MORGAN STANLEY
Form 10-Q
November 03, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission File Number 1-11758

(Exact Name of Registrant as specified in its charter)

Delaware	**1585 Broadway**	**36-3145972**	**(212) 761-4000**
(State or other jurisdiction of incorporation or organization)	**New York, NY 10036** (Address of principal executive offices, including zip code)	(I.R.S. Employer Identification No.)	(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨	Smaller reporting company ¨
(Do not check if a smaller reporting company)	

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 30, 2015, there were 1,936,223,959 shares of the Registrant s Common Stock, par value $0.01 per share, outstanding.

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QUARTERLY REPORT ON FORM 10-Q

For the quarter ended September 30, 2015

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AVAILABLE INFORMATION

Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the SEC). You may read and copy any document we file with the SEC at the SEC s public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Morgan Stanley s electronic SEC filings are available to the public at the SEC s internet site, *www.sec.gov*.

Morgan Stanley s internet site is *www.morganstanley.com*. You can access Morgan Stanley s Investor Relations webpage at *www.morganstanley.com/about-us-ir*. Morgan Stanley makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Morgan Stanley also makes available, through its Investor Relations webpage, via a link to the SEC s internet site, statements of beneficial ownership of Morgan Stanley s equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

Morgan Stanley has a Corporate Governance webpage. You can access information about Morgan Stanley s corporate governance at *www.morganstanley.com/about-us-governance*. Morgan Stanley posts the following on its Corporate Governance webpage:

- Amended and Restated Certificate of Incorporation;
- Amended and Restated Bylaws;
- Charters for its Audit Committee; Operations and Technology Committee; Compensation, Management Development and Succession Committee; Nominating and Governance Committee; and Risk Committee;
- Corporate Governance Policies;
- Policy Regarding Communication with the Board of Directors;
- Policy Regarding Director Candidates Recommended by Shareholders;
- Policy Regarding Corporate Political Activities;
- Policy Regarding Shareholder Rights Plan;
- Code of Ethics and Business Conduct;
- Code of Conduct; and

Integrity Hotline information.

Morgan Stanley s Code of Ethics and Business Conduct applies to all directors, officers and employees, including its Chief Executive Officer, Chief Financial Officer and Deputy Chief Financial Officer. Morgan Stanley will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange LLC (NYSE) on its internet site. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, 1585 Broadway, New York, NY 10036 (212-761-4000). The information on Morgan Stanley s internet site is not incorporated by reference into this report.

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Part I Financial Information.

Item 1. Financial Statements.

MORGAN STANLEY

Condensed Consolidated Statements of Income

(dollars in millions, except share and per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Revenues:				
Investment banking	$ 1,313	$ 1,551	$ 4,284	$ 4,492
Trading	2,026	2,448	8,649	7,926
Investments	(119)	138	408	724
Commissions and fees	1,115	1,124	3,459	3,478
Asset management, distribution and administration fees	2,732	2,716	8,155	7,886
Other	(62)	373	406	873
Total non-interest revenues	7,005	8,350	25,361	25,379
Interest income	1,451	1,384	4,321	3,977
Interest expense	689	827	2,265	2,845
Net interest	762	557	2,056	1,132
Net revenues	7,767	8,907	27,417	26,511
Non-interest expenses:				
Compensation and benefits	3,437	4,214	12,366	12,720
Occupancy and equipment	341	350	1,034	1,069
Brokerage, clearing and exchange fees	485	437	1,435	1,338
Information processing and communications	447	396	1,300	1,231
Marketing and business development	158	160	487	472
Professional services	576	522	1,660	1,506
Other	849	608	2,079	1,653
Total non-interest expenses	6,293	6,687	20,361	19,989
Income from continuing operations before income taxes	1,474	2,220	7,056	6,522
Provision for income taxes	423	463	1,704	1,263
Income from continuing operations	1,051	1,757	5,352	5,259
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	(4)	(8)	(13)	(11)
Provision for (benefit from) income taxes	(2)	(3)	(4)	(5)
Income (loss) from discontinued operations	(2)	(5)	(9)	(6)

Net income	$ 1,049	$ 1,752	$ 5,343	$ 5,253
Net income applicable to nonredeemable noncontrolling interests	31	59	124	156
Net income applicable to Morgan Stanley	$ 1,018	$ 1,693	$ 5,219	$ 5,097
Preferred stock dividends and other	79	64	301	199
Earnings applicable to Morgan Stanley common shareholders	$ 939	$ 1,629	$ 4,918	$ 4,898
Earnings per basic common share:				
Income from continuing operations	$ 0.49	$ 0.85	$ 2.57	$ 2.55
Income (loss) from discontinued operations				(0.01)
Earnings per basic common share	$ 0.49	$ 0.85	$ 2.57	$ 2.54
Earnings per diluted common share:				
Income from continuing operations	$ 0.48	$ 0.83	$ 2.52	$ 2.49
Income (loss) from discontinued operations			(0.01)	
Earnings per diluted common share	$ 0.48	$ 0.83	$ 2.51	$ 2.49
Dividends declared per common share	$ 0.15	$ 0.10	$ 0.40	$ 0.25
Average common shares outstanding:				
Basic	1,904,213,493	1,922,995,835	1,915,807,606	1,925,172,108
Diluted	1,949,281,601	1,970,922,473	1,957,544,581	1,970,091,170

See Notes to Condensed Consolidated Financial Statements.

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MORGAN STANLEY

Condensed Consolidated Statements of Comprehensive Income

(dollars in millions)

(unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	$ 1,049	$ 1,752	$ 5,343	$ 5,253
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments(1)	$ (61)	$ (327)	$ (249)	$ (175)
Change in net unrealized gains (losses) on available for sale securities(2)	100	(102)	72	134
Pension, postretirement and other(3)	4	(15)	3	(7)
Total other comprehensive income (loss)	$ 43	$ (444)	$ (174)	$ (48)
Comprehensive income	$ 1,092	$ 1,308	$ 5,169	$ 5,205
Net income applicable to nonredeemable noncontrolling interests	31	59	124	156
Other comprehensive income (loss) applicable to nonredeemable noncontrolling interests	15	(62)	(3)	(26)
Comprehensive income applicable to Morgan Stanley	$ 1,046	$ 1,311	$ 5,048	$ 5,075

(1) Amounts include provision for (benefit from) income taxes of $30 million and $249 million for the quarters ended September 30, 2015 and 2014, respectively, and $150 million and $137 million for the nine months ended September 30, 2015 and 2014, respectively.

(2) Amounts include provision for (benefit from) income taxes of $57 million and $(70) million for the quarters ended September 30, 2015 and 2014, respectively, and $41 million and $92 million for the nine months ended September 30, 2015 and 2014, respectively.

(3) Amounts include provision for (benefit from) income taxes of $(2) million and $(7) million for the quarters ended September 30, 2015 and 2014, respectively, and $(2) million and $(4) million for the nine months ended September 30, 2015 and 2014, respectively.

See Notes to Condensed Consolidated Financial Statements.

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MORGAN STANLEY

Condensed Consolidated Statements of Financial Condition

(dollars in millions, except share data)

(unaudited)

	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks ($13 and $45 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally not available to the Company)	$ 19,244	$ 21,381
Interest bearing deposits with banks	34,274	25,603
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements ($165 and $149 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally not available to the Company)	35,552	40,607
Trading assets, at fair value ($129,632 and $127,342 were pledged to various parties at September 30, 2015 and December 31, 2014, respectively) ($834 and $966 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally not available to the Company)	237,811	256,801
Investment securities (includes $61,159 and $69,216 at fair value at September 30, 2015 and December 31, 2014, respectively)	64,689	69,316
Securities received as collateral, at fair value	9,456	21,316
Securities purchased under agreements to resell (includes $809 and $1,113 at fair value at September 30, 2015 and December 31, 2014, respectively)	127,206	83,288
Securities borrowed	148,245	136,708
Customer and other receivables	50,070	48,961
Loans:		
Held for investment (net of allowances of $173 and $149 at September 30, 2015 and December 31, 2014, respectively)	69,010	57,119
Held for sale	9,199	9,458
Other investments ($364 and $467 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally not available to the Company)	4,282	4,355
Premises, equipment and software costs (net of accumulated depreciation of $6,906 and $6,219 at September 30, 2015 and December 31, 2014, respectively) ($187 and $191 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally not available to the Company)	6,259	6,108
Goodwill	6,587	6,588
Intangible assets (net of accumulated amortization of $2,050 and $1,824 at September 30, 2015 and December 31, 2014, respectively) (includes $5 and $6 at fair value at September 30, 2015 and December 31, 2014, respectively)	3,069	3,159
Other assets ($57 and $59 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally not available to the Company)	9,160	10,742
Total assets	$ 834,113	$ 801,510
Liabilities		
Deposits	$ 147,226	$ 133,544
Short-term borrowings (includes $1,768 and $1,765 at fair value at September 30, 2015 and December 31, 2014, respectively)	1,982	2,261
Trading liabilities, at fair value	125,525	107,381
Obligation to return securities received as collateral, at fair value	20,328	25,685
Securities sold under agreements to repurchase (includes $597 and $612 at fair value at September 30, 2015 and December 31, 2014, respectively)	58,570	69,949
Securities loaned	20,644	25,219
Other secured financings (includes $3,450 and $4,504 at fair value at September 30, 2015 and December 31, 2014, respectively) ($456 and $348 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally non-recourse to the Company)	10,171	12,085
Customer and other payables	193,775	181,069
Other liabilities and accrued expenses ($3 and $72 at September 30, 2015 and December 31, 2014, respectively, related to consolidated variable interest entities, generally non-recourse to the Company)	19,129	19,441
	160,343	152,772

Long-term borrowings (includes $31,387 and $31,774 at fair value at September 30, 2015 and December 31, 2014, respectively)		
Total liabilities	757,693	729,406
Commitments and contingent liabilities (see Note 11)		
Equity		
Morgan Stanley shareholders equity:		
Preferred stock (see Note 14)	7,520	6,020
Common stock, $0.01 par value:		
Shares authorized: 3,500,000,000 at September 30, 2015 and December 31, 2014;		
Shares issued: 2,038,893,979 at September 30, 2015 and December 31, 2014;		
Shares outstanding: 1,938,069,312 and 1,950,980,142 at September 30, 2015 and December 31, 2014, respectively	20	20
Additional paid-in capital	23,876	24,249
Retained earnings	48,746	44,625
Employee stock trusts	2,399	2,127
Accumulated other comprehensive loss	(1,419)	(1,248)
Common stock held in treasury, at cost, $0.01 par value:		
Shares outstanding: 100,824,667 and 87,913,837 at September 30, 2015 and December 31, 2014, respectively	(3,456)	(2,766)
Common stock issued to employee stock trusts	(2,399)	(2,127)
Total Morgan Stanley shareholders equity	75,287	70,900
Nonredeemable noncontrolling interests	1,133	1,204
Total equity	76,420	72,104
Total liabilities and equity	$ 834,113	$ 801,510

See Notes to Condensed Consolidated Financial Statements.

