

BANK OF AMERICA CORP /DE/
Form 10-Q
November 01, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2016

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State or other jurisdiction of incorporation or organization:

Delaware

IRS Employer Identification No.:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

Former name, former address and former fiscal year, if changed since last report:

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 ☒ 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 ☒ 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).

Non-accelerated filer

Large accelerated filer ☐ Accelerated filer ☐ (do not check if a smaller reporting company) ☒ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes ☐ No ☒

On October 31, 2016, there were 10,105,046,654 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
September 30, 2016
Form 10-Q

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with certain of its subsidiaries and affiliates, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "hopes," "estimates," "intends," "plans," "goals," "believes," "continue" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." Forward-looking statements represent the Corporation's current expectations, plans or forecasts of its future results, revenues, expenses, efficiency ratio, capital measures, and future business and economic conditions more generally, and other future matters. These statements are not guarantees of future results or performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including under Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to distinguish certain aspects of the New York Court of Appeals' ACE Securities Corp v. DB Structured Products, Inc. (ACE) decision or to assert other claims seeking to avoid the impact of the ACE decision; the possibility that the Corporation could face increased servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, other parties involved in securitizations, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation and regulatory proceedings, including the possibility that amounts may be in excess of the Corporation's recorded liability and estimated range of possible loss for litigation exposures; the possible outcome of LIBOR, other reference rate, financial instrument and foreign exchange inquiries, investigations and litigation; uncertainties about the financial stability and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation's exposures to such risks, including direct, indirect and operational; the impact of U.S. and global interest rates (including negative or continued low interest rates), currency exchange rates and economic conditions; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior and other uncertainties; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; the impact on the Corporation's business, financial condition and results of operations from a protracted period of lower oil prices or ongoing volatility with respect to oil prices; our ability to achieve our expense targets; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including the potential adoption of total loss-absorbing capacity requirements; the potential for payment protection insurance exposure to increase as a result of Financial Conduct Authority actions; the impact of Federal Reserve actions on the Corporation's capital plans; the possible impact of the Corporation's failure to remediate deficiencies and shortcomings identified by banking regulators in the Corporation's Recovery and Resolution plans; the impact of implementation and compliance with U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, FDIC assessments, the Volcker Rule, fiduciary

standards and derivatives regulations; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations from the potential exit of the United Kingdom from the European Union; and other similar matters.

Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior-period amounts have been reclassified to conform to current period presentation. Throughout the MD&A, the Corporation uses certain acronyms and abbreviations which are defined in the Glossary.

The Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 as supplemented by a Current Report on Form 8-K filed on August 1, 2016 to reflect reclassified business segment information is referred to herein as the 2015 Annual Report on Form 10-K.

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Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through four business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At September 30, 2016, the Corporation had approximately \$2.2 trillion in assets and approximately 209,000 full-time equivalent employees.

At September 30, 2016, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,600 retail financial centers, approximately 16,000 ATMs, and leading online (www.bankofamerica.com) and mobile banking platforms with approximately 34 million active accounts and more than 21 million mobile active users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of approximately \$2.5 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes, serving corporations, governments, institutions and individuals around the world.

Third-Quarter 2016 Economic and Business Environment

In the third quarter of 2016, the macroeconomic environment in the U.S. was mixed. Continued strengthening in the labor market and a rebound in gross domestic product (GDP) growth were offset by continued weakness in certain sectors. The unemployment rate remained slightly below five percent, close to what is generally regarded as the natural rate of unemployment. However, retail sales and industrial production declined. Manufacturing output was weak, and businesses remained reluctant to invest in equipment and software. The economic pick-up during the quarter stemmed from continued moderate growth in domestic demand, largely reflecting consumption gains, along with a rebound in exports and signs that businesses may have passed the peak of their inventory reductions. Overall, these were minimal changes in the U.S. macroeconomic environment in comparison to the prior quarter.

Oil prices were generally stable over the quarter. Core inflation maintained the momentum gained early in the year, but remained below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term annual target of two percent. Treasury yields fell during the quarter, reaching their lows in mid-July. Corporate spreads narrowed on the perception of an improving U.S. economy and strong international demand due to negative rates in Europe and Japan. U.S. equities rose moderately.

The Federal Open Market Committee (FOMC) cited continued improvement in the labor market and progress toward meeting the requirements for another interest rate hike. However, the low level of inflation and weak spots in the economy kept the FOMC on hold regarding the increase in rates.

Following the U.K.'s Referendum on exiting the European Union (EU) (U.K. Referendum) in June, economic indicators in the U.K. proved resilient despite the risk of negative growth during the third quarter. The unemployment

rate in the U.K., for instance, remained below five percent. Economic momentum in the eurozone was sustained despite the U.K. Referendum, with available indicators pointing to moderate expansion in the third quarter. However, political uncertainty remained elevated and continued to impact financial markets. The European Central Bank maintained accommodative conditions, but did not commit to a possible extension of quantitative easing beyond March 2017. Government bond yields remained low, with German 10-year Bund yields remaining in negative territory.

Amid persistently low inflation, the Bank of Japan introduced a new policy focusing on maintaining the 10-year government bond yield near zero percent. In early July, a coup attempt in Turkey increased political instability, although the current government remained in power and financial market reaction outside of Turkey was minimal. The Chinese economy was stable during the quarter, but real estate remained a major concern.

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Recent Events

Change in Accounting Method Related to Certain Debt Securities

Effective July 1, 2016, the Corporation changed its accounting method for the amortization of premiums and accretion of discounts related to certain debt securities under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310-20, Nonrefundable fees and other costs, from the prepayment method (also referred to as the retrospective method), to the contractual method. All prior periods presented herein have been restated to conform to current period presentation. Under the applicable bank regulatory rules, we are not required to and, accordingly, will not restate previously-filed capital metrics and ratios. The cumulative impact of the change in accounting method would have resulted in an insignificant pro forma change to our capital metrics and ratios. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Capital Management

Our 2016 Comprehensive Capital Analysis and Review (CCAR) capital plan included requests (i) to repurchase \$5.0 billion of common stock over four quarters beginning in the third quarter of 2016, (ii) to repurchase common stock to offset the dilution resulting from certain equity-based compensation awards and (iii) to increase the quarterly common stock dividend from \$0.05 per share to \$0.075 per share. On June 29, 2016, following the Federal Reserve's non-objection to our 2016 CCAR capital plan, the Board of Directors (the Board) authorized the common stock repurchases described above. The common stock repurchase authorization includes both common stock and warrants. During the three months ended September 30, 2016, pursuant to the Board's authorization, we repurchased \$1.4 billion of common stock, which includes common stock to offset equity-based compensation awards. On July 27, 2016, the Board declared a quarterly common stock dividend of \$0.075 per share, payable on September 23, 2016 to shareholders of record as of September 2, 2016. For additional information, see the Corporation's Current Report on Form 8-K as filed on June 29, 2016.

Selected Financial Data

Table 1 provides selected consolidated financial data for the three and nine months ended September 30, 2016 and 2015, and at September 30, 2016 and December 31, 2015.

Table 1
Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Income statement				
Revenue, net of interest expense	\$21,635	\$20,992	\$63,711	\$63,383
Net income	4,955	4,619	13,210	12,552
Diluted earnings per common share	0.41	0.38	1.10	1.03
Dividends paid per common share	0.075	0.05	0.175	0.15
Performance ratios				
Return on average assets	0.90	% 0.84	% 0.81	% 0.78
Return on average common shareholders' equity	7.27	7.16	6.61	6.67
Return on average tangible common shareholders' equity ⁽¹⁾	10.28	10.40	9.40	9.74
Efficiency ratio	62.31	66.40	65.59	68.98

	September 30 2016	December 31 2015
Balance sheet		
Total loans and leases	\$ 905,008	\$ 896,983
Total assets	2,195,314	2,144,287
Total deposits	1,232,895	1,197,259
Total common shareholders' equity	244,863	233,903
Total shareholders' equity	270,083	256,176
(1) Return on average tangible common shareholders' equity is a non-GAAP financial measure. For more information and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 13.		

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Financial Highlights

Net income was \$5.0 billion, or \$0.41 per diluted share, and \$13.2 billion, or \$1.10 per diluted share for the three and nine months ended September 30, 2016 compared to \$4.6 billion, or \$0.38, and \$12.6 billion, or \$1.03 for the same periods in 2015. The results for the three months ended September 30, 2016 compared to the prior-year period were primarily driven by increased revenue and lower noninterest expense. The results for the nine months ended September 30, 2016 compared to the prior-year period were primarily driven by lower noninterest expense and increased revenue, offset by higher provision for credit losses.

Total assets increased \$51.0 billion from December 31, 2015 to \$2.2 trillion at September 30, 2016 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity, an increase in debt securities driven by the deployment of deposit inflows, higher trading account assets, and an increase in loans and leases driven by demand for commercial loans outpacing consumer loan sales and run-off. Total liabilities increased \$37.1 billion from December 31, 2015 to \$1.9 trillion at September 30, 2016 primarily driven by increases in deposits and trading account liabilities, partially offset by a decrease in long-term debt. Shareholders' equity increased \$13.9 billion from December 31, 2015 driven by earnings, an increase in accumulated other comprehensive income (OCI) due to a positive net change in the fair value of available-for-sale (AFS) debt securities as a result of lower interest rates, and preferred stock issuances, partially offset by returns of capital to shareholders of \$6.9 billion through common and preferred stock dividends and common stock repurchases.

Table 2
Summary Income Statement

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Net interest income	\$10,201	\$9,900	\$30,804	\$29,272
Noninterest income	11,434	11,092	32,907	34,111
Total revenue, net of interest expense	21,635	20,992	63,711	63,383
Provision for credit losses	850	806	2,823	2,351
Noninterest expense	13,481	13,939	41,790	43,724
Income before income taxes	7,304	6,247	19,098	17,308
Income tax expense	2,349	1,628	5,888	4,756
Net income	4,955	4,619	13,210	12,552
Preferred stock dividends	503	441	1,321	1,153
Net income applicable to common shareholders	\$4,452	\$4,178	\$11,889	\$11,399
Per common share information				
Earnings	\$0.43	\$0.40	\$1.15	\$1.09
Diluted earnings	0.41	0.38	1.10	1.03

Net Interest Income

Net interest income increased \$301 million to \$10.2 billion, and \$1.5 billion to \$30.8 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015. The net interest yield increased four basis points (bps) to 2.18 percent, and six bps to 2.21 percent. The increases for the three- and nine- month periods were primarily driven by growth in commercial loans, the impact from higher short-end interest rates and increased debt securities balances.

