

Bank of America has a well-governed pay-for-performance compensation program that rewards long-term, sustainable results that are aligned with shareholder interests. The overarching goal is to tie pay to performance while balancing rewards with prudent business decisions and sound risk management. All of our compensation programs are designed to be consistent with our Compensation Principles which are intended to:

- Ensure that our compensation opportunities do not encourage excessive risk taking;
- Focus our associates on managing our Company towards creating long-term, sustainable value for our shareholders; and
- Provide appropriate levels of realized rewards over time.

Compensation Principles

1. The mix of salary, benefits and incentives is designed to align associate and shareholder interests.
2. In order to achieve that goal, a significant amount of compensation is deferred over time for certain groups of associates and awarded in equity.
3. Incentive compensation determinations take into account Company-wide, business unit, and individual performance.
4. Compensation determinations take into account both financial and non-financial factors over both the short- and longer-term.
5. Compensation determinations take into account performance evaluations that reflect individual performance including adherence to the Company's risk and compliance policies.
6. Incentive plans are designed in a manner that supports sound risk and compliance management. In order to achieve that goal, performance metrics for applicable business units:
 - Are risk-adjusted where appropriate;
 - Individual award determinations include consideration of adherence to compliance-related goals;
 - A significant portion of variable compensation is provided in long-term compensation payable over three years, subject to reduction for detrimental conduct, and may be subject to performance-based clawbacks for key risk takers (e.g., based on profitability); and
 - In order to further align their interests with those of shareholders, senior and higher paid associates are compensated with long-term incentives such as equity.

In addition, the following processes have been established to ensure appropriate governance and on-going consistent application of the compensation principles:

1. Compensation decisions are made in a manner that reflects adherence to governance process and procedures.
2. Incentive compensation design involves the following practices:
 - Control functions (e.g., Compliance and Risk) that report independently of the lines of business and are compensated independently of the lines of business; and
 - An incentive certification process is utilized that requires line of business heads, risk heads and compliance heads to execute a certification stating that they have reviewed and approved the appropriate incentive plans, believe the plans to be well aligned with the line of business' and the Company's business strategy and performance objectives, do not believe the plans encourage excessive risk taking beyond the organization's ability to effectively identify and manage risk, and believe the incentive plans are compatible with effective controls and risk management.
3. The Company conducts an incentive certification process to include annual certifications prior to the annual award date for incentive awards by the line of business heads and the head of Risk to the effect that the determinations of incentive pools and the allocation of incentive awards (i.e., the mix and form) have been made in a manner consistent with Bank of America's incentive compensation principles (referred to above).
4. The Compensation and Benefits Committee of the Board of Directors receives direct input from the Risk function.
5. At the line of business level, the Risk, Compliance and Audit functions are responsible for surveilling business practices and processes (including the operation of incentive design).
6. Independent control functions provide input into each line of business' performance objectives and review incentive compensation designs. Annually, any risk issues identified by the independent audit function are included as a key consideration in associate pay awards, including compliance with rules established by the Federal Reserve Board and Bank of America's internal policies and procedures, as well as compliance with internal risk metrics.