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MORGAN STANLEY

Condensed Consolidated Statements of Changes in Total Equity

Nine Months Ended September 30, 2015 and 2014

(dollars in millions)

(unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Employee Stock Trusts	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury at Cost	Common Stock Issued to Employee Stock Trusts	Non-redeemable Non-controlling Interests	Total Equity
BALANCE AT DECEMBER 31, 2014	$ 6,020	$ 20	$ 24,249	$ 44,625	$ 2,127	$ (1,248)	$ (2,766)	$ (2,127)	$ 1,204	$ 72,104
Net income applicable to Morgan Stanley				5,219						5,219
Net income applicable to nonredeemable noncontrolling interests									124	124
Dividends				(1,098)						(1,098)
Shares issued under employee plans and related tax effects			(356)		272		1,445	(272)		1,089
Repurchases of common stock and employee tax withholdings							(2,135)			(2,135)
Net change in Accumulated other comprehensive income						(171)			(3)	(174)
Issuance of preferred stock	1,500		(7)							1,493
Deconsolidation of certain legal entities associated with a real estate fund									(191)	(191)
Other net decreases			(10)						(1)	(11)
BALANCE AT SEPTEMBER 30, 2015	$ 7,520	$ 20	$ 23,876	$ 48,746	$ 2,399	$ (1,419)	$ (3,456)	$ (2,399)	$ 1,133	$ 76,420
BALANCE AT DECEMBER 31, 2013	$ 3,220	$ 20	$ 24,570	$ 42,172	$ 1,718	$ (1,093)	$ (2,968)	$ (1,718)	$ 3,109	$ 69,030
Net income applicable to Morgan Stanley				5,097						5,097
Net income applicable to nonredeemable noncontrolling interests									156	156
Dividends				(696)						(696)
Shares issued under employee plans and related tax effects			(627)		409		1,638	(409)		1,011
Repurchases of common stock and employee tax withholdings							(1,172)			(1,172)
Net change in Accumulated other comprehensive income						(22)			(26)	(48)
Issuance of preferred stock	2,800		(18)							2,782
Deconsolidation of certain legal entities associated with a real estate fund									(1,606)	(1,606)
Other net decreases			(3)						(540)	(543)

BALANCE AT SEPTEMBER 30, 2014	$ 6,020	$ 20	$ 23,922	$ 46,573	$ 2,127	$ (1,115)	$ (2,502)	$ (2,127)	$ 1,093	$ 74,011

See Notes to Condensed Consolidated Financial Statements.

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MORGAN STANLEY

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

(unaudited)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,343	$ 5,253
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Income from equity method investments	(118)	(108)
Compensation payable in common stock and options	836	933
Depreciation and amortization	1,023	748
Net gain on sale of available for sale securities	(74)	(36)
Impairment charges	91	85
Provision for credit losses on lending activities	47	1
Other operating activities	264	(167)
Changes in assets and liabilities:		
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements	5,055	(5,903)
Trading assets, net of Trading liabilities	39,775	39,156
Securities borrowed	(11,537)	(10,596)
Securities loaned	(4,575)	(5,142)
Customer and other receivables and other assets	787	2,931
Customer and other payables and other liabilities	10,351	23,335
Securities purchased under agreements to resell	(43,918)	19,136
Securities sold under agreements to repurchase	(11,313)	(61,935)
Net cash provided by (used for) operating activities	(7,963)	7,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from (payments for):		
Premises, equipment and software, net	(964)	(533)
Business dispositions, net of cash disposed		962
Loans:		
Purchases, net of proceeds from sales	(1,053)	(797)
Originations, net of repayments	(10,260)	(13,177)
Investment securities:		
Purchases	(32,133)	(24,581)
Proceeds from sales	32,788	11,212
Proceeds from paydowns and maturities	4,285	3,415
Other investing activities	(61)	(264)
Net cash used for investing activities	(7,398)	(23,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments for):		
Short-term borrowings	(279)	(382)
Nonredeemable noncontrolling interests	(70)	(189)
Other secured financings	(1,677)	(1,725)
Deposits	13,682	12,003
Proceeds from:		
Excess tax benefits associated with stock-based awards	180	91
Derivatives financing activities	392	784
Issuance of preferred stock, net of issuance costs	1,493	2,782
Issuance of long-term borrowings	30,159	26,529

Payments for:		
Long-term borrowings	(17,615)	(24,731)
Derivatives financing activities	(372)	(384)
Repurchases of common stock and employee tax withholdings	(2,135)	(1,172)
Cash dividends	(1,096)	(652)
Net cash provided by financing activities	22,662	12,954
Effect of exchange rate changes on cash and cash equivalents	(767)	(939)
Net decrease in cash and cash equivalents	6,534	(4,057)
Cash and cash equivalents, at beginning of period	46,984	59,883
Cash and cash equivalents, at end of period	$ 53,518	$ 55,826
Cash and cash equivalents include:		
Cash and due from banks	$ 19,244	$ 20,242
Interest bearing deposits with banks	34,274	35,584
Cash and cash equivalents, at end of period	$ 53,518	$ 55,826

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest were $1,456 million and $2,116 million for the nine months ended September 30, 2015 and 2014, respectively.

Cash payments for income taxes were $541 million and $620 million for the nine months ended September 30, 2015 and 2014, respectively.

See Notes to Condensed Consolidated Financial Statements.

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MORGAN STANLEY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Introduction and Basis of Presentation.

The Company.

Morgan Stanley, a financial holding company, is a global financial services firm that maintains significant market positions in each of its business segments Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Unless the context otherwise requires, the terms Morgan Stanley or the Company mean Morgan Stanley (the Parent) together with its consolidated subsidiaries.

For a summary of the activities of each of the Company s business segments, see Note 1 to the consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2014 (the 2014 Form 10-K).

Basis of Financial Information.

The Company s condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Company to make estimates and assumptions regarding the valuations of certain financial instruments, the valuation of goodwill and intangible assets, compensation, deferred tax assets, the outcome of legal and tax matters, allowance for credit losses and other matters that affect its condensed consolidated financial statements and related disclosures. The Company believes that the estimates utilized in the preparation of its condensed consolidated financial statements are prudent and reasonable. Actual results could differ materially from these estimates. Intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and notes thereto included in the 2014 Form 10-K. Certain footnote disclosures included in the 2014 Form 10-K have been condensed or omitted from the condensed consolidated financial statements as they are not required for interim reporting under U.S. GAAP. The condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

Consolidation.

The condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and other entities in which the Company has a controlling financial interest, including certain variable interest entities (VIE) (see Note 12). For consolidated subsidiaries that are less than wholly owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The net income attributable to noncontrolling interests for such subsidiaries is presented as Net income (loss) applicable to nonredeemable noncontrolling interests in the Company s condensed consolidated statements of income. The portion of shareholders equity of such subsidiaries that is attributable to noncontrolling interests for such subsidiaries is presented as Nonredeemable noncontrolling interests, a component of total equity, in the Company s condensed consolidated statements of financial condition.

For a discussion of the Company s VIEs and its significant regulated U.S. and international subsidiaries, see Note 1 to the consolidated financial statements in the 2014 Form 10-K.

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MORGAN STANLEY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Income Statement Presentation.

The Company, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. In connection with the delivery of the various products and services to clients, the Company manages its revenues and related expenses in the aggregate. As such, when assessing the performance of its businesses, primarily in its Institutional Securities business segment, the Company considers its trading, investment banking, commissions and fees, and interest income, along with the associated interest expense, as one integrated activity.

Statements of Cash Flows Presentation.

During 2015, the Company deconsolidated approximately $191 million in net assets previously attributable to nonredeemable noncontrolling interests that were related to a real estate fund sponsored by the Company. The deconsolidation resulted in a non-cash reduction of assets of $169 million. During 2014, the Company deconsolidated approximately $1.6 billion in net assets previously attributable to nonredeemable noncontrolling interests related to certain legal entities associated with another real estate fund sponsored by the Company. The deconsolidation resulted in a non-cash reduction of assets of $1.3 billion.

Global Oil Merchanting Business.

As a result of entering into a definitive agreement to sell the global oil merchanting unit of the commodities division to Castleton Commodities International LLC, on May 11, 2015, the Company recognized an impairment charge of $10 million and $69 million in Other revenues in the Company s condensed consolidated statements of income in the quarter and nine months ended September 30, 2015, respectively, to reduce the carrying amount of the unit to its estimated fair value less costs to sell. The Company closed the transaction on November 1, 2015. The transaction does not meet the criteria for discontinued operations and is not expected to have a material impact on the Company s financial results (see Note 3).

TransMontaigne.

On July 1, 2014, the Company completed the sale of its ownership stake in TransMontaigne Inc. (TransMontaigne), a U.S.-based oil storage, marketing and transportation company, as well as related physical inventory and the assumption of the Company s obligations under certain terminal storage contracts, to NGL Energy Partners LP. The gain on sale, which was included in continuing operations, was approximately $101 million for the quarter and nine months ended September 30, 2014.

CanTerm.

On March 27, 2014, the Company completed the sale of Canterm Canadian Terminals Inc. (CanTerm), a public storage terminal operator for refined products with two distribution terminals in Canada. As a result of the Company s level of continuing involvement with CanTerm, the results of CanTerm are reported as a component of continuing operations within the Company s Institutional Securities business segment for the nine months ended September 30, 2014. The gain on sale was approximately $45 million and is included in the condensed consolidated statement of income for the nine months ended September 30, 2014.

2. Significant Accounting Policies.

For a detailed discussion about the Company s significant accounting policies, see Note 2 to the consolidated financial statements in the 2014 Form 10-K.

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MORGAN STANLEY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

During the quarter and nine months ended September 30, 2015, other than the following, there were no significant updates made to the Company s significant accounting policies.

Accounting Standards Adopted.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures.

In June 2014, the Financial Accounting Standards Board (the FASB) issued an accounting update requiring repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. This accounting update also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. This guidance became effective for the Company beginning January 1, 2015. In addition, new disclosures are required for sales of financial assets where the Company retains substantially all the exposure throughout the term and for the collateral pledged and remaining maturity of repurchase and securities lending agreements, which were effective January 1, 2015, and April 1, 2015, respectively. The adoption of this guidance did not have a material impact on the Company s condensed consolidated financial statements. For further information on the adoption of this guidance, see Notes 6 and 12.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

In May 2015, the FASB issued an accounting update that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured at net asset value (NAV) per share, or its equivalent using the practical expedient. The Company adopted this guidance retrospectively during the second quarter of 2015, as early adoption is permitted. For further information on the adoption of this guidance, see Note 3.

Goodwill.

The Company completed its annual goodwill impairment testing at July 1, 2015. The Company s impairment testing did not indicate any goodwill impairment, as each of the Company s reporting units with goodwill had a fair value that was substantially in excess of its carrying value. However, adverse market or economic events could result in impairment charges in future periods.

3. Fair Values.

Fair Value Measurements.

For a description of the valuation techniques applied to the Company s major categories of assets and liabilities measured at fair value on a recurring basis, see Note 4 to the consolidated financial statements in the 2014 Form 10-K.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following fair value hierarchy tables present information about the Company s assets and liabilities measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014.

Assets and Liabilities Measured at Fair Value on a Recurring Basis.