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Noninterest Income

Table 3

Noninterest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Card income	\$1,455	\$1,510	\$4,349	\$4,381
Service charges	1,952	1,898	5,660	5,519
Investment and brokerage services	3,160	3,336	9,543	10,101
Investment banking income	1,458	1,287	4,019	4,300
Trading account profits	2,141	1,616	5,821	5,510
Mortgage banking income	589	407	1,334	2,102
Gains on sales of debt securities	51	437	490	886
Other income	628	601	1,691	1,312
Total noninterest income	\$11,434	\$11,092	\$32,907	\$34,111

Noninterest income increased \$342 million to \$11.4 billion, and decreased \$1.2 billion to \$32.9 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015. The following highlights the significant changes.

Investment and brokerage services income decreased \$176 million and \$558 million driven by lower market valuations and lower transactional revenue, partially offset by the impact of long-term assets under management (AUM) flows.

Investment banking income increased \$171 million for the three-month period primarily driven by an increase in debt and equity issuance fees, partially offset by lower advisory fees. Investment banking income decreased \$281 million for the nine-month period driven by lower equity issuance and advisory fees due to a decline in market fee pools.

Trading account profits increased \$525 million and \$311 million for the three and nine months ended September 30, 2016 compared to the same periods in 2015 primarily due to a stronger performance globally across credit products led by mortgages and continued strength in rates products, partially offset by reduced client activity in equities.

Mortgage banking income increased \$182 million for the three-month period primarily due to favorable mortgage servicing rights (MSR) results, net of the related hedge performance, partially offset by a decline in production income. Mortgage banking income decreased \$768 million for the nine-month period primarily driven by a decline in production revenue, a provision for representations and warranties in the current-year period compared to a benefit in the prior-year period, as well as lower servicing fees, partially offset by favorable MSR results, net of the related hedge performance.

Other income increased \$27 million and \$379 million primarily due to lower debit valuation adjustment (DVA) losses on structured liabilities, as well as improved results from loans and the related hedging activities in the fair value option portfolio, partially offset by lower gains on asset sales. DVA losses related to structured liabilities were \$24 million and \$77 million for the three and nine months ended September 30, 2016 compared to \$54 million and \$604 million in the same periods in 2015.

Provision for Credit Losses

The provision for credit losses increased \$44 million to \$850 million, and \$472 million to \$2.8 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015 due to a slower pace of credit quality improvement and, for the nine-month period, an increase in energy sector reserves for the higher risk energy sub-sectors. For more information on the provision for credit losses, see Provision for Credit Losses on page 79. For more information on our energy sector exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 74.

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Noninterest Expense

Table 4

Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Personnel	\$7,704	\$7,829	\$24,278	\$25,333
Occupancy	1,005	1,028	3,069	3,082
Equipment	443	499	1,357	1,511
Marketing	410	445	1,243	1,330
Professional fees	536	673	1,433	1,588
Amortization of intangibles	181	207	554	632
Data processing	685	731	2,240	2,298
Telecommunications	189	210	551	583
Other general operating	2,328	2,317	7,065	7,367
Total noninterest expense	\$13,481	\$13,939	\$41,790	\$43,724

Noninterest expense decreased \$458 million to \$13.5 billion, and \$1.9 billion to \$41.8 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015. Personnel expense decreased \$125 million and \$1.1 billion as we continue to manage headcount and achieve cost savings. Continued expense management, as well as the expiration of certain advisor retention awards, more than offset the increases in client-facing professionals. Other general operating expense decreased \$302 million for the nine-month period compared to the same period in 2015 primarily driven by lower foreclosed properties expense and lower brokerage fees, partially offset by higher FDIC expense.

Income Tax Expense

Table 5

Income Tax Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Income before income taxes	\$7,304	\$6,247	\$19,098	\$17,308
Income tax expense	2,349	1,628	5,888	4,756
Effective tax rate	32.2	% 26.1	% 30.8	% 27.5

The effective tax rates for the three and nine months ended September 30, 2016 were driven by our recurring tax preference benefits, and included the \$350 million charge for the impact of the U.K. tax law changes discussed below. The effective tax rates for the three and nine months ended September 30, 2015 were driven by our recurring tax preference benefits, as well as benefits related to certain non-U.S. restructurings.

The U.K. Finance Bill 2016 was enacted on September 15, 2016. The changes include reducing the U.K. corporate income tax rate by one percent to 17 percent, effective April 1, 2020. This reduction favorably affects income tax expense on future U.K. earnings, but required a remeasurement of our U.K. net deferred tax assets using the lower tax rate. Accordingly, upon enactment, we recorded an income tax charge of approximately \$350 million. In addition, for banking companies, the portion of U.K. taxable income that can be reduced by existing net operating loss

carryforwards in any one taxable year has been reduced from 50 percent to 25 percent retroactive to April 1, 2016.

The majority of our U.K. deferred tax assets, which consist primarily of net operating losses, are expected to be realized by certain subsidiaries over a number of years. Significant changes to management's earnings forecasts for those subsidiaries, such as changes caused by a substantial and prolonged worsening of the condition of Europe's capital markets, changes in applicable laws, further changes in tax laws or changes in the ability of our U.K. subsidiaries to conduct business in the EU, could lead management to reassess our ability to realize the U.K. deferred tax assets.

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Table 6

Selected Quarterly Financial Data

(In millions, except per share information)	2016 Quarters			2015 Quarters	
	Third	Second	First	Fourth	Third
Income statement					
Net interest income	\$10,201	\$10,118	\$10,485	\$9,686	\$9,900
Noninterest income	11,434	11,168	10,305	9,896	11,092
Total revenue, net of interest expense	21,635	21,286	20,790	19,582	20,992
Provision for credit losses	850	976	997	810	806
Noninterest expense	13,481	13,493	14,816	14,010	13,939
Income before income taxes	7,304	6,817	4,977	4,762	6,247
Income tax expense	2,349	2,034	1,505	1,478	1,628
Net income	4,955	4,783	3,472	3,284	4,619
Net income applicable to common shareholders	4,452	4,422	3,015	2,954	4,178
Average common shares issued and outstanding	10,250	10,328	10,370	10,399	10,444
Average diluted common shares issued and outstanding	11,000	11,059	11,100	11,153	11,197
Performance ratios					
Return on average assets	0.90	% 0.88	% 0.64	% 0.60	% 0.84
Four quarter trailing return on average assets ⁽¹⁾	0.76	0.74	0.73	0.73	0.74
Return on average common shareholders' equity	7.27	7.40	5.11	4.99	7.16
Return on average tangible common shareholders' equity ⁽²⁾	10.28	10.54	7.33	7.19	10.40
Return on average shareholders' equity	7.33	7.25	5.36	5.07	7.22
Return on average tangible shareholders' equity ⁽²⁾	9.98	9.93	7.40	7.04	10.08
Total ending equity to total ending assets	12.30	12.23	12.03	11.95	11.88
Total average equity to total average assets	12.28	12.13	11.98	11.79	11.70
Dividend payout	17.32	11.73	17.13	17.57	12.48
Per common share data					
Earnings	\$0.43	\$0.43	\$0.29	\$0.28	\$0.40
Diluted earnings	0.41	0.41	0.28	0.27	0.38
Dividends paid	0.075	0.05	0.05	0.05	0.05
Book value	24.19	23.71	23.14	22.53	22.40
Tangible book value ⁽²⁾	17.14	16.71	16.19	15.62	15.50
Market price per share of common stock					
Closing	\$15.65	\$13.27	\$13.52	\$16.83	\$15.58
High closing	16.19	15.11	16.43	17.95	18.45
Low closing	12.74	12.18	11.16	15.38	15.26
Market capitalization	\$158,438	\$135,577	\$139,427	\$174,700	\$162,457

(1) Calculated as total net income for four consecutive quarters divided by annualized average assets for four consecutive quarters.

Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For

(2) more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 13.

(3) For more information on the impact of the purchased credit-impaired (PCI) loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 52.

(4) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.

(5) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management –

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 65 and corresponding Table 35, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 73 and corresponding Table 42.

- (6) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in Consumer Banking, PCI loans and the non-U.S. credit card portfolio in All Other.
Net charge-offs exclude \$83 million, \$82 million, \$105 million, \$82 million and \$148 million of write-offs in the
- (7) PCI loan portfolio in the third, second and first quarters of 2016 and in the fourth and third quarters of 2015, respectively. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.
Risk-based capital ratios reported under Basel 3 Advanced - Transition beginning in the fourth quarter of 2015.
- (8) Prior to the fourth quarter of 2015, we were required to report risk-based capital ratios under Basel 3 Standardized - Transition only. For additional information, see Capital Management on page 39.

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Table 6

Selected Quarterly Financial Data (continued)

(Dollars in millions)	2016 Quarters			2015 Quarters		
	Third	Second	First	Fourth	Third	
Average balance sheet						
Total loans and leases	\$900,594	\$899,670	\$892,984	\$886,156	\$877,429	
Total assets	2,189,490	2,188,241	2,173,922	2,180,507	2,168,930	
Total deposits	1,227,186	1,213,291	1,198,455	1,186,051	1,159,231	
Long-term debt	227,269	233,061	233,654	237,384	240,520	
Common shareholders' equity	243,679	240,376	237,229	234,800	231,524	
Total shareholders' equity	268,899	265,354	260,423	257,074	253,798	
Asset quality ⁽³⁾						
Allowance for credit losses ⁽⁴⁾	\$12,459	\$12,587	\$12,696	\$12,880	\$13,318	
Nonperforming loans, leases and foreclosed properties ⁽⁵⁾	8,737	8,799	9,281	9,836	10,336	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ⁽⁵⁾	1.30	% 1.32	% 1.35	% 1.37	% 1.45	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ⁽⁵⁾	140	142	136	130	129	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio ⁽⁵⁾	135	135	129	122	120	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ⁽⁶⁾	\$4,068	\$4,087	\$4,138	\$4,518	\$4,682	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ^(5, 6)	91	% 93	% 90	% 82	% 81	%
Net charge-offs ⁽⁷⁾	\$888	\$985	\$1,068	\$1,144	\$932	
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(5, 7)	0.40	% 0.44	% 0.48	% 0.52	% 0.43	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio ⁽⁵⁾	0.40	0.45	0.49	0.53	0.43	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding ⁽⁵⁾	0.43	0.48	0.53	0.55	0.49	
Nonperforming loans and leases as a percentage of total loans and leases outstanding ⁽⁵⁾	0.93	0.94	0.99	1.05	1.12	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties ⁽⁵⁾	0.97	0.98	1.04	1.10	1.18	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽⁷⁾	3.31	2.99	2.81	2.70	3.42	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	3.18	2.85	2.67	2.52	3.18	
	3.03	2.76	2.56	2.52	2.95	

Ratio of the allowance for loan and lease losses at
period end to annualized net charge-offs and PCI
write-offs

Capital ratios at period end

Risk-based capital: ⁽⁸⁾

Common equity tier 1 capital	11.0	% 10.6	% 10.3	% 10.2	% 11.6	%
Tier 1 capital	12.4	12.0	11.5	11.3	12.9	
Total capital	14.2	13.9	13.4	13.2	15.8	
Tier 1 leverage	9.1	8.9	8.7	8.6	8.5	
Tangible equity ⁽²⁾	9.4	9.3	9.1	8.9	8.8	
Tangible common equity ⁽²⁾	8.2	8.1	7.9	7.8	7.8	

For footnotes see page 9.

