We're net zero by 2030. We're looking at the portfolios and setting targets, all that stuff. But I think the problem is that -- the stress test and stuff are just mismatched. There's -- and we'll do them, and we'll do them well. And we have climate risk specialists working on that. But the scenarios and stuff are still variable out there. It takes people's eye off the ball what has to happen tomorrow, which is we need every major company to make a net zero commitment and then build a plan to get there.

As they get there, they change the consumption at their company. And they -- frankly, they change their supply chain. So when one of the auto companies made a commitment that all our suppliers had to have net zero commitment, that's 1,000 suppliers, I read in a release the same thing you read, they have to get to net zero.

Our job as a bank is actually educate those midsized companies on what it will take to get there. That's what we're spending a lot of time on. And with Noel Quinn and others, we build a playbook for banks to look at. So everybody could help figure this out because there's not a competitive answer. It's a task to achieve. So stress tests and stuff are important, but I think what's more important is getting companies to commit to net zero and getting us to help the SME market figure out what that's going to be like when they're in that supply chain, and frankly, the financial companies to commit to invest some money into the -- and lend the money to new technologies, get to multiple outer development banks that opt differently so you can actually get the money developing countries.

And we've been working hard on that as part of the G-7 pitch group of us made a few -- a month or 2 ago about the role of those MDBs, and it ought to be more to political risk and currency risk and less away from holding balances and things. And all that is important.

But -- so stress testing is there, but the real focus ought to be get people to commit to net zero and get the banking industry and figure out how to play 2 or 3 key roles: provide the capital from either the markets or our balance sheet; second role is to educate the broad consumer -- customer bases how to do it; and the third role, frankly, is to figure out what governments can do to create the market certainty that will actually allow the change to take place faster.

So John Holland-Kaye and others are driving the concept of sustainable aviation fuels, how do we create markets faster in absence of the price on carbon or carbon tax. And so stress test is in there, but that's the real near-term challenge. We do that and the change will occur much faster than people think.

Alastair Ryan

Thank you. Now just with my European hat on in Capital Markets. So there's been some good times last year and this year. Again, that wasn't what was in the regulator stress test. They thought things would be bad. But they worked out well. Now we've had a predictable response in Europe. So a number of the banks here are stepping up their ambitions. They've been drifting out to the business, now they want to be back in full. So one can wonder whether they've learned from history. But it does feel like the competitive environment is intensifying or it feels like that here. So where does BofA sit in that space? Are you pleased where the bank is or how would you characterize the situation?

Brian Moynihan

For Jimmy and the team in sales and trading and the capital markets area -- global markets, we're very happy with the team. We are investing more in them. We've invested more balance sheet. We've told people that may move us because of that, our stock price, our size and the way the American ratios are calculated with no indexing that they have the rest of the world, which is -- which means it's -- we're working off a 2015 economy size if you think about that.

And so we're investing more capital and then we're investing more balance sheet, and they've done a great job. And we've played the game in a different way, and that's a sustainable game. And so there'll be times when certain things and macro products will run, but they'll run back down, and we'll just keep chipping away.

And so the Equities team under Soofian has done a great job of building that business. And so we feel good about what they've done. We continue to invest in them. But it's all things. It's really built to help us be the bridge between our commercial corporate issuing clients and our investing clients, and then the synergy between our wealth management clients and the institutional investment clients and the platforms. And that's how you really drive it.

So it's a core part of what we do. We're happy with our position. We run -- on a given day, we'll run fourth or fifth depending on -- in FICC or equities and sometimes other people will be ahead of us and sometimes we'll be ahead of them. But the reality is it is a hard business, and it takes real talent and it takes real investment in the risk management systems architecture and the -- in the technology and the quantitative trading strategies and all those things. And the team does a great job. So we're completely satisfied. And we've actually -- the share has moved to -- we gained share. Our relative position hasn't changed, but we've all gained share in the top 4 or 5, and we continue to expect to do that.

Alastair Ryan

Thank you and just in that context, could I invite you to make any comments on the performance in capital markets in 3Q?