At September 30, 2015.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting	Balance at September 30, 2015
			(dollars in millions)		
Assets at Fair Value					
Trading assets:					
U.S. government and agency securities:					
U.S. Treasury securities	$ 18,359	$	$	$	$ 18,359
U.S. agency securities	1,328	18,690			20,018
Total U.S. government and agency securities	19,687	18,690			38,377
Other sovereign government obligations	19,597	7,493	11		27,101
Corporate and other debt:					
State and municipal securities		1,954	33		1,987
Residential mortgage-backed securities		1,746	404		2,150
Commercial mortgage-backed securities		1,868	79		1,947
Asset-backed securities		771	31		802
Corporate bonds		13,207	226		13,433
Collateralized debt and loan obligations		187	545		732
Loans and lending commitments		6,170	5,164		11,334
Other debt		1,714	530		2,244
Total corporate and other debt		27,617	7,012		34,629
Corporate equities(1)	96,023	491	575		97,089
Derivative and other contracts:					
Interest rate contracts	860	368,503	2,160		371,523
Credit contracts		23,844	937		24,781
Foreign exchange contracts	102	70,801	347		71,250
Equity contracts	876	49,833	951		51,660
Commodity contracts	3,392	14,646	3,203		21,241
Other		364			364
Netting(2)	(4,652)	(437,820)	(3,981)	(61,072)	(507,525)
Total derivative and other contracts	578	90,171	3,617	(61,072)	33,294
Investments:					
Investments measured at NAV(3)					4,278
Principal investments	23	97	541		661
Other	149	204	312		665

Total investments	172	301	853		5,604
Physical commodities		1,717			1,717
Total trading assets	136,057	146,480	12,068	(61,072)	237,811
AFS securities	27,765	33,394			61,159
Securities received as collateral	9,455		1		9,456
Securities purchased under agreements to resell		809			809
Intangible assets(4)			5		5
Total assets measured at fair value	$ 173,277	$ 180,683	$ 12,074	$ (61,072)	$ 309,240

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting	Balance at September 30, 2015
			(dollars in millions)		
Liabilities at Fair Value					
Short-term borrowings	$	$ 1,699	$ 69	$	$ 1,768
Trading liabilities:					
U.S. government and agency securities:					
U.S. Treasury securities	14,524				14,524
U.S. agency securities	1,026	135			1,161
Total U.S. government and agency securities	15,550	135			15,685
Other sovereign government obligations	13,611	2,379			15,990
Corporate and other debt:					
State and municipal securities		3			3
Corporate bonds		6,783	19		6,802
Lending commitments		2			2
Other debt		7	4		11
Total corporate and other debt		6,795	23		6,818
Corporate equities(1)	50,017	1,145	97		51,259
Derivative and other contracts:					
Interest rate contracts	780	346,806	2,071		349,657
Credit contracts		22,900	1,742		24,642
Foreign exchange contracts	60	72,593	281		72,934
Equity contracts	691	53,728	2,992		57,411
Commodity contracts	3,845	13,551	1,771		19,167
Other		51			51
Netting(2)	(4,652)	(437,820)	(3,981)	(41,636)	(488,089)
Total derivative and other contracts	724	71,809	4,876	(41,636)	35,773
Total trading liabilities	79,902	82,263	4,996	(41,636)	125,525
Obligation to return securities received as collateral	20,327		1		20,328
Securities sold under agreements to repurchase		443	154		597
Other secured financings		3,109	341		3,450
Long-term borrowings		28,925	2,462		31,387
Total liabilities measured at fair value	$ 100,229	$ 116,439	$ 8,023	$ (41,636)	$ 183,055

AFS available for sale

(1) For trading purposes, the Company holds or sells short equity securities issued by entities in diverse industries and of varying size.
(2) For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled Counterparty and Cash Collateral Netting. For contracts with the same counterparty, counterparty netting among positions classified within the same level is included within that shared level. For further information on derivative instruments and hedging activities, see Note 4.
(3)

Certain investments that are measured at fair value using the NAV per share, or its equivalent, are not classified in the fair value hierarchy. For additional disclosure about such investments, see Fair Value of Investments that are Measured at Net Asset Value herein.

(4) Amount represents mortgage servicing rights (MSRs) accounted for at fair value.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

At December 31, 2014.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting	Balance at December 31, 2014
			(dollars in millions)		
Assets at Fair Value					
Trading assets:					
U.S. government and agency securities:					
U.S. Treasury securities	$ 16,961	$	$	$	$ 16,961
U.S. agency securities	850	18,193			19,043
Total U.S. government and agency securities	17,811	18,193			36,004
Other sovereign government obligations	15,149	7,888	41		23,078
Corporate and other debt:					
State and municipal securities		2,049			2,049
Residential mortgage-backed securities		1,991	175		2,166
Commercial mortgage-backed securities		1,484	96		1,580
Asset-backed securities		583	76		659
Corporate bonds		15,800	386		16,186
Collateralized debt and loan obligations		741	1,152		1,893
Loans and lending commitments		6,088	5,874		11,962
Other debt		2,167	285		2,452
Total corporate and other debt		30,903	8,044		38,947
Corporate equities(1)	112,490	1,357	272		114,119
Derivative and other contracts:					
Interest rate contracts	663	495,026	2,484		498,173
Credit contracts		30,813	1,369		32,182
Foreign exchange contracts	83	72,769	249		73,101
Equity contracts(2)	571	45,967	1,586		48,124
Commodity contracts	4,105	18,042	2,268		24,415
Other		376			376
Netting(3)	(4,910)	(564,127)	(4,220)	(66,720)	(639,977)
Total derivative and other contracts	512	98,866	3,736	(66,720)	36,394
Investments:					
Investments measured at NAV(4)					5,009
Principal investments	58	3	835		896
Other	225	198	323		746
Total investments	283	201	1,158		6,651
Physical commodities		1,608			1,608
Total trading assets	146,245	159,016	13,251	(66,720)	256,801
AFS securities	37,200	32,016			69,216
Securities received as collateral	21,265	51			21,316
Securities purchased under agreements to resell		1,113			1,113

Intangible assets(5)			6		6
Total assets measured at fair value	$ 204,710	$ 192,196	$ 13,257	$ (66,720)	$ 348,452

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting	Balance at December 31, 2014
			(dollars in millions)		
Liabilities at Fair Value					
Short-term borrowings	$	$ 1,765	$	$	$ 1,765
Trading liabilities:					
U.S. government and agency securities:					
U.S. Treasury securities	14,199				14,199
U.S. agency securities	1,274	85			1,359
Total U.S. government and agency securities	15,473	85			15,558
Other sovereign government obligations	11,653	2,109			13,762
Corporate and other debt:					
State and municipal securities		1			1
Corporate bonds		5,943	78		6,021
Lending commitments		10	5		15
Other debt		63	38		101
Total corporate and other debt		6,017	121		6,138
Corporate equities(1)	31,340	326	45		31,711
Derivative and other contracts:					
Interest rate contracts	602	469,319	2,657		472,578
Credit contracts		29,997	2,112		32,109
Foreign exchange contracts	21	72,233	98		72,352
Equity contracts(2)	416	51,405	3,751		55,572
Commodity contracts	4,817	15,584	1,122		21,523
Other		172			172
Netting(3)	(4,910)	(564,127)	(4,220)	(40,837)	(614,094)
Total derivative and other contracts	946	74,583	5,520	(40,837)	40,212
Total trading liabilities	59,412	83,120	5,686	(40,837)	107,381
Obligation to return securities received as collateral	25,629	56			25,685
Securities sold under agreements to repurchase		459	153		612
Other secured financings		4,355	149		4,504
Long-term borrowings		29,840	1,934		31,774
Total liabilities measured at fair value	$ 85,041	$ 119,595	$ 7,922	$ (40,837)	$ 171,721

(1) For trading purposes, the Company holds or sells short equity securities issued by entities in diverse industries and of varying size.

(2) The balance of Level 3 asset derivative equity contracts increased by $57 million with a corresponding decrease in the balance of Level 2 asset derivative equity contracts, and the balance of Level 3 liability derivative equity contracts increased by $842 million with a corresponding decrease in the balance of Level 2 liability derivative equity contracts to correct the fair value level assigned to these contracts at December 31, 2014. The total amount of asset and liability derivative equity contracts remained unchanged.

(3) For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled Counterparty and Cash Collateral Netting. For contracts with the same counterparty, counterparty netting among positions

classified within the same level is included within that shared level. For further information on derivative instruments and hedging activities, see Note 4.

(4) Certain investments that are measured at fair value using the NAV per share, or its equivalent, are not classified in the fair value hierarchy. For additional disclosure about such investments, see Fair Value of Investments that are Measured at Net Asset Value herein.

(5) Amount represents MSRs accounted for at fair value.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis.

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the quarters and nine months ended September 30, 2015 and 2014, respectively. Level 3 instruments may be hedged with instruments classified in Level 1 and Level 2. As a result, the realized and unrealized gains (losses) for assets and liabilities within the Level 3 category presented in the tables below do not reflect the related realized and unrealized gains (losses) on hedging instruments that have been classified by the Company within the Level 1 and/or Level 2 categories.

Additionally, both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains (losses) during the period for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value during the period that were attributable to both observable (*e.g.*, changes in market interest rates) and unobservable (*e.g.*, changes in unobservable long-dated volatilities) inputs.

For assets and liabilities that were transferred into Level 3 during the period, gains (losses) are presented as if the assets or liabilities had been transferred into Level 3 at the beginning of the period; similarly, for assets and liabilities that were transferred out of Level 3 during the period, gains (losses) are presented as if the assets or liabilities had been transferred out at the beginning of the period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Three Months Ended September 30, 2015.

	Beginning Balance at June 30, 2015	Total Realized and Unrealized Gains (Losses)(1)	Purchases(2)	Sales	Issuances	Settlements	Net Transfers	Ending Balance at September 30, 2015	Unrealized Gains (Losses) for Level 3 Assets/ Liabilities Outstanding at September 30, 2015(3)
	(dollars in millions)								
Assets at Fair Value									
Trading assets:									
U.S. agency securities	$ 3	$	$	$	$	$	$ (3)	$	$
Other sovereign government obligations	12		5	(4)			(2)	11	
Corporate and other debt:									
State and municipal securities	7	5	12	(5)			14	33	5
Residential mortgage-backed securities	378	3	59	(55)			19	404	4
Commercial mortgage-backed securities	84	(12)	17	(6)			(4)	79	(12)
Asset-backed securities	19		13	(7)			6	31	
Corporate bonds	479	(25)	78	(228)		(50)	(28)	226	(6)
Collateralized debt and loan obligations	660	(7)	80	(188)				545	(11)
Loans and lending commitments	5,512	(78)	939	(156)		(1,229)	176	5,164	(53)
Other debt	564	(22)	9	(4)		(1)	(16)	530	(23)
Total corporate and other debt	7,703	(136)	1,207	(649)		(1,280)	167	7,012	(96)
Corporate equities	486	10	150	(80)			9	575	4
Net derivative and other contracts(4):									
Interest rate contracts	(236)	(137)	12		(7)	74	383	89	(66)
Credit contracts	(989)	210			(74)	86	(38)	(805)	219
Foreign exchange contracts	446	42	3			(327)	(98)	66	45
Equity contracts	(2,102)	309	16		(50)	(187)	(27)	(2,041)	296
Commodity contracts	1,205	238				(11)		1,432	179
Total net derivative and other contracts	(1,676)	662	31		(131)	(365)	220	(1,259)	673
Investments:									
Principal investments	581	26	8	(50)			(24)	541	26
Other	300	11	1					312	11
Securities received as collateral	3			(2)				1	
Intangible assets	6	(1)						5	(1)
Liabilities at Fair Value									
Short-term borrowings	$	$ (2)	$	$	$ 4	$	$ 63	$ 69	$ (2)
Trading liabilities:									
Corporate and other debt:									
Corporate bonds	15	9	(10)	23				19	7
Other debt	4							4	
Total corporate and other debt	19	9	(10)	23				23	7
Corporate equities	112	72	(50)	99			8	97	73
Obligation to return securities received as collateral	3		(2)					1	

Securities sold under agreements to repurchase	154							154	
Other secured financings	168	2			187	(12)		341	2
Long-term borrowings	2,221	61			237	(81)	146	2,462	64

(1) Total realized and unrealized gains (losses) are primarily included in Trading revenues in the condensed consolidated statements of income except for $37 million related to Trading assets Investments, which is included in Investments revenues.