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Table 7

Selected Year-to-Date Financial Data

(In millions, except per share information)	Nine Months Ended September 30	
	2016	2015
Income statement		
Net interest income	\$30,804	\$29,272
Noninterest income	32,907	34,111
Total revenue, net of interest expense	63,711	63,383
Provision for credit losses	2,823	2,351
Noninterest expense	41,790	43,724
Income before income taxes	19,098	17,308
Income tax expense	5,888	4,756
Net income	13,210	12,552
Net income applicable to common shareholders	11,889	11,399
Average common shares issued and outstanding	10,313	10,483
Average diluted common shares issued and outstanding	11,047	11,234
Performance ratios		
Return on average assets	0.81	% 0.78 %
Return on average common shareholders' equity	6.61	6.67
Return on average tangible common shareholders' equity ⁽¹⁾	9.40	9.74
Return on average shareholders' equity	6.66	6.71
Return on average tangible shareholders' equity ⁽¹⁾	9.13	9.42
Total ending equity to total ending assets	12.30	11.88
Total average equity to total average assets	12.13	11.62
Dividend payout	15.19	13.78
Per common share data		
Earnings	\$1.15	\$1.09
Diluted earnings	1.10	1.03
Dividends paid	0.175	0.15
Book value	24.19	22.40
Tangible book value ⁽¹⁾	17.14	15.50
Market price per share of common stock		
Closing	\$15.65	\$15.58
High closing	16.43	18.45
Low closing	11.16	15.15
Market capitalization	\$158,438	\$162,457

Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For

- (1) more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 13.
- (2) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 52.
- (3) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments. Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 65 and corresponding Table 35, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 73 and corresponding Table 42.
- (5)

Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in Consumer Banking, PCI loans and the non-U.S. credit card portfolio in All Other.

Net charge-offs exclude \$270 million and \$726 million of write-offs in the PCI loan portfolio for the nine months⁽⁶⁾ ended September 30, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

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Table 7

Selected Year-to-Date Financial Data (continued)

(Dollars in millions)	Nine Months Ended September 30			
	2016	2015		
Average balance sheet				
Total loans and leases	\$897,760	\$873,630		
Total assets	2,183,905	2,153,353		
Total deposits	1,213,029	1,145,686		
Long-term debt	231,313	240,960		
Common shareholders' equity	240,440	228,614		
Total shareholders' equity	264,907	250,265		
Asset quality ⁽²⁾				
Allowance for credit losses ⁽³⁾	\$12,459	\$13,318		
Nonperforming loans, leases and foreclosed properties ⁽⁴⁾	8,737	10,336		
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ⁽⁴⁾	1.30	%	1.45	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ⁽⁴⁾	140	129		
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio ⁽⁴⁾	135	120		
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ⁽⁵⁾	\$4,068	\$4,682		
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ^(4, 5)	91	%	81	%
Net charge-offs ⁽⁶⁾	\$2,941	\$3,194		
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(4, 6)	0.44	%	0.49	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio ⁽⁴⁾	0.45	0.50		
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding ⁽⁴⁾	0.48	0.61		
Nonperforming loans and leases as a percentage of total loans and leases outstanding ⁽⁴⁾	0.93	1.12		
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties ⁽⁴⁾	0.97	1.18		
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽⁶⁾	2.98	2.96		
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.86	2.76		
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.73	2.41		

For footnotes see page 11.

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Supplemental Financial Data

In this Form 10-Q, we present certain non-GAAP financial measures. Non-GAAP financial measures exclude certain items or otherwise include components that differ from the most directly comparable measures calculated in accordance with GAAP. Non-GAAP financial measures are provided as additional useful information to assess our financial condition, results of operations (including period-to-period operating performance) or compliance with prospective regulatory requirements. These non-GAAP financial measures are not intended as a substitute for GAAP financial measures and may not be defined or calculated the same way as non-GAAP financial measures used by other companies.

We view net interest income and related ratios and analyses on an fully taxable-equivalent (FTE) basis, which when presented on a consolidated basis, are non-GAAP financial measures. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 35 percent and a representative state tax rate. In addition, certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on an FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds. We believe that presentation of these items on an FTE basis allows for comparison of amounts from both taxable and tax-exempt sources and is consistent with industry practices.

We may present certain key performance indicators and ratios excluding certain items (e.g., DVA) which result in non-GAAP financial measures. We believe that the presentation of measures that exclude these items are useful because they provide additional information to assess the underlying operational performance and trends of our businesses and to allow better comparison of period-to-period operating performance.

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Tangible equity represents an adjusted shareholders' equity or common shareholders' equity amount which has been reduced by goodwill and certain acquired intangible assets (excluding MSRs), net of related deferred tax liabilities. These measures are used to evaluate our use of equity. In addition, profitability, relationship and investment models use both return on average tangible common shareholders' equity and return on average tangible shareholders' equity as key measures to support our overall growth goals. These ratios are as follows:

Return on average tangible common shareholders' equity measures our earnings contribution as a percentage of adjusted common shareholders' equity. The tangible common equity ratio represents adjusted ending common shareholders' equity divided by total assets less goodwill and certain acquired intangible assets (excluding MSRs), net of related deferred tax liabilities.

Return on average tangible shareholders' equity measures our earnings contribution as a percentage of adjusted average total shareholders' equity. The tangible equity ratio represents adjusted ending shareholders' equity divided by total assets less goodwill and certain acquired intangible assets (excluding MSRs), net of related deferred tax liabilities.

Tangible book value per common share represents adjusted ending common shareholders' equity divided by ending common shares outstanding.

We believe that the use of ratios that utilize tangible equity provides additional useful information because they present measures of those assets that can generate income. Tangible book value per share provides additional useful information about the level of tangible assets in relation to outstanding shares of common stock.

The aforementioned supplemental data and performance measures are presented in Tables 6 and 7.

Table 8 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 8

Supplemental Financial Data

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Fully taxable-equivalent basis data				
Net interest income	\$ 10,429	\$ 10,127	\$ 31,470	\$ 29,936
Total revenue, net of interest expense	21,863	21,219	64,377	64,047
Net interest yield	2.23	% 2.19	% 2.26	% 2.20
Efficiency ratio	61.66	65.70	64.91	68.27

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Tables 9 and 10 provide reconciliations of these non-GAAP financial measures to GAAP financial measures.

Table 9

Quarterly and Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	Three Months Ended September 30 2016			2015		
	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis
Net interest income	\$ 10,201	\$ 228	\$ 10,429	\$ 9,900	\$ 227	\$ 10,127
Total revenue, net of interest expense	21,635	228	21,863	20,992	227	21,219
Income tax expense	2,349	228	2,577	1,628	227	1,855
(Dollars in millions)	Nine Months Ended September 30 2016			2015		
	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis
Net interest income	\$ 30,804	\$ 666	\$ 31,470	\$ 29,272	\$ 664	\$ 29,936
Total revenue, net of interest expense	63,711	666	64,377	63,383	664	64,047
Income tax expense	5,888	666	6,554	4,756	664	5,420

Table 10

Period-end and Average Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	Period-end		Average		Nine Months Ended	
			Three Months Ended		September 30	
	September 30 2016	December 31 2015	2016	2015	2016	2015
Common shareholders' equity	\$ 244,863	\$ 233,903	\$ 243,679	\$ 231,524	\$ 240,440	\$ 228,614
Goodwill	(69,744)	(69,761)	(69,744)	(69,774)	(69,752)	(69,775)
Intangible assets (excluding MSRs)	(3,168)	(3,768)	(3,276)	(4,099)	(3,480)	(4,307)
Related deferred tax liabilities	1,588	1,716	1,628	1,811	1,666	1,885
Tangible common shareholders' equity	\$ 173,539	\$ 162,090	\$ 172,287	\$ 159,462	\$ 168,874	\$ 156,417
Shareholders' equity	\$ 270,083	\$ 256,176	\$ 268,899	\$ 253,798	\$ 264,907	\$ 250,265
Goodwill	(69,744)	(69,761)	(69,744)	(69,774)	(69,752)	(69,775)
Intangible assets (excluding MSRs)	(3,168)	(3,768)	(3,276)	(4,099)	(3,480)	(4,307)
Related deferred tax liabilities	1,588	1,716	1,628	1,811	1,666	1,885
Tangible shareholders' equity	\$ 198,759	\$ 184,363	\$ 197,507	\$ 181,736	\$ 193,341	\$ 178,068
Total assets	\$ 2,195,314	\$ 2,144,287				
Goodwill	(69,744)	(69,761)				
Intangible assets (excluding MSRs)	(3,168)	(3,768)				
Related deferred tax liabilities	1,588	1,716				
Tangible assets	\$ 2,123,990	\$ 2,072,474				

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Table 11

Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Third Quarter 2016			Third Quarter 2015		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$133,866	\$148	0.44 %	\$145,174	\$96	0.26 %
Time deposits placed and other short-term investments	9,336	34	1.45	11,503	38	1.32
Federal funds sold and securities borrowed or purchased under agreements to resell	214,254	267	0.50	210,127	275	0.52
Trading account assets	128,879	1,111	3.43	140,484	1,170	3.31
Debt securities	423,182	2,169	2.07	394,265	2,282	2.32
Loans and leases ⁽¹⁾ :						
Residential mortgage	188,234	1,612	3.42	193,791	1,690	3.49
Home equity	70,603	681	3.84	79,715	730	3.64
U.S. credit card	88,210	2,061	9.30	88,201	2,033	9.15
Non-U.S. credit card	9,256	231	9.94	10,244	267	10.34
Direct/Indirect consumer ⁽²⁾	92,870	585	2.51	85,975	515	2.38
Other consumer ⁽³⁾	2,358	18	2.94	1,980	15	3.01
Total consumer	451,531	5,188	4.58	459,906	5,250	4.54
U.S. commercial	276,833	2,040	2.93	251,908	1,744	2.75
Commercial real estate ⁽⁴⁾	57,606	452	3.12	53,605	384	2.84
Commercial lease financing	21,194	153	2.88	20,013	153	3.07
Non-U.S. commercial	93,430	599	2.55	91,997	514	2.22
Total commercial	449,063	3,244	2.87	417,523	2,795	2.66
Total loans and leases	900,594	8,432	3.73	877,429	8,045	3.65
Other earning assets	59,951	677	4.50	62,848	717	4.52
Total earning assets ⁽⁵⁾	1,870,062	12,838	2.73	1,841,830	12,623	2.73
Cash and due from banks	27,361			27,730		
Other assets, less allowance for loan and lease losses	292,067			299,370		
Total assets	\$2,189,490			\$2,168,930		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$49,885	\$2	0.01 %	\$46,297	\$2	0.02 %
NOW and money market deposit accounts	592,907	73	0.05	545,741	67	0.05
Consumer CDs and IRAs	48,695	33	0.27	53,174	38	0.29
Negotiable CDs, public funds and other deposits	32,023	43	0.54	30,631	26	0.33
Total U.S. interest-bearing deposits	723,510	151	0.08	675,843	133	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,294	9	0.87	4,196	7	0.71
Governments and official institutions	1,391	3	0.61	1,654	1	0.33
Time, savings and other	59,340	103	0.70	53,793	73	0.53
Total non-U.S. interest-bearing deposits	65,025	115	0.71	59,643	81	0.54
Total interest-bearing deposits	788,535	266	0.13	735,486	214	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	207,634	569	1.09	257,323	597	0.92
Trading account liabilities	73,452	244	1.32	77,443	342	1.75

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Long-term debt	227,269	1,330	2.33	240,520	1,343	2.22
Total interest-bearing liabilities ⁽⁵⁾	1,296,890	2,409	0.74	1,310,772	2,496	0.76
Noninterest-bearing sources:						
Noninterest-bearing deposits	438,651			423,745		
Other liabilities	185,050			180,615		
Shareholders' equity	268,899			253,798		
Total liabilities and shareholders' equity	\$2,189,490			\$2,168,930		
Net interest spread			1.99%			1.97 %
Impact of noninterest-bearing sources			0.24			0.22
Net interest income/yield on earning assets		\$10,429	2.23%		\$10,127	2.19 %

Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the estimated life of the loan.