Brian Moynihan

Yes. It's going to be a good, solid quarter. So I think we're kind of close to the quarter, so we don't give out specifics. But we feel good about what's going on, not only there on the investment banking team under Matthew Koder's leadership and the global corporate investment bank. So we feel good. It's been a good, steady quarter, and we made money the way we expected to.

Alastair Ryan

Thank you. Now we have audience questions coming in. So one that plays back to the second quarter results. You had quite a number of questions on credit line utilization, which is a good proxy for economic activity. And you sounded a little more positive on the potential for credit line utilization. Is that becoming meaningful?

Brian Moynihan

Yes. How meaningful will be the question, Alastair. But the good news is, is we had -- as you went through April, May, June, what was happening if you were seeing the stabilization from April to May and the growth in June, the first question was, was it going to recede? And it hasn't. We've kept all those balances, for lack of a better term, and grown off of that base, which is good. And we're seeing a modest growth.

I mean the size of the economy growing 5%, we're not growing with the economy. But the reality is that comes down to usage and liquidity and the companies have a lot of cash and make a lot of money and not needing it. So lines have not gotten worse. They've gotten slightly better. Certain areas are still -- like the auto lines to the dealers in the United States are down to all-time lows because there's no inventory, and that's the chip shortage and the supply chain disruptions you talked about. As soon as the cars are available, those lots will fill up because there's a lot of sales demand out there.

So the lines are better. They've moved up a bit. We'll see some modest growth in commercial loans, especially relative to the growth rate in the economy, because remember, we always said we could outgrow it. That's a little tricky right now because the usage is low. But it has stabilized, and we've seen -- we started with that book of business at the end of the quarter, and it's grown off of that, which is good. But it is a fight out there.

On the consumer side, the cards are a little bit here, which have grown some, the point being that consumers are paying us the highest rate on the cards, which means they have firepower left for lack of a better term, if they want to spend some money. And home equity lines of credit continue to go down as refis pay them up. But overall, the consumer business will grow loans and the institutional business will grow loans. And that's good news because that will be the second successive quarter we've seen sort of linked to quarter growth, and that's -- knock on wood, that's better than it was last year when we had this huge borrowing and it just kept running down every quarter.

Alastair Ryan

Next question. We just got a couple of more minutes. So within your growth strategy, which is now translating into growth again, after perhaps of the shock of last year, what are the biggest constraints? And what's most expensive for you? Talent, cost, balance sheet? What's the hardest constraint that you've faced at this point?

Brian Moynihan

I think there's a good war for talent out there, as you're well aware, and that then drives the cost when you're 60% people cost. So -- and so you got to win the war on talent, which we do. Our attrition rate is basically where it was in 2019, which is the lowest it'd been for 10 years. It just dropped in '20 because people weren't running around changing employers in the midst of a pandemic.

So we feel good about that. But that is -- we got to continue to pay our teammates well because they're -- they're very talented, and they do a great job. And then we've got -- the war for talent really is about growing the core client customer-facing teams, whether it's in the sales and trading business, whether it's in the investment banking and corporate investment banking business, the GTS sales force, the wealth management. And so we are -- we are growing those sales forces. And that's an investment that's great because of the returns.

We are generating so much capital that if we have opportunities for the loan portfolio to grow with our risk management client selection at a faster rate, it's a relatively meaningless amount of capital, honestly, to accomplish that task in terms of grand scheme of things. So we've got plenty of capital. So it's really down to teammates and continuing to deploy them and then just doing the hard work, which is delivering our branded customer experience across all the client groups on a consistent day-to-day basis, still given that we're in the middle of a pandemic. I mean we still have clients that are -- feel differently about meeting with us than other clients and the digital interface worked, but that's changing. Clients now want to see you face-to-face because you've been greatly supportive of them, and so that's changing the whole model. But we feel good about it, and the investment is really there. And then technology investment is demanding at all times. But in the context of what I said earlier, we've got the money there, too.

Alastair Ryan

Thank you, Brian. We're up against our constraint. It's been wonderful hosting you today. Thank you very much indeed for joining us. I hope we'll see you this time next year, and thank you.

Brian Moynihan

Thank you, Alastair, and thank you to all the clients out there for doing the business with us. We'll talk to you soon.