(2) Loan originations are included in purchases.

(3) Amounts represent unrealized gains (losses) for the quarter ended September 30, 2015 related to assets and liabilities still outstanding at September 30, 2015.

(4) Net derivative and other contracts represent Trading assets Derivative and other contracts net of Trading liabilities Derivative and other contracts. For further information on derivative instruments and hedging activities, see Note 4.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Nine Months Ended September 30, 2015.

	Beginning Balance at December 31, 2014	Total Realized and Unrealized Gains (Losses)(1)	Purchases(2)	Sales	Issuances	Settlements	Net Transfers	Ending Balance at September 30, 2015	Unrealized Gains (Losses) for Level 3 Assets/ Liabilities Outstanding at September 30, 2015(3)
	(dollars in millions)								
Assets at Fair Value									
Trading assets:									
Other sovereign government obligations	$ 41	$ (1)	$ 7	$ (31)	$	$	$ (5)	$ 11	$
Corporate and other debt:									
State and municipal securities		5	14	(1)			15	33	5
Residential mortgage-backed securities	175	28	172	(57)			86	404	19
Commercial mortgage-backed securities	96	(17)	23	(23)				79	(19)
Asset-backed securities	76	(1)	22	(31)			(35)	31	4
Corporate bonds	386	(19)	155	(218)		(53)	(25)	226	(16)
Collateralized debt and loan obligations	1,152	141	320	(709)		(331)	(28)	545	(7)
Loans and lending commitments	5,874	(34)	1,860	(95)		(2,461)	20	5,164	(62)
Other debt	285	(13)	30	(14)		(25)	267	530	
Total corporate and other debt	8,044	90	2,596	(1,148)		(2,870)	300	7,012	(76)
Corporate equities	272	57	437	(199)			8	575	67
Net derivative and other contracts(4):									
Interest rate contracts	(173)	(37)	16		(22)	277	28	89	20
Credit contracts	(743)	(69)	6		(94)	86	9	(805)	(89)
Foreign exchange contracts	151	133	4		(1)	(197)	(24)	66	133
Equity contracts(5)	(2,165)	(76)	115		(279)	252	112	(2,041)	(237)
Commodity contracts	1,146	345	2		(112)	111	(60)	1,432	420
Total net derivative and other contracts	(1,784)	296	143		(508)	529	65	(1,259)	247
Investments:									
Principal investments	835	22	20	(109)		(187)	(40)	541	
Other	323	(5)	2	(6)			(2)	312	
Securities received as collateral			1					1	
Intangible assets	6					(1)		5	
Liabilities at Fair Value									
Short-term borrowings	$	$ (2)	$	$	$ 60	$	$ 7	$ 69	$ (2)
Trading liabilities:									
Corporate and other debt:									
Corporate bonds	78	6	(25)	37			(65)	19	6
Lending commitments	5	5							5
Other debt	38		(1)	7		(39)	(1)	4	
Total corporate and other debt	121	11	(26)	44		(39)	(66)	23	11
Corporate equities	45	90	(88)	128			102	97	90
Obligation to return securities received as collateral				1				1	

Securities sold under agreements to repurchase	153	(1)						154	
Other secured financings	149	(5)			223	(36)		341	4
Long-term borrowings	1,934	159			853	(213)	47	2,462	157

(1) Total realized and unrealized gains (losses) are primarily included in Trading revenues in the Company s condensed consolidated statements of income except for $17 million related to Trading assets Investments, which is included in Investments revenues.

(2) Loan originations are included in purchases.

(3) Amounts represent unrealized gains (losses) for the nine months ended September 30, 2015 related to assets and liabilities still outstanding at September 30, 2015.

(4) Net derivative and other contracts represent Trading assets Derivative and other contracts net of Trading liabilities Derivative and other contracts. For further information on derivative instruments and hedging activities, see Note 4.

(5) Net liability Level 3 derivative equity contracts increased by $785 million to correct the fair value level assigned to these contracts at December 31, 2014. The total amount of derivative equity contracts remained unchanged at December 31, 2014.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Three Months Ended September 30, 2014.

	Beginning Balance at June 30, 2014	Total Realized and Unrealized Gains (Losses)(1)	Purchases(2)	Sales	Issuances	Settlements	Net Transfers	Ending Balance at September 30, 2014	Unrealized Gains (Losses) for Level 3 Assets/ Liabilities Outstanding at September 30, 2014(3)
					(dollars in millions)				
Assets at Fair Value									
Trading assets:									
Other sovereign government obligations	$ 14	$ (1)	$	$ (1)	$	$	$ 1	$ 13	$ (1)
Corporate and other debt:									
State and municipal securities	4						(4)		
Residential mortgage-backed securities	55	11	33	(7)		(11)		81	11
Commercial mortgage-backed securities	47	(1)	1	(3)			13	57	(2)
Asset-backed securities	65	5	27	(8)			22	111	5
Corporate bonds	510	36	99	(148)			9	506	38
Collateralized debt obligations	1,332	8	299	(362)		(6)		1,271	6
Loans and lending commitments	5,829	(20)	2,138	(676)		(721)	957	7,507	(24)
Other debt	22		135	(3)			1	155	
Total corporate and other debt	7,864	39	2,732	(1,207)		(738)	998	9,688	34
Corporate equities	243	(2)	30	(41)			11	241	7
Net derivative and other contracts(4):									
Interest rate contracts	(109)	(15)	7		(3)	(17)	150	13	(22)
Credit contracts	(710)	209	7		(64)	(108)	(16)	(682)	140
Foreign exchange contracts	109	(27)	6	(3)		70	(1)	154	(25)
Equity contracts	(1,097)	(6)	56		(59)	(105)	23	(1,188)	(9)
Commodity contracts	1,132	73	36			(62)	(12)	1,167	12
Other	(3)	(1)				4			
Total net derivative and other contracts	(678)	233	112	(3)	(126)	(218)	144	(536)	96
Investments:									
Principal investments	883	(1)	22	(23)			32	913	(1)
Other	380	(3)	14				2	393	(3)
Intangible assets	6							6	
Liabilities at Fair Value									
Trading liabilities:									
Other sovereign government obligations	$	$	$	$	$	$	$ 2	$ 2	$
Corporate and other debt:									
Corporate bonds	14	1	(8)	46			(3)	48	1
Lending commitments	12	12							
Other debt	42	5				(2)		35	5
Total corporate and other debt	68	18	(8)	46		(2)	(3)	83	6
Corporate equities	6	(5)	(12)	2			2	3	(4)
Securities sold under agreements to repurchase	155	2						153	2

Other secured financings	135				4	(3)	26	162	
Long-term borrowings	1,779	72			136	(108)	186	1,921	72

(1) Total realized and unrealized gains (losses) are primarily included in Trading revenues in the condensed consolidated statements of income except for $(4) million related to Trading assets Investments, which is included in Investments revenues.

(2) Loan originations are included in purchases.

(3) Amounts represent unrealized gains (losses) for the quarter ended September 30, 2014 related to assets and liabilities still outstanding at September 30, 2014.

(4) Net derivative and other contracts represent Trading assets Derivative and other contracts net of Trading liabilities Derivative and other contracts. For further information on derivative instruments and hedging activities, see Note 4.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Nine Months Ended September 30, 2014.

	Beginning Balance at December 31, 2013	Total Realized and Unrealized Gains (Losses)(1)	Purchases(2)	Sales	Issuances	Settlements	Net Transfers	Ending Balance at September 30, 2014	Unrealized Gains (Losses) for Level 3 Assets/ Liabilities Outstanding at September 30, 2014(3)
	(dollars in millions)								
Assets at Fair Value									
Trading assets:									
Other sovereign government obligations	$ 27	$ (1)	$ 7	$ (21)	$	$	$ 1	$ 13	$ (1)
Corporate and other debt:									
Residential mortgage-backed securities	47	34	30	(9)		(20)	(1)	81	29
Commercial mortgage-backed securities	108	11	22	(97)			13	57	(3)
Asset-backed securities	103	(3)	58	(93)			46	111	(3)
Corporate bonds	522	107	185	(302)			(6)	506	84
Collateralized debt and loan obligations	1,468	137	716	(940)		(109)	(1)	1,271	45
Loans and lending commitments	5,129	(202)	3,962	(327)		(1,299)	244	7,507	(181)
Other debt	27	4	128	(6)		(2)	4	155	3
Total corporate and other debt	7,404	88	5,101	(1,774)		(1,430)	299	9,688	(26)
Corporate equities	190	17	83	(47)			(2)	241	10
Net derivative and other contracts(4):									
Interest rate contracts	113	(4)	8		(3)	(61)	(40)	13	4
Credit contracts	(147)	(434)	52		(118)	10	(45)	(682)	(475)
Foreign exchange contracts	68	(6)	6	(1)		106	(19)	154	(2)
Equity contracts	(831)	(19)	223	(1)	(273)	(370)	83	(1,188)	(66)
Commodity contracts	880	177	200			(90)		1,167	99
Other	(4)	(1)				5			
Total net derivative and other contracts	79	(287)	489	(2)	(394)	(400)	(21)	(536)	(440)
Investments:									
Principal investments	2,160	49	36	(124)		(1,234)	26	913	129
Other	538	(13)	17	(11)			(138)	393	(6)
Intangible assets	8					(2)		6	(1)
Liabilities at Fair Value									
Short-term borrowings	$ 1	$	$	$	$	$ (1)	$	$	$
Trading liabilities:									
Other sovereign government obligations							2	2	
Corporate and other debt:									
Corporate bonds	22	2	(46)	85			(11)	48	3
Lending commitments	2	2							
Other debt	48	15				1	1	35	5
Total corporate and other debt	72	19	(46)	85		1	(10)	83	8
Corporate equities	8	(6)	(16)	2			3	3	(6)
Securities sold under agreements to repurchase	154	1						153	1

Other secured financings	278	(9)	21	(188)	42	162	(6)
Long-term borrowings	1,887	17	372	(289)	(32)	1,921	15

(1) Total realized and unrealized gains (losses) are primarily included in Trading revenues in the Company s condensed consolidated statements of income except for $36 million related to Trading assets Investments, which is included in Investments revenues.