(1) Includes non-U.S. consumer loans of \$3.2 billion and \$4.0 billion for the three months ended September 30, 2016 and 2015.

(2) Includes consumer finance loans of \$501 million and \$605 million, consumer leases of \$1.7 billion and \$1.2 billion, and consumer overdrafts of \$187 million and \$177 million for the three months ended September 30, 2016 and 2015.

(3) Includes U.S. commercial real estate loans of \$54.3 billion and \$49.8 billion, and non-U.S. commercial real estate loans of \$3.3 billion and \$3.8 billion for the three months ended September 30, 2016 and 2015.

Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$64 million and \$8 million for the three months ended September 30, 2016 and 2015.

(5) Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$560 million and \$590 million for the three months ended September 30, 2016 and 2015. For additional information, see Interest Rate Risk Management for the Banking Book on page 89.

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Table 12

Year-to-Date Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Nine Months Ended September 30					
	2016	Interest Income/ Expense	Yield/ Rate	2015	Average Balance	Interest Income/ Expense
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$135,910	\$460	0.45 %	\$132,445	\$261	0.26 %
Time deposits placed and other short-term investments	8,784	101	1.54	9,366	105	1.50
Federal funds sold and securities borrowed or purchased under agreements to resell	215,476	803	0.50	212,781	774	0.49
Trading account assets	130,785	3,432	3.50	138,861	3,406	3.28
Debt securities	414,115	6,990	2.27	387,988	6,763	2.34
Loans and leases ⁽¹⁾ :						
Residential mortgage	187,325	4,867	3.46	205,315	5,323	3.46
Home equity	73,015	2,095	3.83	82,404	2,269	3.68
U.S. credit card	87,362	6,065	9.27	88,117	6,040	9.17
Non-U.S. credit card	9,687	734	10.12	10,087	793	10.51
Direct/Indirect consumer ⁽²⁾	91,291	1,698	2.48	83,481	1,510	2.42
Other consumer ⁽³⁾	2,240	50	2.99	1,904	45	3.14
Total consumer	450,920	15,509	4.59	471,308	15,980	4.53
U.S. commercial	274,669	5,982	2.91	243,849	5,093	2.79
Commercial real estate ⁽⁴⁾	57,550	1,320	3.06	50,792	1,113	2.93
Commercial lease financing	21,049	482	3.05	19,592	473	3.22
Non-U.S. commercial	93,572	1,748	2.50	88,089	1,478	2.24
Total commercial	446,840	9,532	2.85	402,322	8,157	2.71
Total loans and leases	897,760	25,041	3.72	873,630	24,137	3.69
Other earning assets	58,189	2,031	4.66	62,366	2,142	4.59
Total earning assets ⁽⁵⁾	1,861,019	38,858	2.79	1,817,437	37,588	2.76
Cash and due from banks	28,041			28,726		
Other assets, less allowance for loan and lease losses	294,845			307,190		
Total assets	\$2,183,905			\$2,153,353		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$49,281	\$4	0.01 %	\$46,634	\$6	0.02 %
NOW and money market deposit accounts	584,896	216	0.05	537,974	205	0.05
Consumer CDs and IRAs	48,920	101	0.28	55,883	125	0.30
Negotiable CDs, public funds and other deposits	32,212	107	0.45	29,784	70	0.32
Total U.S. interest-bearing deposits	715,309	428	0.08	670,275	406	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,218	28	0.90	4,633	24	0.70
Governments and official institutions	1,468	7	0.60	1,426	3	0.31
Time, savings and other	58,866	273	0.62	54,364	217	0.53
Total non-U.S. interest-bearing deposits	64,552	308	0.64	60,423	244	0.54
Total interest-bearing deposits	779,861	736	0.13	730,698	650	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	215,131	1,808	1.12	251,231	1,868	0.99

Trading account liabilities	73,176	778	1.42	77,996	1,071	1.84
Long-term debt	231,313	4,066	2.35	240,960	4,063	2.25
Total interest-bearing liabilities ⁽⁵⁾	1,299,481	7,388	0.76	1,300,885	7,652	0.79
Noninterest-bearing sources:						
Noninterest-bearing deposits	433,168			414,988		
Other liabilities	186,349			187,215		
Shareholders' equity	264,907			250,265		
Total liabilities and shareholders' equity	\$2,183,905			\$2,153,353		
Net interest spread			2.03 %			1.97 %
Impact of noninterest-bearing sources			0.23			0.23
Net interest income/yield on earning assets		\$31,470	2.26 %		\$29,936	2.20 %

Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is

(1) generally recognized on a cost recovery basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the estimated life of the loan.

(2) Includes non-U.S. consumer loans of \$3.5 billion and \$4.0 billion for the nine months ended September 30, 2016 and 2015.

Includes consumer finance loans of \$526 million and \$633 million, consumer leases of \$1.5 billion and \$1.1

(3) billion, and consumer overdrafts of \$171 million and \$150 million for the nine months ended September 30, 2016 and 2015.

(4) Includes U.S. commercial real estate loans of \$54.1 billion and \$47.7 billion, and non-U.S. commercial real estate loans of \$3.4 billion and \$3.1 billion for the nine months ended September 30, 2016 and 2015.

Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$155 million and \$27 million for the nine months ended September 30, 2016 and 2015.

(5) Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$1.7 billion and \$1.7 billion for the nine months ended September 30, 2016 and 2015. For additional information, see Interest Rate Risk Management for the Banking Book on page 89.

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Business Segment Operations

Segment Description and Basis of Presentation

We report our results of operations through the following four business segments: Consumer Banking, GWIM, Global Banking, and Global Markets, with the remaining operations recorded in All Other.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-based capital models. The Corporation's internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see Managing Risk on page 39.

The change in accounting method for certain debt securities, as described in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements, impacted the amount of residual net interest income that is allocated to the business segments.

For more information on the basis of presentation for business segments and reconciliations to consolidated total revenue, net income and period-end total assets, see Note 18 – Business Segment Information to the Consolidated Financial Statements.

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Consumer Banking

	Three Months Ended September 30				Total Consumer Banking		% Change
	Deposits		Consumer Lending		2016	2015	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	
Net interest income (FTE basis)	\$2,630	\$2,397	\$2,660	\$2,696	\$5,290	\$5,093	4 %
Noninterest income:							
Card income	2	2	1,216	1,246	1,218	1,248	(2)
Service charges	1,071	1,057	1	—	1,072	1,057	1
Mortgage banking income	—	—	297	290	297	290	2
All other income (loss)	98	132	(7)	161	91	293	(69)
Total noninterest income	1,171	1,191	1,507	1,697	2,678	2,888	(7)
Total revenue, net of interest expense (FTE basis)	3,801	3,588	4,167	4,393	7,968	7,981	<(1)
Provision for credit losses	43	58	655	465	698	523	33
Noninterest expense	2,395	2,501	1,976	2,210	4,371	4,711	(7)
Income before income taxes (FTE basis)	1,363	1,029	1,536	1,718	2,899	2,747	6
Income tax expense (FTE basis)	511	370	575	620	1,086	990	10
Net income	\$852	\$659	\$961	\$1,098	\$1,813	\$1,757	3
Net interest yield (FTE basis)	1.73 %	1.72 %	4.31 %	4.64 %	3.30 %	3.46 %	
Return on average allocated capital	28	22	17	21	21	21	
Efficiency ratio (FTE basis)	63.03	69.69	47.40	50.31	54.86	59.02	

Balance Sheet

Average	Three Months Ended September 30						% Change
	2016	2015	2016	2015	2016	2015	
Total loans and leases	\$4,837	\$4,662	\$243,846	\$228,441	\$248,683	\$233,103	7 %
Total earning assets ⁽¹⁾	604,223	552,534	245,540	230,523	636,838	583,368	9
Total assets ⁽¹⁾	630,394	579,604	257,167	243,409	674,636	623,324	8
Total deposits	598,117	547,727	7,591	8,260	605,708	555,987	9
Allocated capital	12,000	12,000	22,000	21,000	34,000	33,000	3

⁽¹⁾ In segments and businesses where the total of liabilities and equity exceeds assets, we allocate assets from All Other to match the segments' and businesses' liabilities and allocated shareholders' equity. As a result, total earning assets and total assets of the businesses may not equal total Consumer Banking.

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	Nine Months Ended September 30							
	Deposits		Consumer Lending		Total Consumer Banking			
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change	
Net interest income (FTE basis)	\$7,940	\$ 7,083	\$7,885	\$ 8,116	\$15,825	\$ 15,199	4	%
Noninterest income:								
Card income	7	8	3,638	3,615	3,645	3,623	1	
Service charges	3,079	3,055	1	1	3,080	3,056	1	
Mortgage banking income	—	—	754	1,117	754	1,117	(32)	
All other income	312	355	4	163	316	518	(39)	
Total noninterest income	3,398	3,418	4,397	4,896	7,795	8,314	(6)	
Total revenue, net of interest expense (FTE basis)	11,338	10,501	12,282	13,012	23,620	23,513	<1	
Provision for credit losses	132	145	1,823	1,517	1,955	1,662	18	
Noninterest expense	7,227	7,354	6,097	6,725	13,324	14,079	(5)	
Income before income taxes (FTE basis)	3,979	3,002	4,362	4,770	8,341	7,772	7	
Income tax expense (FTE basis)	1,473	1,103	1,615	1,756	3,088	2,859	8	
Net income	\$2,506	\$ 1,899	\$2,747	\$ 3,014	\$5,253	\$4,913	7	
Net interest yield (FTE basis)	1.79	% 1.74	% 4.39	% 4.74	% 3.39	% 3.53	%	
Return on average allocated capital	28	21	17	19	21	20		
Efficiency ratio (FTE basis)	63.74	70.02	49.64	51.69	56.41	59.88		

Balance Sheet

	Nine Months Ended September 30							
Average	2016	2015	2016	2015	2016	2015	% Change	
Total loans and leases	\$4,787	\$ 4,733	\$238,404	\$ 226,666	\$243,191	\$ 231,399	5	%
Total earning assets ⁽¹⁾	591,913	545,708	239,870	228,681	623,840	576,309	8	
Total assets ⁽¹⁾	618,466	572,723	251,610	241,916	662,133	616,559	7	
Total deposits	586,334	540,850	7,170	8,363	593,504	549,213	8	
Allocated capital	12,000	12,000	22,000	21,000	34,000	33,000	3	

Period end	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	% Change	
Total loans and leases	\$4,810	\$ 4,735	\$246,315	\$ 234,116	\$251,125	\$ 238,851	5	%
Total earning assets ⁽¹⁾	616,853	576,108	248,233	235,496	648,978	605,012	7	
Total assets ⁽¹⁾	643,025	603,448	260,330	248,571	687,247	645,427	6	
Total deposits	610,752	571,467	7,278	6,365	618,030	577,832	7	

For footnote see page 18.

Consumer Banking, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 33 states and the District of Columbia. The franchise network includes approximately 4,600 financial centers, 16,000 ATMs, nationwide call centers, and online

and mobile platforms.

Consumer Banking Results

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for Consumer Banking increased \$56 million to \$1.8 billion primarily driven by lower noninterest expense, partially offset by higher provision for credit losses. Revenue remained relatively unchanged at \$8.0 billion. Net interest income increased \$197 million to \$5.3 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits. Noninterest income decreased \$210 million to \$2.7 billion as the prior-year period included gains on certain divestitures.

The provision for credit losses increased \$175 million to \$698 million primarily driven by a slower pace of improvement in the credit card portfolio. Noninterest expense decreased \$340 million to \$4.4 billion primarily driven by improved operating efficiencies and lower fraud costs, partially offset by higher FDIC expense.

The return on average allocated capital remained unchanged at 21 percent. For more information on capital allocations, see Business Segment Operations on page 17.

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Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net income for Consumer Banking increased \$340 million to \$5.3 billion. Net interest income increased \$626 million to \$15.8 billion primarily driven by the same factor as described in the three-month discussion above. Noninterest income decreased \$519 million to \$7.8 billion due to lower mortgage banking income and gains in the prior-year period on certain divestitures, partially offset by higher service charges and higher card income.

The provision for credit losses increased \$293 million to \$2.0 billion and noninterest expense decreased \$755 million to \$13.3 billion, both primarily driven by the same factors as described in the three-month discussion above.

The return on average allocated capital was 21 percent, up from 20 percent, reflecting higher net income.

Deposits

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, as well as investment accounts and products. The revenue is allocated to the deposit products using our funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Deposits generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at customers with less than \$250,000 in investable assets. Merrill Edge provides investment advice and guidance, client brokerage asset services, a self-directed online investing platform and key banking capabilities including access to the Corporation's network of financial centers and ATMs.

Deposits includes the net impact of migrating customers and their related deposit and brokerage asset balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 25.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for Deposits increased \$193 million to \$852 million driven by higher revenue and lower noninterest expense. Net interest income increased \$233 million to \$2.6 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits. Noninterest income decreased \$20 million to \$1.2 billion due to gains in the prior-year period on certain divestitures, partially offset by higher service charges.

The provision for credit losses decreased \$15 million to \$43 million. Noninterest expense decreased \$106 million to \$2.4 billion primarily driven by improved operating efficiencies, partially offset by higher FDIC expense.

Average deposits increased \$50.4 billion to \$598.1 billion driven by a continuing customer shift to more liquid products in the low rate environment. Growth in checking, traditional savings and money market savings of \$55.6 billion was partially offset by a decline in time deposits of \$5.2 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by one bp to four bps.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net income for Deposits increased \$607 million to \$2.5 billion driven by higher revenue and lower noninterest expense. Net interest income increased \$857 million to \$7.9 billion primarily due to the same factor as described in the three-month discussion above. Noninterest income of \$3.4 billion remained relatively unchanged.

The provision for credit losses decreased \$13 million to \$132 million. Noninterest expense decreased \$127 million to \$7.2 billion driven by the same factors as described in the three-month discussion above.

Average deposits increased \$45.5 billion to \$586.3 billion driven by a continuing customer shift to more liquid products in the low rate environment.

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Key Statistics – Deposits

	Three Months Ended September 30		Nine Months Ended September 30		
	2016	2015	2016	2015	
Total deposit spreads (excludes noninterest costs) ⁽¹⁾	1.64 %	1.62 %	1.65	% 1.61	%
Period end					
Client brokerage assets (in millions)			\$ 137,985	\$ 117,210	
Online banking active accounts (units in thousands)			33,722	31,627	
Mobile banking active users (units in thousands)			21,305	18,398	
Financial centers			4,629	4,741	
ATMs			15,959	16,062	

⁽¹⁾ Includes deposits held in Consumer Lending.

Client brokerage assets increased \$20.8 billion driven by underlying client flows and strong market performance. Mobile banking active users increased 2.9 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined 112 driven by changes in customer preferences to self-service options as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending offers products to consumers and small businesses across the U.S. The products offered include credit and debit cards, residential mortgages and home equity loans, and direct and indirect loans such as automotive, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions, late fees, cash advance fees, annual credit card fees, mortgage banking fee income and other miscellaneous fees. Consumer Lending products are available to our customers through our retail network, direct telephone, and online and mobile channels. Consumer Lending results also include the impact of servicing residential mortgages and home equity loans in the core portfolio, including loans held on the balance sheet of Consumer Lending and loans serviced for others.

The Corporation classifies consumer real estate loans as core or non-core based on loan and customer characteristics such as origination date, product type, loan-to-value (LTV), Fair Isaac Corporation (FICO) score and delinquency status. At September 30, 2016, total owned loans in the core portfolio held in Consumer Lending were \$97.8 billion, up \$9.1 billion from September 30, 2015 primarily driven by higher residential mortgage balances, partially offset by a decline in home equity balances. For more information on the core and non-core portfolios, see Consumer Portfolio Credit Risk Management on page 52.

Consumer Lending includes the net impact of migrating customers and their related loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM on page 25.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for Consumer Lending decreased \$137 million to \$961 million driven by a decline in noninterest income and higher provision for credit losses, partially offset by lower noninterest expense. Net interest income remained relatively unchanged at \$2.7 billion. Noninterest income decreased \$190 million to \$1.5 billion due to gains in the prior-year period on certain divestitures and lower card income.

The provision for credit losses increased \$190 million to \$655 million primarily driven by a slower pace of improvement in the credit card portfolio. Noninterest expense decreased \$234 million to \$2.0 billion primarily driven by improved operating efficiencies and lower fraud costs due to the benefit of the Europay, MasterCard and Visa (EMV) chip implementation.

Average loans increased \$15.4 billion to \$243.8 billion primarily driven by increases in residential mortgages and consumer vehicle loans, partially offset by lower home equity loans.

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Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net income for Consumer Lending decreased \$267 million to \$2.7 billion. Net interest income decreased \$231 million to \$7.9 billion primarily driven by higher funding costs, partially offset by the impact of an increase in consumer auto lending balances. Noninterest income decreased \$499 million to \$4.4 billion driven by lower mortgage banking income and gains in the prior-year period on certain divestitures, partially offset by higher card income.

The provision for credit losses increased \$306 million to \$1.8 billion primarily driven by the same factor as described in the three-month discussion above. Noninterest expense decreased \$628 million to \$6.1 billion primarily driven by the same factors as described in the three-month discussion above, as well as lower personnel expense.

Average loans increased \$11.7 billion to \$238.4 billion primarily driven by the same factors as described in the three-month discussion above.

Key Statistics – Consumer Lending

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Total U.S. credit card ⁽¹⁾				
Gross interest yield	9.30	% 9.15	% 9.27	% 9.17
Risk-adjusted margin	9.11	9.51	8.99	9.14
New accounts (in thousands)	1,324	1,257	3,845	3,713
Purchase volumes	\$57,591	\$56,472	\$165,412	\$162,625
Debit card purchase volumes	\$71,049	\$69,288	\$212,316	\$206,941

⁽¹⁾ In addition to the U.S. credit card portfolio in Consumer Banking, the remaining U.S. credit card portfolio is in GWIM.

During the three and nine months ended September 30, 2016, the total U.S. credit card risk-adjusted margin decreased 40 bps and 15 bps compared to the same periods in 2015. The decrease for the three-month period was primarily driven by the impact of a gain on a divestiture in the prior-year period, which was included in the risk-adjusted margin. Total U.S. credit card purchase volumes increased \$1.1 billion to \$57.6 billion, and \$2.8 billion to \$165.4 billion, and debit card purchase volumes increased \$1.8 billion to \$71.0 billion, and \$5.4 billion to \$212.3 billion, reflecting higher levels of consumer spending. The increases in total U.S. credit card purchase volumes were partially offset by the impact of certain divestitures.

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Mortgage Banking Income

Mortgage banking income is earned primarily in Consumer Banking and All Other. Total production income within mortgage banking income is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. Servicing income within mortgage banking income includes income earned in connection with servicing activities and MSR valuation adjustments, net of results from risk management activities used to hedge certain market risks of the MSRs. Servicing income for the core portfolio is recorded in Consumer Banking. Servicing income for the non-core portfolio, including hedge ineffectiveness on MSR hedges, is recorded in All Other. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income. Amounts for other mortgage banking income are included in this Consumer Banking table to show the components of consolidated mortgage banking income.

Mortgage Banking Income

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
(Dollars in millions)				
Mortgage banking income				
Consumer Banking mortgage banking income				
Total production income	\$212	\$223	\$532	\$801
Net servicing income				
Servicing fees	179	204	542	655
Amortization of expected cash flows ⁽¹⁾	(139)	(159)	(439)	(506)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks ⁽²⁾	45	22	119	167
Total net servicing income	85	67	222	316
Total Consumer Banking mortgage banking income	297	290	754	1,117
Other mortgage banking income				
Other production income ⁽³⁾	4	34	112	58
Representations and warranties provision	(102)	(77)	(168)	37
Net servicing income				
Servicing fees	106	109	343	415
Amortization of expected cash flows ⁽¹⁾	(18)	(20)	(55)	(58)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks ⁽²⁾	363	62	478	359
Total net servicing income	451	151	766	716
Eliminations ⁽⁴⁾	(61)	9	(130)	174
Total other mortgage banking income	292	117	580	985
Total consolidated mortgage banking income	\$589	\$407	\$1,334	\$2,102

⁽¹⁾ Represents the net change in fair value of the MSR asset due to the recognition of modeled cash flows.