(2) Loan originations are included in purchases.

(3) Amounts represent unrealized gains (losses) for the nine months ended September 30, 2014 related to assets and liabilities still outstanding at September 30, 2014.

(4) Net derivative and other contracts represent Trading assets Derivative and other contracts, net of Trading liabilities Derivative and other contracts. For further information on derivative instruments and hedging activities, see Note 4.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Quantitative Information about and Sensitivity of Significant Unobservable Inputs Used in Recurring Level 3 Fair Value Measurements.

The disclosures below provide information on the valuation techniques, significant unobservable inputs, and their ranges and averages for each major category of assets and liabilities measured at fair value on a recurring basis with a significant Level 3 balance. The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm s inventory. The following disclosures also include qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs.

At September 30, 2015

	Balance at September 30, 2015 (dollars in millions)	Valuations Technique(s) / Significant Unobservable Input(s) / Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range(1)	Averages(2)
Assets at Fair Value				
Trading assets:				
Corporate and other debt:				
Residential mortgage-backed securities	$ 404	Comparable pricing:		
		Comparable bond price / (A)	0 to 80 points	36 points
Commercial mortgage-backed securities	79	Comparable pricing:		
		Comparable bond price / (A)	0 to 9 points	2 points
Corporate bonds	226	Comparable pricing:		
		Comparable bond price / (A)	4 to 119 points	83 points
Collateralized debt and loan obligations	545	Comparable pricing(3):		
		Comparable bond price / (A)	45 to 103 points	77 points
		Correlation model:		
		Credit correlation / (B)	35% to 60%	49%
Loans and lending commitments	5,164	Corporate loan model:		
		Credit spread / (C)	72 to 831 basis points	544 basis points
		Margin loan model:		
		Credit spread / (C)(D)	80 to 548 basis points	165 basis points
		Volatility skew / (C)(D)	14% to 70%	36%
		Discount rate / (C)(D)	2% to 6%	4%
		Option model:		
		Volatility skew / (C)	-1%	-1%
		Comparable pricing(3):		
		Comparable loan price / (A)	40 to 103 points	89 points
		Discounted cash flow:		
		Implied weighted average cost of capital / (C)(D)	6% to 8%	7%
		Capitalization rate / (C)(D)	4% to 10%	4%
Other debt	530	Comparable pricing:		
		Comparable loan price / (A)	3 to 84 points	65 points
		Comparable pricing:		
		Comparable bond price / (A)	11 points	11 points

		Option model:		
		At the money volatility / (A)	16% to 53%	16%
		Margin loan model(3):		
		Discount rate / (C)	1% to 2%	1%
Corporate equities	575	Comparable pricing:		
		Comparable price / (A)	59% to 91%	78%
		Comparable pricing(3):		
		Comparable equity price / (A)	100%	100%

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Balance at September 30, 2015 (dollars in millions)	Valuations Technique(s) / Significant Unobservable Input(s) / Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range(1)	Averages(2)
		Market approach:		
		EBITDA multiple / (A)(D)	9 times	9 times
		Price / Book ratio / (A)(D)	0 times	0 times
Net derivative and other contracts(4):				
Interest rate contracts	89	Option model:		
		Interest rate volatility concentration liquidity multiple / (C)(D)	0 to 3 times	2 times
		Interest rate - Foreign exchange correlation / (C)(D)	26% to 62%	44% / 43%(5)
		Interest rate volatility skew / (A)(D)	32% to 91%	44% / 43%(5)
		Interest rate quanto correlation / (A)(D)	-8% to 37%	2% / -8%(5)
		Interest rate curve correlation / (C)(D)	24% to 93%	69% / 75%(5)
		Inflation volatility / (A)(D)	60%	60% / 60%(5)
		Interest rate - Inflation correlation / (A)(D)	-43% to -41%	-43% /-43%(5)
Credit contracts	(805)	Comparable pricing:		
		Cash synthetic basis / (C)(D)	5 to 12 points	9 points
		Comparable bond price / (C)(D)	0 to 75 points	25 points
		Correlation model(3):		
		Credit correlation / (B)	34% to 99%	58%
Foreign exchange contracts(6)	66	Option model:		
		Interest rate - Foreign exchange correlation / (C)(D)	26% to 62%	44% / 43%(5)
		Interest rate volatility skew / (A)(D)	32% to 91%	44% / 43%(5)
		Interest rate curve / (A)(D)	0% to 1%	0% / 0%(5)
		Interest rate quanto correlation / (A)(D)	-8% to 37%	2% / -8%(5)
Equity contracts(6)	(2,041)	Option model:		
		At the money volatility / (A)(D)	16% to 62%	31%
		Volatility skew / (A)(D)	-3% to 0%	-1%
		Equity - Equity correlation / (C)(D)	40% to 99%	72%
		Equity - Foreign exchange correlation / (A)(D)	-50% to 10%	-16%
		Equity - Interest rate correlation / (C)(D)	-31% to 50%	14% / 7%(5)
Commodity contracts	1,432	Option model:		
		Forward power price / (C)(D)	$4 to $91 per Megawatt hour	$33 per Megawatt hour
		Commodity volatility / (A)(D)	10% to 59%	18%
		Cross commodity correlation / (C)(D)	43% to 100%	93%
Investments:				
Principal investments	541	Discounted cash flow:		
		Implied weighted average cost of capital / (C)(D)	14%	14%
		Exit multiple / (A)(D)	10 times	10 times
		Capitalization rate / (C)(D)	5% to 10%	6%
		Equity discount rate / (C)(D)	18% to 35%	21%
		Market approach(3):		
		EBITDA multiple / (A)(D)	9 to 19 times	11 times
		Forward capacity price / (A)(D)	$5 to $9	$7
		Comparable pricing:		

		Comparable equity price / (A)	75% to 100%	84%
Other	312	Discounted cash flow:		
		Implied weighted average cost of capital / (C)(D)	10%	10%
		Exit multiple / (A)(D)	10 times	10 times
		Market approach:		
		EBITDA multiple / (A)	8 to 14 times	10 times

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Balance at September 30, 2015 (dollars in millions)	Valuations Technique(s) / Significant Unobservable Input(s) / Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range(1)	Averages(2)
		Comparable pricing(3):		
		Comparable equity price / (A)	100%	100%
Liabilities at Fair Value				
Short-term borrowings	$ 69	Comparable pricing:		
		Comparable equity price / (A)	20%	20%
Corporate equities	97	Comparable pricing:		
		Comparable equity price / (A)	0% to 100%	80%
Securities sold under agreements to repurchase	154	Discounted cash flow:		
		Funding spread / (A)	96 to 123 basis points	113 basis points
Other secured financings	341	Comparable pricing:		
		Comparable bond price / (A)	100 points	100 points
		Discounted cash flow(3):		
		Discount rate / (C)	4% to 17%	5%
		Discounted cash flow:		
		Funding spread / (A)	108 to 130 basis points	119 basis points
Long-term borrowings	2,462	Option model(3):		
		At the money volatility / (C)(D)	22% to 40%	29%
		Volatility skew / (A)(D)	-2% to 0%	-1%
		Equity - Equity correlation / (A)(D)	40% to 97%	78%
		Equity - Foreign exchange correlation / (C)(D)	-70% to 35%	-42%
		Option model:		
		Equity alpha / (A)	25% to 80%	63%
		Correlation model:		
		Credit correlation / (B)	40% to 60%	44%
		Comparable pricing:		
		Comparable equity price / (A)	100%	100%

At December 31, 2014.

	Balance at December 31, 2014 (dollars in millions)	Valuation Technique(s) / Significant Unobservable Input(s) / Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range(1)	Averages(2)
Assets at Fair Value				
Trading assets:				
Corporate and other debt:				
Residential mortgage-backed securities	$ 175	Comparable pricing:		
		Comparable bond price / (A)	3 to 90 points	15 points
Commercial mortgage-backed securities	96	Comparable pricing:		
		Comparable bond price / (A)	0 to 7 points	1 point
Asset-backed securities	76	Comparable pricing:		

		Comparable bond price / (A)	0 to 62 points	23 points
Corporate bonds	386	Comparable pricing:		
		Comparable bond price / (A)	1 to 160 points	90 points
Collateralized debt and loan obligations	1,152	Comparable pricing(3):		
		Comparable bond price / (A)	20 to 100 points	66 points
		Correlation model:		
		Credit correlation / (B)	47% to 65%	56%
Loans and lending commitments	5,874	Corporate loan model:		
		Credit spread / (C)	36 to 753 basis points	373 basis points
		Margin loan model:		
		Credit spread / (C)(D)	150 to 451 basis points	216 basis points
		Volatility skew / (C)(D)	3% to 37%	21%

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Balance at December 31, 2014 (dollars in millions)	Valuation Technique(s) / Significant Unobservable Input(s) / Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range(1)	Averages(2)
		Discount rate / (C)(D)	2% to 3%	3%
		Option model:		
		Volatility skew / (C)	-1%	-1%
		Comparable pricing(3):		
		Comparable loan price / (A)	15 to 105 points	89 points
Other debt	285	Comparable pricing(3):		
		Comparable loan price / (A)	0 to 75 points	39 points
		Comparable pricing:		
		Comparable bond price / (A)	15 points	15 points
		Option model:		
		At the money volatility / (A)	15% to 54%	15%
Corporate equities	272	Net asset value:		
		Discount to net asset value / (C)	0% to 71%	36%
		Comparable pricing:		
		Comparable price / (A)	83% to 96%	85%
		Comparable pricing(3):		
		Comparable equity price / (A)	100%	100%
		Market approach:		
		EBITDA multiple / (A)(D)	6 to 9 times	8 times
		Price / Book ratio / (A)(D)	0 times	0 times
Net derivative and other contracts(4):				
Interest rate contracts	(173)	Option model:		
		Interest rate volatility concentration liquidity multiple / (C)(D)	0 to 3 times	2 times
		Interest rate - Foreign exchange correlation / (A)(D)	28% to 62%	44% / 42%(5)
		Interest rate volatility skew / (A)(D)	38% to 104%	86% / 60%(5)
		Interest rate quanto correlation / (A)(D)	-9% to 35%	6% / -6%(5)
		Interest rate curve correlation / (A)(D)	44% to 87%	73% / 80%(5)
		Inflation volatility / (A)(D)	69% to 71%	70% / 71%(5)
		Interest rate - Inflation correlation / (A)(D)	-44% to -40%	-42% / -43%(5)
Credit contracts	(743)	Comparable pricing:		
		Cash synthetic basis / (C)(D)	5 to 13 points	9 points
		Comparable bond price / (C)(D)	0 to 55 points	18 points
		Correlation model(3):		
		Credit correlation / (B)	42% to 95%	63%
Foreign exchange contracts(6)	151	Option model:		
		Interest rate quanto correlation / (A)(D)	-9% to 35%	6% / -6%(5)
		Interest rate - Credit spread correlation / (A)(D)	-54% to -2%	-17% / -11%(5)
		Interest rate curve correlation / (A)(D)	44% to 87%	73% / 80%(5)
		Interest rate - Foreign exchange correlation / (A)(D)	28% to 62%	44% / 42%(5)
		Interest rate curve / (A)(D)	0% to 2%	1% / 1%(5)
Equity contracts(6)(7)	(2,165)	Option model:		
		At the money volatility / (A)(D)	14% to 51%	29%
		Volatility skew / (A)(D)	-2% to 0%	-1%
		Equity - Equity correlation / (C)(D)	40% to 99%	72%
		Equity - Foreign exchange correlation / (C)(D)	-50% to 10%	-16%
		Equity - Interest rate correlation / (C)(D)	-18% to 81%	26% / 11%(5)
Commodity contracts	1,146	Option model:		