Includes changes in fair value of MSRs due to changes in inputs and assumptions, net of risk management

⁽²⁾ activities, and gains (losses) on sales of MSRs. For additional information see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

⁽³⁾ Consists primarily of revenue from sales of repurchased loans that had returned to performing status.

Includes the effect of transfers of mortgage loans from Consumer Banking to the asset and liability management
(4) (ALM) portfolio included in All Other and net gains or losses on intercompany trades related to MSR risk management.

Total production income for Consumer Banking for the three and nine months ended September 30, 2016 decreased \$11 million to \$212 million, and \$269 million to \$532 million compared to the same periods in 2015 due to a decrease in production volume to be sold, resulting from a decision to retain certain residential mortgage loans in Consumer Banking.

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Servicing

The costs associated with servicing activities related to the residential mortgage and home equity loan portfolios, including owned loans and loans serviced for others (collectively, the mortgage serviced portfolio) are allocated to the business segment that owns the loans or MSRs, or All Other.

Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit, accounting for and remitting principal and interest payments to investors and escrow payments to third parties, and responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with supervision of foreclosures and property dispositions. Prior to foreclosure, we evaluate various workout options in an effort to help our customers avoid foreclosure.

Consumer Banking servicing income for the three months ended September 30, 2016 increased \$18 million to \$85 million due to improved MSR results, net of the related hedge performance, partially offset by lower servicing fees due to a smaller servicing portfolio. Servicing income for the nine months ended September 30, 2016 decreased \$94 million to \$222 million compared to the same period in 2015 driven by lower servicing fees due to a smaller servicing portfolio, partially offset by improved MSR results, net of the related hedge performance. Servicing fees for the three and nine months ended September 30, 2016 declined 12 percent to \$179 million and 17 percent to \$542 million compared to the same periods in 2015 reflecting the decline in the size of the servicing portfolio.

Mortgage Servicing Rights

At September 30, 2016, the core MSR portfolio, held within Consumer Lending, was \$1.8 billion compared to \$2.3 billion at September 30, 2015. The decrease was primarily driven by the amortization of expected cash flows, which exceeded new additions, as well as changes in fair value due to changes in inputs and assumptions. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Key Statistics – Mortgage Banking Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Loan production ⁽¹⁾ :				
Total ⁽²⁾ :				
First mortgage	\$16,865	\$13,712	\$45,802	\$43,386
Home equity	3,541	3,140	11,649	9,566
Consumer Banking:				
First mortgage	\$11,588	\$10,026	\$32,207	\$31,146
Home equity	3,139	2,840	10,535	8,797

(1) The loan production amounts represent the unpaid principal balance of loans and in the case of home equity, the principal amount of the total line of credit.

(2) In addition to loan production in Consumer Banking, there is also first mortgage and home equity loan production in GWIM.

First mortgage loan originations in Consumer Banking and for the total Corporation increased \$1.6 billion and \$3.2 billion for the three months ended September 30, 2016 compared to the same period in 2015 driven by higher refinance activity due to the low rate environment. First mortgage loan originations in Consumer Banking and for the total Corporation increased \$1.1 billion and \$2.4 billion for the nine months ended September 30, 2016 compared to

the same period in 2015 driven by higher purchase activity.

Home equity production for the total Corporation was \$3.5 billion and \$11.6 billion for the three and nine months ended September 30, 2016 compared to \$3.1 billion and \$9.6 billion for the same periods in 2015, with the increases due to a higher demand in the market based on improving housing trends, as well as improved financial center engagement with customers and more competitive pricing.

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Global Wealth & Investment Management

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2016	2015	% Change	2016	2015	% Change
Net interest income (FTE basis)	\$1,394	\$1,360	3 %	\$4,310	\$4,081	6 %
Noninterest income:						
Investment and brokerage services	2,584	2,682	(4)	7,718	8,154	(5)
All other income	401	411	(2)	1,245	1,321	(6)
Total noninterest income	2,985	3,093	(3)	8,963	9,475	(5)
Total revenue, net of interest expense (FTE basis)	4,379	4,453	(2)	13,273	13,556	(2)
Provision for credit losses	7	(2)	n/m	46	36	28
Noninterest expense	3,257	3,470	(6)	9,822	10,446	(6)
Income before income taxes (FTE basis)	1,115	985	13	3,405	3,074	11
Income tax expense (FTE basis)	418	353	18	1,267	1,130	12
Net income	\$697	\$632	10	\$2,138	\$1,944	10
Net interest yield (FTE basis)	2.03	% 2.10	%	2.09	% 2.14	%
Return on average allocated capital	21	21		22	22	
Efficiency ratio (FTE basis)	74.36	77.92		74.00	77.06	

Balance Sheet

	Three Months Ended September 30			Nine Months Ended September 30		
Average	2016	2015	% Change	2016	2015	% Change
Total loans and leases	\$143,207	\$134,319	7 %	\$141,169	\$130,975	8 %
Total earning assets	273,568	257,424	6	275,675	255,572	8
Total assets	288,821	274,272	5	291,383	272,790	7
Total deposits	253,812	243,980	4	256,356	242,507	6
Allocated capital	13,000	12,000	8	13,000	12,000	8

Period end	September 30 2016	December 31 2015	% Change
Total loans and leases	\$144,980	\$139,039	4 %
Total earning assets	274,289	279,597	(2)
Total assets	289,795	296,271	(2)
Total deposits	252,962	260,893	(3)

n/m = not meaningful

GWIM consists of two primary businesses: Merrill Lynch Global Wealth Management (MLGWM) and U.S. Trust, Bank of America Private Wealth Management (U.S. Trust).

MLGWM's advisory business provides a high-touch client experience through a network of financial advisors focused on clients with over \$250,000 in total investable assets. MLGWM provides tailored solutions to meet our clients' needs through a full set of investment management, brokerage, banking and retirement products.

U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted to high net worth and ultra high net worth clients, as well as customized solutions to meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.

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Client assets managed under advisory and/or discretion of GWIM are AUM and are typically held in diversified portfolios. The majority of client AUM have an investment strategy with a duration of greater than one year and are, therefore, considered long-term AUM. Fees earned on long-term AUM are calculated as a percentage of total AUM. The asset management fees charged to clients per year are dependent on various factors, but are generally driven by the breadth of the client's relationship and generally range from 50 to 150 bps on their total AUM. The net client long-term AUM flows represent the net change in clients' long-term AUM balances over a specified period of time, excluding market appreciation/depreciation and other adjustments.

Client assets under advisory and/or discretion of GWIM in which the investment strategy seeks current income, while maintaining liquidity and capital preservation, are considered liquidity AUM. The duration of these strategies is primarily less than one year. The change in AUM balances from the prior-year periods is primarily the net client flows for liquidity AUM.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for GWIM increased \$65 million to \$697 million driven by a decrease in noninterest expense, partially offset by a decrease in revenue. Net interest income of \$1.4 billion remained relatively unchanged. Noninterest income, which primarily includes investment and brokerage services income, decreased \$108 million to \$3.0 billion driven by lower transactional revenue. Noninterest expense decreased \$213 million to \$3.3 billion primarily due to the expiration of certain advisor retention awards and lower operating and support costs, partially offset by higher FDIC expense.

Return on average allocated capital remained unchanged at 21 percent. For more information on capital allocated to the business segments, see Business Segment Operations on page 17.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net income for GWIM increased \$194 million to \$2.1 billion driven by a decrease in noninterest expense, partially offset by a decrease in revenue. Net interest income increased \$229 million to \$4.3 billion driven by the impact of growth in deposit and loan balances. Noninterest income, which primarily includes investment and brokerage services income, decreased \$512 million to \$9.0 billion driven by the impact of lower market valuations and lower transactional revenue, partially offset by the impact of long-term AUM flows. Noninterest expense decreased \$624 million to \$9.8 billion driven by the same factors as described in the three-month discussion above.

Return on average allocated capital remained unchanged at 22 percent.

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Key Indicators and Metrics

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except as noted)	2016	2015	2016	2015
Revenue by Business				
Merrill Lynch Global Wealth Management	\$3,617	\$3,683	\$10,886	\$11,235
U.S. Trust	761	752	2,300	2,268
Other ⁽¹⁾	1	18	87	53
Total revenue, net of interest expense (FTE basis)	\$4,379	\$4,453	\$13,273	\$13,556
Client Balances by Business, at period end				
Merrill Lynch Global Wealth Management			\$2,089,683	\$1,943,798
U.S. Trust			400,538	375,751
Other ⁽¹⁾			—	78,110
Total client balances			\$2,490,221	\$2,397,659
Client Balances by Type, at period end				
Long-term assets under management			\$871,026	\$798,887
Liquidity assets under management ⁽¹⁾			—	78,106
Assets under management			871,026	876,993
Brokerage assets			1,095,635	1,026,355
Assets in custody			122,804	109,196
Deposits			252,962	246,172
Loans and leases ⁽²⁾			147,794	138,943
Total client balances			\$2,490,221	\$2,397,659
Assets Under Management Rollforward				
Assets under management, beginning balance	\$832,394	\$930,360	\$900,863	\$902,872
Net long-term client flows	10,182	4,448	19,638	27,695
Net liquidity client flows	—	(3,210)	(7,990)	1,320
Market valuation/other ⁽¹⁾	28,450	(54,605)	(41,485)	(54,894)
Total assets under management, ending balance	\$871,026	\$876,993	\$871,026	\$876,993
Associates, at period end ^(3, 4)				
Number of financial advisors			16,731	16,522
Total wealth advisors, including financial advisors			18,248	17,967
Total client-facing professionals, including financial advisors and wealth advisors			20,683	20,446
Merrill Lynch Global Wealth Management Metric ⁽⁴⁾				
Financial advisor productivity ⁽⁵⁾ (in thousands)	\$983	\$1,007	\$984	\$1,033
U.S. Trust Metric, at period end ⁽⁴⁾				
Client-facing professionals			2,223	2,182
Includes the results of BofA Global Capital Management, the cash management division of Bank of America, and				
⁽¹⁾ certain administrative items. Also includes the transfer of approximately \$80 billion of BofA Global Capital Management's AUM during the three months ended June 30, 2016.				
⁽²⁾ Includes margin receivables which are classified in customer and other receivables on the Consolidated Balance Sheet.				

- (3) Includes financial advisors in the Consumer Banking segment of 2,179 and 2,050 at September 30, 2016 and 2015.
- (4) Headcount computation is based upon full-time equivalents.
Financial advisor productivity is defined as annualized MLGWM total revenue, excluding the allocation of certain
- (5) ALM activities, divided by the total number of financial advisors (excluding financial advisors in the Consumer Banking segment).

Client balances increased \$92.6 billion, or four percent, from a year ago to nearly \$2.5 trillion primarily driven by higher market valuations and net inflows, partially offset by the impact of the transfer of approximately \$80 billion of BofA Global Capital Management's AUM. The number of wealth advisors increased two percent, due to continued investment in the advisor development programs, competitive recruiting and near historic low levels of advisor attrition.

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Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Revenue from MLGWM decreased \$66 million to \$3.6 billion driven by a decline in noninterest income, partially offset by an increase in net interest income. Noninterest income decreased driven by lower transactional revenue. Net interest income increased driven by the impact of growth in deposit and loan balances.

Revenue from U.S. Trust increased \$9 million to \$761 million driven by an increase in net interest income, partially offset by a decrease in noninterest income.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Revenue from MLGWM decreased \$349 million to \$10.9 billion driven by a decline in noninterest income, partially offset by an increase in net interest income. Noninterest income decreased driven by lower market valuations and lower transactional revenue, partially offset by the impact of long-term AUM flows. Net interest income increased driven by the impact of growth in deposit and loan balances.

Revenue from U.S. Trust increased \$32 million to \$2.3 billion driven by an increase in net interest income primarily driven by the impact of growth in loan balances, partially offset by a decrease in noninterest income driven by lower market valuations, partially offset by the impact of long-term AUM flows.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their corresponding deposit, loan and brokerage balances primarily to or from Consumer Banking, as presented in the table below. Migrations result from the movement of clients between business segments to better align with client needs.

Net Migration Summary ⁽¹⁾

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Total deposits, net – to (from) GWIM	\$17	\$697	\$(1,040)	\$169
Total loans, net – to (from) GWIM	(15)	(15)	—	(69)
Total brokerage, net – to (from) GWIM	(264)	(446)	(830)	(1,703)

⁽¹⁾ Migration occurs primarily between GWIM and Consumer Banking.

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Banking

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2016	2015	% Change	2016	2015	% Change
Net interest income (FTE basis)	\$2,470	\$2,315	7	\$7,439	\$6,788	10
Noninterest income:						
Service charges	780	746	5	2,284	2,184	5
Investment banking fees	795	752	6	2,230	2,381	(6)
All other income	703	523	34	1,943	1,707	14
Total noninterest income	2,278	2,021	13	6,457	6,272	3
Total revenue, net of interest expense (FTE basis)	4,748	4,336	10	13,896	13,060	6
Provision for credit losses	118	181	(35)	870	454	92
Noninterest expense	2,151	2,161	<(1)	6,449	6,396	1
Income before income taxes (FTE basis)	2,479	1,994	24	6,577	6,210	6
Income tax expense (FTE basis)	926	716	29	2,435	2,286	7
Net income	\$1,553	\$1,278	22	\$4,142	\$3,924	6
Net interest yield (FTE basis)	2.83	% 2.87	%	2.88	% 2.89	%
Return on average allocated capital	17	14		15	15	
Efficiency ratio (FTE basis)	45.30	49.86		46.41	48.97	

Balance Sheet

	Three Months Ended September 30			Nine Months Ended September 30		
Average	2016	2015	% Change	2016	2015	% Change
Total loans and leases	\$334,363	\$308,710	8	\$332,474	\$298,923	11
Total earning assets	347,462	320,307	8	345,406	314,580	10
Total assets	395,423	370,246	7	394,402	364,659	8
Total deposits	306,198	296,321	3	300,732	290,327	4
Allocated capital	37,000	35,000	6	37,000	35,000	6

Period end	September 30	December 31	% Change
	2016	2015	%
Total loans and leases	\$334,120	\$323,687	3
Total earning assets	349,993	334,766	5
Total assets	397,795	386,132	3
Total deposits	301,061	296,162	2

Global Banking, which includes Global Corporate Banking, Global Commercial Banking, Business Banking and Global Investment Banking, provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients, and underwriting and advisory services through our network of offices and client relationship teams. Our lending products and services include commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Our treasury solutions business includes treasury management, foreign exchange and short-term investing options. We also provide investment

banking products to our clients such as debt and equity underwriting and distribution, and merger-related and other advisory services. Underwriting debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through our global broker-dealer affiliates which are our primary dealers in several countries. Within Global Banking, Global Commercial Banking clients generally include middle-market companies, commercial real estate firms and not-for-profit companies. Global Corporate Banking clients generally include large global corporations, financial institutions and leasing clients. Business Banking clients include mid-sized U.S.-based businesses requiring customized and integrated financial advice and solutions.

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Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for Global Banking increased \$275 million to \$1.6 billion primarily driven by higher revenue and lower provision for credit losses.

Revenue increased \$412 million to \$4.7 billion due to higher net interest income and noninterest income. Net interest income increased \$155 million to \$2.5 billion driven by the impact of growth in loans and leases. Noninterest income increased \$257 million to \$2.3 billion primarily due to the impact from loans and related loan hedging activities in the fair value option portfolio, as well as higher investment banking fees and treasury-related revenues.

The provision for credit losses decreased \$63 million to \$118 million driven by a slower pace of loan growth. Noninterest expense remained relatively unchanged at \$2.2 billion as lower operating and support costs were largely offset by higher revenue-related incentive compensation and FDIC expense.

The return on average allocated capital was 17 percent, up from 14 percent, due to higher net income, partially offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 17.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net income for Global Banking of \$4.1 billion increased \$218 million as higher revenue more than offset increases in the provision for credit losses and noninterest expense.

Revenue increased \$836 million to \$13.9 billion driven by higher net interest income, which increased \$651 million to \$7.4 billion driven by the same factors as described in the three-month discussion above. Noninterest income increased \$185 million to \$6.5 billion primarily due to the impact from loans and the related loan hedging activities in the fair value option portfolio, as well as higher treasury-related revenues and card income, partially offset by lower investment banking fees.

The provision for credit losses increased \$416 million to \$870 million driven by increases in energy-related reserves. For more information on our energy exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 74. Noninterest expense increased \$53 million to \$6.4 billion as investments in client-facing professionals in Commercial and Business Banking, higher severance costs and an increase in FDIC expense were largely offset by lower support costs and incentive compensation.

Return on average allocated capital remained unchanged at 15 percent.

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Global Corporate, Global Commercial and Business Banking

Global Corporate, Global Commercial and Business Banking each include Business Lending and Global Transaction Services activities. Business Lending includes various lending-related products and services, and related hedging activities, including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Global Transaction Services includes deposits, treasury management, credit card, foreign exchange and short-term investment products. The table below presents a summary of the results, which exclude certain investment banking activities in Global Banking.

Global Corporate, Global Commercial and Business Banking

(Dollars in millions)	Three Months Ended September 30							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Business Lending	\$1,113	\$983	\$1,069	\$978	\$91	\$91	\$2,273	\$2,052
Global Transaction Services	741	705	671	668	182	179	1,594	1,552
Total revenue, net of interest expense	\$1,854	\$1,688	\$1,740	\$1,646	\$273	\$270	\$3,867	\$3,604
Balance Sheet								
Average								
Total loans and leases	\$153,249	\$141,311	\$163,483	\$150,000	\$17,621	\$17,166	\$334,353	\$308,477
Total deposits	143,604	138,019	127,161	123,840	35,433	34,468	306,198	296,327
	Nine Months Ended September 30							
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Business Lending	\$3,269	\$2,925	\$3,129	\$2,891	\$280	\$269	\$6,678	\$6,085
Global Transaction Services	2,171	2,063	2,036	1,955	549	515	4,756	4,533
Total revenue, net of interest expense	\$5,440	\$4,988	\$5,165	\$4,846	\$829	\$784	\$11,434	\$10,618
Balance Sheet								
Average								
Total loans and leases	\$152,772	\$135,732	\$162,235	\$146,037	\$17,438	\$17,055	\$332,445	\$298,824
Total deposits	140,373	136,271	125,676	121,083	34,685	32,977	300,734	290,331
Period end								
Total loans and leases	\$151,825	\$142,954	\$164,563	\$153,310	\$17,716	\$17,298	\$334,104	\$313,562
Total deposits	140,401	139,259	124,995	123,562	35,656	34,827	301,052	297,648

Business Lending revenue increased \$221 million and \$593 million for the three and nine months ended September 30, 2016 compared to the same periods in 2015 driven by the impact of growth in loans and leases, as well as the impact from loans and the related loan hedging activities in the fair value option portfolio.

Global Transaction Services revenue increased \$42 million and \$223 million for the three and nine months ended September 30, 2016 compared to the same periods in 2015 primarily due to higher net interest income driven by the beneficial impact of an increase in investable assets as a result of higher deposits, and growth in treasury-related

revenues.

Average loans and leases increased eight percent and 11 percent for the three and nine months ended September 30, 2016 compared to the same periods in 2015 driven by growth in the commercial and industrial, and leasing portfolios. Average deposits increased three percent and four percent for the three and nine months ended September 30, 2016 compared to the same periods in 2015 due to continued portfolio growth with new and existing clients.

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Global Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of certain investment banking and underwriting activities are shared primarily between Global Banking and Global Markets under an internal revenue-sharing arrangement. To provide a complete discussion of our consolidated investment banking fees, the following table presents total Corporation investment banking fees and the portion attributable to Global Banking.

Investment Banking Fees

(Dollars in millions)	Three Months Ended September 30				Nine Months Ended September 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
	2016	2015	2016	2015	2016	2015	2016	2015
Products								
Advisory	\$295	\$365	\$328	\$391	\$913	\$999	\$1,007	\$1,095
Debt issuance	405	325	908	748	1,060	1,031	2,466	2,416
Equity issuance	95	62	261	188	257	351	681	950
Gross investment banking fees	795	752	1,497	1,327	2,230	2,381	4,154	4,461
Self-led deals	(10)	(11)	(39)	(40)	(36)	(50)	(135)	(161)
Total investment banking fees	\$785	\$741	\$1,458	\$1,287	\$2,194	\$2,331	\$4,019	\$4,300

Total Corporation investment banking fees of \$1.5 billion, excluding self-led deals, for the three months ended September 30, 2016 primarily included within Global Banking and Global Markets, increased 13 percent compared to the same period in 2015 driven by higher debt and equity issuance fees, partially offset by lower advisory fees. Total Corporation investment banking fees of \$4.0 billion, excluding self-led deals, for the nine months ended September 30, 2016 decreased seven percent compared to the same period in 2015 driven by lower equity issuance fees and advisory fees due to a decline in market fee pools.