	Forward power price / (C)(D)	$5 to $106 per Megawatt hour	$38 per Megawatt hour
	Commodity volatility / (A)(D)	11% to 90%	19%
	Cross commodity correlation / (C)(D)	33% to 100%	93%

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Balance at December 31, 2014 (dollars in millions)	Valuation Technique(s) / Significant Unobservable Input(s) / Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range(1)	Averages(2)
Investments:				
Principal investments	835	Discounted cash flow:		
		Implied weighted average cost of capital / (C)(D)	11%	11%
		Exit multiple / (A)(D)	10 times	10 times
		Discounted cash flow:		
		Equity discount rate / (C)	25%	25%
		Market approach(3):		
		EBITDA multiple / (A)(D)	4 to 14 times	10 times
		Price / Earnings ratio / (A)(D)	23 times	23 times
		Forward capacity price / (A)(D)	$5 to $7	$7
		Comparable pricing:		
		Comparable equity price / (A)	64% to 100%	95%
Other	323	Discounted cash flow:		
		Implied weighted average cost of capital / (C)(D)	10% to 13%	11%
		Exit multiple / (A)(D)	6 to 9 times	9 times
		Market approach:		
		EBITDA multiple / (A)(D)	9 to 13 times	10 times
		Comparable pricing(3):		
		Comparable equity price / (A)	100%	100%
Liabilities at Fair Value				
Trading liabilities:				
Corporate and other debt:				
Corporate bonds	$ 78	Option model:		
		Volatility skew / (C)(D)	-1%	-1%
		At the money volatility / (C)(D)	10%	10%
Securities sold under agreements to repurchase	153	Discounted cash flow:		
		Funding spread / (A)	75 to 91 basis points	86 basis points
Other secured financings	149	Comparable pricing:		
		Comparable bond price / (A)	99 to 101 points	100 points
		Discounted cash flow(3):		
		Funding spread / (A)	82 to 98 basis points	95 basis points
Long-term borrowings	1,934	Option model(3):		
		At the money volatility / (C)(D)	18% to 32%	27%
		Volatility skew / (A)(D)	-1% to 0%	0%
		Equity - Equity correlation / (A)(D)	40% to 90%	68%
		Equity - Foreign exchange correlation / (C)(D)	-73% to 30%	-32%
		Option model:		
		Equity alpha / (A)	0% to 94%	67%
		Correlation model:		
		Credit correlation / (B)	48% to 65%	51%

EBITDA Earnings before interest, taxes, depreciation and amortization

(1) The ranges of significant unobservable inputs are represented in points, percentages, basis points, times or megawatt hours. Points are a percentage of par; for example, 80 points would be 80% of par. A basis point equals 1/100th of 1%; for example, 831 basis points would equal 8.31%.

(2) Amounts represent weighted averages except where simple averages and the median of the inputs are provided (see footnote 5 below). Weighted averages are calculated by weighting each input by the fair value of the respective financial instruments except for collateralized debt and loan obligations, principal

investments, other debt, corporate bonds, long-term borrowings and derivative instruments where some or all inputs are weighted by risk.

(3) This is the predominant valuation technique for this major asset or liability class.

(4) Credit Valuation Adjustment (CVA) and Funding Valuation Adjustments (FVA) are included in the balance, but excluded from the Valuation Technique(s) and Significant Unobservable Input(s) in the table above. CVA is a Level 3 input when the underlying counterparty credit curve is unobservable. FVA is a Level 3 input in its entirety given the lack of observability of funding spreads in the principal market.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(5) The data structure of the significant unobservable inputs used in valuing interest rate contracts, foreign exchange contracts and certain equity contracts may be in a multi-dimensional form, such as a curve or surface, with risk distributed across the structure. Therefore, a simple average and median, together with the range of data inputs, may be more appropriate measurements than a single point weighted average.

(6) Includes derivative contracts with multiple risks (*i.e.,* hybrid products).

(7) Net liability Level 3 derivative equity contracts increased by $785 million to correct the fair value level assigned to these contracts at December 31, 2014. This correction did not result in a change to the Valuation Technique(s), Significant Unobservable Inputs, Ranges or Averages.

Sensitivity of the fair value to changes in the unobservable inputs:

(A) Significant increase (decrease) in the unobservable input in isolation would result in a significantly higher (lower) fair value measurement.

(B) Significant changes in credit correlation may result in a significantly higher or lower fair value measurement. Increasing (decreasing) correlation drives a redistribution of risk within the capital structure such that junior tranches become less (more) risky and senior tranches become more (less) risky.

(C) Significant increase (decrease) in the unobservable input in isolation would result in a significantly lower (higher) fair value measurement.

(D) There are no predictable relationships between the significant unobservable inputs.

For a description of the Company s significant unobservable inputs included in the September 30, 2015 and December 31, 2014 tables above for all major categories of assets and liabilities, see Note 4 to the consolidated financial statements in the 2014 Form 10-K.

During the quarter and nine months ended September 30, 2015, there were no significant updates made to the Company s significant unobservable inputs.

Fair Value of Investments that are Measured at Net Asset Value.

For a description of the Company s investments in private equity funds, real estate funds and hedge funds measured at fair value based on NAV, see Note 4 to the consolidated financial statements in the 2014 Form 10-K. The following tables present information solely about the Company s investments in private equity funds, real estate funds and hedge funds measured at fair value using the NAV per share, or its equivalent, at September 30, 2015 and December 31, 2014:

	At September 30, 2015		At December 31, 2014	
	Fair Value	Commitment	Fair Value	Commitment
	(dollars in millions)			
Private equity funds	$ 1,962	$ 597	$ 2,569	$ 613
Real estate funds	1,664	135	1,753	112
Hedge funds(1):				
Long-short equity hedge funds	447		433	
Fixed income/credit-related hedge funds	73		76	
Event-driven hedge funds	3		39	
Multi-strategy hedge funds	129	4	139	3
Total	$ 4,278	$ 736	$ 5,009	$ 728

(1) Fixed income/credit-related hedge funds, event-driven hedge funds and multi-strategy hedge funds are redeemable at least on a three-month period basis, primarily with a notice period of 90 days or less. At September 30, 2015, approximately 32% of the fair value amount of long-short equity hedge funds was redeemable at least quarterly, 48% is redeemable every six months and 20% of these funds have a redemption frequency of greater than six months. At December 31, 2014, approximately 36% of the fair value amount of long-short equity hedge funds was redeemable at least quarterly, 47% is redeemable every six months and 17% of these funds have a redemption frequency of greater than six months. The notice period for long-short equity hedge funds at September 30, 2015 and December 31, 2014 was primarily greater than six months.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Private Equity Funds and Real Estate Funds.

Investments in these funds generally are not redeemable due to the closed-ended nature of these funds. Instead, distributions from each fund will be received as the underlying investments of the funds are disposed and monetized. The following table presents information about the fair value of the funds estimated to be liquidated over time:

	At September 30, 2015 Fair Value of the Funds Estimated to be Liquidated			
Fund Type	**Less than 5 years**	**5-10 years**	**Over 10 years**	**Total**
	(dollars in millions)			
Private equity funds	$ 139	$ 1,151	$ 672	$ 1,962
Real estate funds	235	882	547	1,664

Hedge Funds.

Investments in hedge funds may be subject to initial period lock-up restrictions or gates. A hedge fund lock-up provision is a provision that provides that, during a certain initial period, an investor may not make a withdrawal from the fund. The purpose of a gate is to restrict the level of redemptions that an investor in a particular hedge fund can demand on any redemption date. The following table presents information about lock-up restrictions and gates by hedge fund type:

	At September 30, 2015 Hedge Fund Restrictions		
Hedge Fund Type	**Fair Value**	**Lock-up Restrictions**	**Gate Restrictions**
	(dollars in millions)		
Long-short equity(1)(2)	$ 447	1%	12%
Fixed income/credit-related(1)	73	13%	N/A
Event-driven(1)	3	3%	N/A
Multi-strategy(1)(2)	129	37%	28%

N/A Not Applicable.

(1) The remaining restriction period subject to lock-up restrictions was primarily over three years at September 30, 2015.
(2) The restriction period for these investments subject to an exit restriction was indefinite at September 30, 2015.

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Fair Value Option.

The Company elected the fair value option for certain eligible instruments that are risk managed on a fair value basis to mitigate income statement volatility caused by measurement basis differences between the elected instruments and their associated risk management transactions or to eliminate complexities of applying certain accounting models. The following table presents net gains (losses) due to changes in fair value for items measured at fair value pursuant to the fair value option election for the quarters and nine months ended September 30, 2015 and 2014, respectively:

	Trading Revenues	Interest Income (Expense)	Gains (Losses) Included in Net Revenues
		(dollars in millions)	
Three Months Ended September 30, 2015			
Securities purchased under agreements to resell	$ (1)	$ 2	$ 1
Short-term borrowings(1)	(85)		(85)
Securities sold under agreements to repurchase		(2)	(2)
Long-term borrowings(1)	1,137	(129)	1,008
Nine Months Ended September 30, 2015			
Securities purchased under agreements to resell	$ (4)	$ 7	$ 3
Short-term borrowings(1)	(127)		(127)
Securities sold under agreements to repurchase	4	(5)	(1)
Long-term borrowings(1)	2,226	(399)	1,827
Three Months Ended September 30, 2014			
Securities purchased under agreements to resell	$ (2)	$ 2	$
Short-term borrowings(2)	5	2	7
Securities sold under agreements to repurchase	3	(2)	1
Long-term borrowings(2)	1,579	(174)	1,405
Nine Months Ended September 30, 2014			
Securities purchased under agreements to resell	$ (4)	$ 6	$ 2
Short-term borrowings(2)	(32)	2	(30)
Securities sold under agreements to repurchase	(2)	(4)	(6)
Long-term borrowings(2)	631	(520)	111

(1) Of the total gains (losses) recorded in Trading revenues for short-term and long-term borrowings for the quarter and nine months ended September 30, 2015, $435 million and $742 million, respectively, are attributable to changes in the credit quality of the Company and other credit factors, and the respective remainder is attributable to changes in foreign currency rates or interest rates or movements in the reference price or index for structured notes before the impact of related hedges.

(2) Of the total gains (losses) recorded in Trading revenues for short-term and long-term borrowings for the quarter and nine months ended September 30, 2014, $215 million and $428 million, respectively, are attributable to changes in the credit quality of the Company and other credit factors, and the respective remainder is attributable to changes in foreign currency rates or interest rates or movements in the reference price or index for structured notes before the impact of related hedges.

In addition to the amounts in the above table, as discussed in Note 2 to the consolidated financial statements in the 2014 Form 10-K, all of the instruments within Trading assets or Trading liabilities are measured at fair value, either through the election of the fair value option or as required by other accounting guidance. The amounts in the above table are included within Net revenues and do not reflect gains or losses on related hedging instruments, if any.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The Company hedges the economics of market risk for short-term and long-term borrowings (*i.e.*, risks other than that related to the credit quality of the Company) as part of its overall trading strategy and manages the market risks embedded within the issuance by the related business unit as part of the business unit s portfolio. The gains and losses on related economic hedges are recorded in Trading revenues and largely offset the gains and losses on short-term and long-term borrowings attributable to market risk.

At September 30, 2015 and December 31, 2014, a breakdown of the short-term and long-term borrowings measured at fair value on a recurring basis by business unit responsible for risk-managing each borrowing is shown in the table below.

Business Unit	Short-Term and Long-Term Borrowings At September 30, 2015	Short-Term and Long-Term Borrowings At December 31, 2014
	(dollars in millions)	
Equity	$ 17,054	$ 17,253
Interest rates	13,614	13,545
Credit and foreign exchange	1,947	2,105
Commodities	540	636
Total	$ 33,155	$ 33,539

The following tables present information on the Company s short-term and long-term borrowings (primarily structured notes), and loans and lending commitments for which the fair value option was elected:

Gains (Losses) due to Changes in Instrument-Specific Credit Risk.

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(dollars in millions)			
Short-term and long-term borrowings(1)	$ 435	$ 215	$ 742	$ 428
Loans and other debt(2)	(32)	25	39	153
Lending commitments(3)	5	2	13	29

(1) The change in the fair value of short-term and long-term borrowings (primarily structured notes) includes an adjustment to reflect the change in credit quality of the Company based upon observations of the Company s secondary bond market spreads and changes in other credit factors.
(2) Loans and other debt instrument-specific credit gains (losses) were determined by excluding the non-credit components of gains and losses, such as those due to changes in interest rates.
(3) Gains (losses) on lending commitments were generally determined based on the differential between estimated expected client yields and contractual yields at each respective period-end.

Net Difference between Contractual Principal Amount and Fair Value.

	Contractual Principal Amount Exceeds Fair Value

	At September 30, 2015	At December 31, 2014
	(dollars in millions)	
Loans and other debt(1)	$ 14,186	$ 14,990
Loans 90 or more days past due and/or on nonaccrual status(1)(2)	11,798	12,916
Short-term and long-term borrowings(3)	694	(670)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) The majority of the difference between principal and fair value amounts for loans and other debt emanates from the Company s distressed debt trading business, which purchases distressed debt at amounts well below par.
(2) The aggregate fair value of loans that were in nonaccrual status, which includes all loans 90 or more days past due, was $2,070 million and $1,367 million at September 30, 2015 and December 31, 2014, respectively. The aggregate fair value of loans that were 90 or more days past due was $916 million and $643 million at September 30, 2015 and December 31, 2014, respectively.
(3) Short-term and long-term borrowings do not include structured notes where the repayment of the initial principal amount fluctuates based on changes in the reference price or index.

The tables above exclude non-recourse debt from consolidated VIEs, liabilities related to failed sales of financial assets, pledged commodities and other liabilities that have specified assets attributable to them.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis.

Certain assets and liabilities were measured at fair value on a non-recurring basis and are not included in the tables above. These assets and liabilities may include loans, other investments, premises, equipment and software costs, intangible assets and lending commitments.

The following tables present, by caption on the Company s condensed consolidated statements of financial condition, the fair value hierarchy for those assets measured at fair value on a non-recurring basis for which the Company recognized a non-recurring fair value adjustment for the quarters and nine months ended September 30, 2015 and 2014.

Three Months and Nine Months Ended September 30, 2015.

		Fair Value Measurements Using:				
	Carrying Value at September 30, 2015(1)	Quoted in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses) for the Three Months Ended September 30, 2015(2)	Total Gains (Losses) for the Nine Months Ended September 30, 2015(2)
				(dollars in millions)		
Assets:						
Loans(3)	$ 5,089	$	$ 3,060	$ 2,029	$ 12	$ (201)
Other investments(4)						(2)
Premises, equipment and software costs(5)					(2)	(24)
Total assets	$ 5,089	$	$ 3,060	$ 2,029	$ 10	$ (227)
Liabilities:						
Other liabilities and accrued expenses(3)	$ (427)	$	$ (365)	$ (62)	$ (144)	$ (171)
Total liabilities	$ (427)	$	$ (365)	$ (62)	$ (144)	$ (171)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Three Months and Nine Months Ended September 30, 2014.

	Carrying Value at September 30, 2014(1)	Fair Value Measurements Using: Quoted in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses) for the Three Months Ended September 30, 2014(2)	Total Gains (Losses) for the Nine Months Ended September 30, 2014(2)
			(dollars in millions)			
Assets:						
Loans(3)	$ 2,672	$	$ 1,996	$ 676	$ (45)	$ (55)
Other investments(4)	38			38	(2)	(27)
Premises, equipment and software costs(5)					(27)	(43)
Intangible assets(4)	20			20	(4)	(6)
Other assets(5)						(9)
Total assets	$ 2,730	$	$ 1,996	$ 734	$ (78)	$ (140)

(1) Carrying values relate only to those assets that had fair value adjustments during the quarters ended September 30, 2015 and 2014.

(2) Changes in the fair value of Loans and losses related to Other investments are recorded within Other revenues in the Company s condensed consolidated statements of income. Losses related to Premises, equipment and software costs, Intangible assets and Other assets are recorded within Other expenses if not held for sale and within Other revenues if held for sale. Losses related to Other liabilities and accrued expenses are recorded within Other revenues and represent non-recurring fair value adjustments for certain lending commitments designated as held for sale.

(3) Non-recurring changes in the fair value of loans and lending commitments held for investment or held for sale were calculated using recently executed transactions; market price quotations; valuation models that incorporate market observable inputs where possible, such as comparable loan or debt prices and credit default swap spread levels adjusted for any basis difference between cash and derivative instruments; or default recovery analysis where such transactions and quotations are unobservable.

(4) Losses related to Other investments and Intangible assets were determined primarily using discounted cash flow models and methodologies that incorporate multiples of certain comparable companies.

(5) Losses related to Premises, equipment and software costs and Other assets were determined primarily using a default recovery analysis.

In addition to the table above, as a result of entering into an agreement to sell the global oil merchanting unit of the commodities division, the Company recognized an impairment charge of $10 million and $69 million in Other revenues in the Company s condensed consolidated statements of income in the quarter and nine months ended September 30, 2015, respectively, to reduce the carrying amount of the unit to its estimated fair value less costs to sell.

There were no significant liabilities measured at fair value on a non-recurring basis during the quarter and nine months ended September 30, 2014.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Financial Instruments Not Measured at Fair Value.

The tables below present the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value in the Company s condensed consolidated statements of financial condition. The tables below exclude certain financial instruments such as equity method investments and all non-financial assets and liabilities such as the value of the long-term relationships with our deposit customers.

For a further discussion of the Company s financial instruments not measured at fair value, see Note 4 to the consolidated financial statements in 2014 Form 10-K.

At September 30, 2015.

	At September 30, 2015		Fair Value Measurements Using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(dollars in millions)				
Financial Assets:					
Cash and due from banks	$ 19,244	$ 19,244	$ 19,244	$	$
Interest bearing deposits with banks	34,274	34,274	34,274		
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements	35,552	35,552	35,552		
Investment securities HTM securities	3,530	3,528	1,007	2,521	
Securities purchased under agreements to resell	126,397	126,397		125,731	666
Securities borrowed	148,245	148,232		148,148	84
Customer and other receivables(1)	46,134	46,028		41,230	4,798
Loans(2)	78,209	79,026		17,317	61,709
Financial Liabilities:					
Deposits	$ 147,226	$ 147,248	$	$ 147,248	$
Short-term borrowings	214	214		214	
Securities sold under agreements to repurchase	57,973	58,036		55,598	2,438
Securities loaned	20,644	20,657		20,488	169
Other secured financings	6,721	6,720		5,441	1,279
Customer and other payables(1)	190,434	190,434		190,434	
Long-term borrowings	128,956	130,826		130,747	79

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

At December 31, 2014.

	At December 31, 2014		Fair Value Measurements Using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(dollars in millions)		
Financial Assets:					
Cash and due from banks	$ 21,381	$ 21,381	$ 21,381	$	$
Interest bearing deposits with banks	25,603	25,603	25,603		
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements	40,607	40,607	40,607		
Investment securities HTM securities	100	100	100		
Securities purchased under agreements to resell	82,175	82,165		81,981	184
Securities borrowed	136,708	136,708		136,696	12
Customer and other receivables(1)	45,116	45,028		39,945	5,083
Loans(2)	66,577	67,800		18,212	49,588
Financial Liabilities:					
Deposits	$ 133,544	$ 133,572	$	$ 133,572	$
Short-term borrowings	496	496		496	
Securities sold under agreements to repurchase	69,337	69,433		63,921	5,512
Securities loaned	25,219	25,244		24,740	504
Other secured financings	7,581	7,881		5,465	2,416
Customer and other payables(1)	178,373	178,373		178,373	
Long-term borrowings	120,998	124,961		124,150	811

HTM held to maturity

(1) Accrued interest, fees, and dividend receivables and payables where carrying value approximates fair value have been excluded.
(2) Amounts include all loans measured at fair value on a non-recurring basis.

The fair value of the Company s lending commitments, primarily related to corporate lending in the Company s Institutional Securities business segment, that are not carried at fair value at September 30, 2015 was $1,807 million, of which $1,544 million and $263 million would have been categorized in Level 2 and Level 3 of the fair value hierarchy, respectively. The notional amount of these commitments was $109.8 billion.

The fair value of the Company s lending commitments, primarily related to corporate lending in the Company s Institutional Securities business segment, that are not carried at fair value at December 31, 2014 was $1,178 million, of which $928 million and $250 million would have been categorized in Level 2 and Level 3 of the fair value hierarchy, respectively. The notional amount of these commitments was $86.8 billion.

4. Derivative Instruments and Hedging Activities.

The Company trades and makes markets globally in listed futures, over-the-counter (OTC) swaps, forwards, options and other derivatives referencing, among other things, interest rates, currencies, investment grade and non-investment grade corporate credits, loans, bonds, U.S. and other sovereign securities, emerging market bonds and loans, credit indices, asset-backed security indices, property indices, mortgage-related and other asset-backed securities, and real estate loan products. The Company uses these instruments for trading, foreign currency exposure management, and asset and liability management.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The Company manages its trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging. Hedging activities consist of the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (*e.g.*, futures, forwards, swaps and options). The Company manages the market risk associated with its trading activities on a Company-wide basis, on a worldwide trading division level and on an individual product basis.

Offsetting of Derivative Instruments.

In connection with its derivative activities, the Company generally enters into master netting agreements and collateral agreements with its counterparties. For a further discussion of these agreements, see Note 12 to the consolidated financial statements in the 2014 Form 10-K. The following tables present information about the offsetting of derivative instruments and related collateral amounts. See information related to offsetting of certain collateralized transactions in Note 6.

	At September 30, 2015					
				Amounts Not Offset in the Condensed Consolidated Statements of Financial Condition(2)		
	Gross Amounts(1)	Amounts Offset in the Condensed Consolidated Statements of Financial Condition	Net Amounts Presented in the Condensed Consolidated Statements of Financial Condition	Financial Instruments Collateral	Other Cash Collateral	Net Exposure
	(dollars in millions)					
Derivative assets						
Bilateral OTC	$ 379,609	$ (351,265)	$ 28,344	$ (9,967)	$ (8)	$ 18,369
Cleared OTC(3)	129,262	(127,987)	1,275			1,275
Exchange traded	31,948	(28,273)	3,675			3,675
Total derivative assets	$ 540,819	$ (507,525)	$ 33,294	$ (9,967)	$ (8)	$ 23,319
Derivative liabilities						
Bilateral OTC	$ 361,467	$ (332,549)	$ 28,918	$ (6,967)	$	$ 21,951
Cleared OTC(3)	128,153	(127,267)	886		(2)	884
Exchange traded	34,242	(28,273)	5,969	(735)		5,234
Total derivative liabilities	$ 523,862	$ (488,089)	$ 35,773	$ (7,702)	$ (2)	$ 28,069

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	At December 31, 2014					
	Gross Amounts(4)	Amounts Offset in the Condensed Consolidated Statements of Financial Condition	Net Amounts Presented in the Condensed Consolidated Statements of Financial Condition	Amounts Not Offset in the Condensed Consolidated Statements of Financial Condition(2) Financial Instruments Collateral	Other Cash Collateral	Net Exposure
	(dollars in millions)					
Derivative assets						
Bilateral OTC	$ 427,079	$ (396,582)	$ 30,497	$ (9,844)	$ (19)	$ 20,634
Cleared OTC(3)	217,169	(215,576)	1,593			1,593
Exchange traded	32,123	(27,819)	4,304			4,304
Total derivative assets	$ 676,371	$ (639,977)	$ 36,394	$ (9,844)	$ (19)	$ 26,531
Derivative liabilities						
Bilateral OTC	$ 410,003	$ (375,095)	$ 34,908	$ (11,192)	$ (179)	$ 23,537
Cleared OTC(3)	211,695	(211,180)	515		(6)	509
Exchange traded	32,608	(27,819)	4,789	(726)		4,063
Total derivative liabilities	$ 654,306	$ (614,094)	$ 40,212	$ (11,918)	$ (185)	$ 28,109

(1) Amounts include $6.2 billion of derivative assets and $6.9 billion of derivative liabilities, which are either not subject to master netting agreements or collateral agreements or are subject to such agreements but the Company has not determined the agreements to be legally enforceable. See also Fair Value and Notional of Derivative Instruments herein, for additional disclosure about gross fair values and notionals for derivative instruments by risk type.

(2) Amounts relate to master netting agreements and collateral agreements, which have been determined by the Company to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

(3) Amounts include OTC derivatives that are centrally cleared in accordance with certain regulatory requirements.

(4) Amounts include $6.5 billion of derivative assets and $6.9 billion of derivative liabilities, which are either not subject to master netting agreements or collateral agreements or are subject to such agreements but the Company has not determined the agreements to be legally enforceable. See also Fair Value and Notional of Derivative Instruments herein, for additional disclosure about gross fair values and notionals for derivative instruments by risk type.

The Company incurs credit risk as a dealer in OTC derivatives. Credit risk with respect to derivative instruments arises from the failure of a counterparty to perform according to the terms of the contract. The Company s exposure to credit risk at any point in time is represented by the fair value of the derivative contracts reported as assets. The fair value of a derivative represents the amount at which the derivative could be exchanged in an orderly transaction between market participants and is further described in Note 2 to the consolidated financial statements in the 2014 Form 10-K and Note 3.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

OTC Derivative Products Trading Assets.

The tables below present a summary by counterparty credit rating and remaining contract maturity of the fair value of OTC derivatives in a gain position at September 30, 2015 and December 31, 2014. Fair value is presented in the final column, net of collateral received (principally cash and U.S. government and agency securities):

	At September 30, 2015(1)						
	Years to Maturity						
Credit Rating(2)	Less than 1	1-3	3-5	Over 5	Cross-Maturity and Cash Collateral Netting(3)	Net Exposure Post-cash Collateral	Net Exposure Post-collateral
	(dollars in millions)						
AAA	$ 260	$ 289	$ 895	$ 4,174	$ (4,514)	$ 1,104	$ 924
AA	2,599	2,493	1,848	11,978	(13,432)	5,486	2,887
A	10,807	9,428	5,885	22,520	(38,543)	10,097	6,606
BBB	4,202	4,711	2,414	12,306	(15,682)	7,951	5,654
Non-investment grade	4,502	3,339	1,521	3,755	(8,144)	4,973	3,573
Total	$ 22,370	$ 20,260	$ 12,563	$ 54,733	$ (80,315)	$ 29,611	$ 19,644

	At December 31, 2014(1)						
	Years to Maturity						
Credit Rating(2)	Less than 1	1-3	3-5	Over 5	Cross-Maturity and Cash Collateral Netting(3)	Net Exposure Post-cash Collateral	Net Exposure Post-collateral
	(dollars in millions)						
AAA	$ 499	$ 246	$ 1,313	$ 4,281	$ (5,009)	$ 1,330	$ 1,035
AA	2,679	2,811	2,704	14,137	(15,415)	6,916	4,719
A	11,733	10,833	7,585	23,968	(43,644)	10,475	6,520
BBB	5,119	3,753	2,592	13,132	(15,844)	8,752	6,035
Non-investment grade	3,196	3,089	1,541	2,499	(5,727)	4,598	3,918
Total	$ 23,226	$ 20,732	$ 15,735	$ 58,017	$ (85,639)	$ 32,071	$ 22,227

(1) Fair values shown represent the Company s net exposure to counterparties related to the Company s OTC derivative products. Amounts include centrally cleared OTC derivatives. The tables do not include exchange-traded derivatives and the effect of any related hedges utilized by the Company.
(2) Obligor credit ratings are determined by the Company s Credit Risk Management Department.
(3) Amounts represent the netting of receivable balances with payable balances for the same counterparty across maturity categories. Receivable and payable balances with the same counterparty in the same maturity category are netted within such maturity category, where appropriate. Cash collateral received is netted on a counterparty basis, provided legal right of offset exists.

For a discussion of hedge accounting, fair value hedges interest rate risk and net investment hedges, see Note 12 to the consolidated financial statements in the 2014 Form 10-K.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Fair Value and Notional of Derivative Instruments.

The following tables summarize the fair value of derivative instruments designated as accounting hedges and the fair value of derivative instruments not designated as accounting hedges by type of derivative contract and the platform on which these instruments are traded or cleared on a gross basis. Fair values of derivative contracts in an asset position are included in Trading assets, and fair values of derivative contracts in a liability position are reflected in Trading liabilities in the Company s condensed consolidated statements of financial condition (see Note 3):

	Derivative Assets at September 30, 2015							
	Fair Value				Notional			
	Bilateral OTC	Cleared OTC(1)	Exchange Traded	Total	Bilateral OTC	Cleared OTC(1)	Exchange Traded	Total
	(dollars in millions)							
Derivatives designated as accounting hedges:								
Interest rate contracts	$ 3,565	$ 1,828	$	$ 5,393	$ 38,389	$ 43,193	$	$ 81,582
Foreign exchange contracts	210	5		215	6,533	438		6,971
Total derivatives designated as accounting hedges	3,775	1,833		5,608	44,922	43,631		88,553
Derivatives not designated as accounting hedges(2):								
Interest rate contracts	242,212	123,482	436	366,130	4,570,771	6,416,792	1,231,155	12,218,718
Credit contracts	21,246	3,535		24,781	684,536	171,985		856,521
Foreign exchange contracts	70,521	412	102	71,035	1,964,784	13,908	42,417	2,021,109
Equity contracts	25,261		26,399	51,660	356,509		294,745	651,254
Commodity contracts	16,230		5,011	21,241	87,566		103,188	190,754
Other	364			364	7,568			7,568
Total derivatives not designated as accounting hedges	375,834	127,429	31,948	535,211	7,671,734	6,602,685	1,671,505	15,945,924
Total derivatives	$ 379,609	$ 129,262	$ 31,948	$ 540,819	$ 7,716,656	$ 6,646,316	$ 1,671,505	$ 16,034,477
Cash collateral netting	(54,391)	(2,480)		(56,871)				
Counterparty netting	(296,874)	(125,507)	(28,273)	(450,654)				
Total derivative assets	$ 28,344	$ 1,275	$ 3,675	$ 33,294	$ 7,716,656	$ 6,646,316	$ 1,671,505	$ 16,034,477

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Derivative Liabilities at September 30, 2015							
	Fair Value				Notional			
	Bilateral OTC	Cleared OTC(1)	Exchange Traded	Total	Bilateral OTC	Cleared OTC(1)	Exchange Traded	Total
	(dollars in millions)							
Derivatives designated as accounting hedges:								
Interest rate contracts	$ 61	$ 98	$	$ 159	$ 2,000	$ 4,519	$	$ 6,519
Foreign exchange contracts	37	2		39	4,155	153		4,308
Total derivatives designated as accounting hedges	98	100		198	6,155	4,672		10,827
Derivatives not designated as accounting hedges(2):								
Interest rate contracts	224,805	124,372	321	349,498	4,259,745	6,013,571	1,189,701	11,463,017
Credit contracts	21,224	3,418		24,642	617,011	165,496		782,507
Foreign exchange contracts	72,572	263	60	72,895	1,968,292	12,137	9,274	1,989,703
Equity contracts	28,858		28,553	57,411	351,276		293,615	644,891
Commodity contracts	13,859		5,308	19,167	79,641		89,147	168,788
Other	51			51	4,170			4,170
Total derivatives not designated as accounting hedges	361,369	128,053	34,242	523,664	7,280,135	6,191,204	1,581,737	15,053,076
Total derivatives	$ 361,467	$ 128,153	$ 34,242	$ 523,862	$ 7,286,290	$ 6,195,876	$ 1,581,737	$ 15,063,903
Cash collateral netting	(35,675)	(1,760)		(37,435)				
Counterparty netting	(296,874)	(125,507)	(28,273)	(450,654)				
Total derivative liabilities	$ 28,918	$ 886	$ 5,969	$ 35,773	$ 7,286,290	$ 6,195,876	$ 1,581,737	$ 15,063,903

	Derivative Assets at December 31, 2014							
	Fair Value				Notional			
	Bilateral OTC	Cleared OTC(1)	Exchange Traded	Total	Bilateral OTC	Cleared OTC(1)	Exchange Traded	Total
	(dollars in millions)							
Derivatives designated as accounting hedges:								
Interest rate contracts	$ 3,947	$ 1,053	$	$ 5,000	$ 44,324	$ 27,692	$	$ 72,016
Foreign exchange contracts	498	6		504	9,362	261		9,623
Total derivatives designated as accounting hedges	4,445	1,059		5,504	53,686	27,953		81,639
Derivatives not designated as accounting hedges(3):								
Interest rate contracts	281,214	211,552	407	493,173	4,854,953	9,187,454	1,467,056	15,509,463
Credit contracts	27,776	4,406		32,182	806,441	167,390		973,831
Foreign exchange contracts	72,362							