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Global Markets

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2016	2015	% Change	2016	2015	% Change
Net interest income (FTE basis)	\$1,119	\$1,094	2 %	\$3,391	\$3,059	11 %
Noninterest income:						
Investment and brokerage services	490	574	(15)	1,583	1,703	(7)
Investment banking fees	645	521	24	1,742	1,869	(7)
Trading account profits	1,934	1,471	31	5,401	5,312	2
All other income (loss)	171	90	90	501	(47)	n/m
Total noninterest income	3,240	2,656	22	9,227	8,837	4
Total revenue, net of interest expense (FTE basis)	4,359	3,750	16	12,618	11,896	6
Provision for credit losses	19	42	(55)	23	69	(67)
Noninterest expense	2,658	2,697	(1)	7,690	8,606	(11)
Income before income taxes (FTE basis)	1,682	1,011	66	4,905	3,221	52
Income tax expense (FTE basis)	608	211	188	1,746	968	80
Net income	\$1,074	\$800	34	\$3,159	\$2,253	40
Return on average allocated capital	12	% 9	%	11	% 9	%
Efficiency ratio (FTE basis)	60.94	71.93		60.94	72.34	

Balance Sheet

	Three Months Ended September 30			Nine Months Ended September 30		
Average	2016	2015	% Change	2016	2015	% Change
Trading-related assets:						
Trading account securities	\$185,785	\$196,685	(6)%	\$183,928	\$195,775	(6)%
Reverse repurchases	89,435	103,312	(13)	89,218	109,219	(18)
Securities borrowed	87,872	75,786	16	86,159	78,520	10
Derivative assets	52,325	55,389	(6)	52,164	55,489	(6)
Total trading-related assets ⁽¹⁾	415,417	431,172	(4)	411,469	439,003	(6)
Total loans and leases	69,043	66,349	4	69,315	61,625	12
Total earning assets ⁽¹⁾	422,636	436,809	(3)	421,221	434,004	(3)
Total assets	584,069	594,142	(2)	582,006	596,568	(2)
Total deposits	32,840	36,818	(11)	34,409	38,376	(10)
Allocated capital	37,000	35,000	6	37,000	35,000	6

Period end	September 30		December 31	% Change
	2016	2015		%
Total trading-related assets ⁽¹⁾	\$417,517	\$373,926	12	%
Total loans and leases	72,144	73,208	(1)	
Total earning assets ⁽¹⁾	435,112	384,046	13	
Total assets	595,165	548,790	8	
Total deposits	31,692	37,038	(14)	

⁽¹⁾ Trading-related assets include derivative assets, which are considered non-earning assets.

n/m = not meaningful

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Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets product coverage includes securities and derivative products in both the primary and secondary markets. Global Markets provides market-making, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage risk in a broad range of financial products including government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, syndicated loans, mortgage-backed securities (MBS), commodities and asset-backed securities (ABS). The economics of certain investment banking and underwriting activities are shared primarily between Global Markets and Global Banking under an internal revenue-sharing arrangement. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For more information on investment banking fees on a consolidated basis, see page 32.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for Global Markets increased \$274 million to \$1.1 billion. Net DVA losses were \$127 million compared to gains of \$12 million. Excluding net DVA, net income increased \$360 million to \$1.2 billion primarily driven by higher sales and trading revenue, increased investment banking income and lower noninterest expense. Sales and trading revenue, excluding net DVA, increased \$581 million primarily driven by stronger performance globally across credit products led by mortgages, and continued strength in rates products. Noninterest expense decreased \$39 million to \$2.7 billion primarily due to lower operating and support costs, partially offset by higher revenue-related compensation.

Average earning assets decreased \$14.2 billion to \$422.6 billion primarily driven by a decrease in trading inventory and match book financing activity, partially offset by higher loans and other customer financing.

The return on average allocated capital was 12 percent, up from nine percent, reflecting an increase in net income, partially offset by an increase in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 17.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net income for Global Markets increased \$906 million to \$3.2 billion. Net DVA losses were \$137 million compared to losses of \$588 million. Excluding net DVA, net income increased \$626 million to \$3.2 billion primarily driven by higher sales and trading revenue and lower noninterest expense, partially offset by lower investment banking fees. Sales and trading revenue, excluding net DVA, increased \$359 million primarily due to a stronger performance globally across credit products led by mortgages and continued strength in rates products, partially offset by challenging credit market conditions in early 2016 as well as reduced client activity in equities, most notably in Asia, and in derivatives. Noninterest expense decreased \$916 million to \$7.7 billion primarily due to lower litigation expense and lower revenue-related expenses.

Average earning assets decreased \$12.8 billion to \$421.2 billion primarily driven by a decrease in match book financing activity and a reduction in trading inventory, partially offset by higher loans and other customer financing. Period-end trading-related assets increased \$43.6 billion from December 31, 2015 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity.

The return on average allocated capital was 11 percent, up from nine percent, reflecting an increase in net income, partially offset by an increase in allocated capital.

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Sales and Trading Revenue

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Sales and trading revenue is segregated into fixed-income (government debt obligations, investment and non-investment grade corporate debt obligations, commercial MBS, residential mortgage-backed securities (RMBS), collateralized loan obligations (CLOs), interest rate and credit derivative contracts), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equities (equity-linked derivatives and cash equity activity). The table below and related discussion present sales and trading revenue, substantially all of which is in Global Markets, with the remainder in Global Banking. In addition, the table below and related discussion present sales and trading revenue excluding the impact of net DVA, which is a non-GAAP financial measure. We believe the use of this non-GAAP financial measure provides additional useful information to assess the underlying performance of these businesses and to allow better comparison of period-to-period operating performance.

Sales and Trading Revenue ^(1, 2)

	Three Months Ended September 30 2016		Nine Months Ended September 30 2015	
(Dollars in millions)				
Sales and trading revenue				
Fixed-income, currencies and commodities	\$2,646	\$2,010	\$7,507	\$6,307
Equities	954	1,148	3,072	3,462
Total sales and trading revenue	\$3,600	\$3,158	\$10,579	\$9,769

Sales and trading revenue, excluding net DVA ⁽³⁾

Fixed-income, currencies and commodities	\$2,767	\$1,992	\$7,647	\$6,881
Equities	960	1,154	3,069	3,476
Total sales and trading revenue, excluding net DVA ⁽³⁾	\$3,727	\$3,146	\$10,716	\$10,357

Includes FTE adjustments of \$47 million and \$135 million for the three and nine months ended September 30,

(1) 2016 compared to \$46 million and \$141 million for the same periods in 2015. For more information on sales and trading revenue, see Note 2 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of \$56 million and \$336 million for the three and nine months ended September 30, 2016 compared to \$86 million and \$295 million for the same periods in 2015.

Fixed-income, currencies and commodities (FICC) and Equities sales and trading revenue, excluding net DVA, is a

(3) non-GAAP financial measure. FICC net DVA losses were \$121 million and \$140 million for the three and nine months ended September 30, 2016 compared to net DVA gains of \$18 million and losses of \$574 million for the

same periods in 2015. Equities net DVA losses were \$6 million and gains were \$3 million for the three and nine months ended September 30, 2016 compared to net DVA losses of \$6 million and \$14 million for the same periods in 2015.

The explanations for period-over-period changes in sales and trading, FICC and Equities revenue, as set forth below, are the same whether or not net DVA is included.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

FICC revenue, excluding net DVA, increased \$775 million to \$2.8 billion, due to stronger performance globally across credit products, particularly in mortgages due to strong asset demand as investors sought yield. The credit market environment improved with spreads tightening and rising high-yield and bank loan prices supported by strong inflows to credit related funds. In addition, we saw continued strength in rates products and client financing due to

increased customer activity, while currencies and commodities were down reflecting weaker client demand. Equities revenue, excluding net DVA, decreased \$194 million to \$1.0 billion due to lower levels of client activity in derivatives compared with a strong year-ago period, which benefited from higher levels of market volatility, and lower client volumes in swaps and cash secondary.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

FICC revenue, excluding net DVA, increased \$766 million as rates products improved on increased customer flow, and mortgages recorded strong results particularly during the three months ended September 30, 2016. This was partially offset by weaker performance in G10 currencies, which benefited from a particularly favorable trading environment in the first half of 2015, as well as commodities, where lower volatility dampened client activity. Equities revenue, excluding net DVA, decreased \$407 million to \$3.1 billion primarily driven by lower levels of client activity in Asia which benefited from increased market volumes relating to stock markets rallies in the region in 2015, as well as weaker trading performance in derivatives.

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All Other

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2016	2015	% Change	2016	2015	% Change
Net interest income (FTE basis)	\$156	\$265	(41)%	\$505	\$ 809	(38)%
Noninterest income:						
Card income	46	68	(32)	145	201	(28)
Mortgage banking income	291	115	153	577	978	(41)
Gains on sales of debt securities	51	436	(88)	490	875	(44)
All other loss	(135)	(185)	(27)	(747)	(841)	(11)
Total noninterest income	253	434	(42)	465	1,213	(62)
Total revenue, net of interest expense (FTE basis)	409	699	(41)	970	2,022	(52)
Provision for credit losses	8	62	(87)	(71)	130	n/m
Noninterest expense	1,044	900	16	4,505	4,197	7
Loss before income taxes (FTE basis)	(643)	(263)	144	(3,464)	(2,305)	50
Income tax benefit (FTE basis)	(461)	(415)	11	(1,982)	(1,823)	9
Net income (loss)	\$(182)	\$152	n/m	\$(1,482)	\$ (482)	n/m

Balance Sheet

	Three Months Ended September 30			Nine Months Ended September 30		
Average	2016	2015	% Change	2016	2015	% Change
Total loans and leases	\$105,298	\$134,948	(22)%	\$111,611	\$ 150,708	(26)%
Total assets ⁽¹⁾	246,541	306,946	(20)	253,981	302,777	(16)
Total deposits	28,628	26,125	10	28,028	25,263	11

Period end	September 30		December 31	% Change
	2016	2015	2016	2015
Total loans and leases	\$102,639	\$ 122,198	(16)%	
Total assets ⁽¹⁾	225,312	267,667	(16)	
Total deposits	29,150	25,334	15	

In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' ⁽¹⁾ equity. Such allocated assets were \$500.4 billion and \$497.8 billion for the three and nine months ended September 30, 2016 compared to \$458.5 billion and \$459.8 billion for the same periods in 2015, and \$508.5 billion and \$489.0 billion at September 30, 2016 and December 31, 2015.

n/m = not meaningful

All Other consists of ALM activities, equity investments, the international consumer card business, non-core mortgage loans and servicing activities, the net impact of periodic revisions to the MSR valuation model for both core and non-core MSRs, liquidating businesses, residual expense allocations and other. ALM activities encompass certain residential mortgages, debt securities, interest rate and foreign currency risk management activities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Note 18 – Business Segment Information to the Consolidated Financial Statements. Equity investments include our merchant services joint venture as well as Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other

alternative investments. For more information on our merchant services joint venture, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

The Corporation classifies consumer real estate loans as core or non-core based on loan and customer characteristics such as origination date, product type, LTV, FICO score and delinquency status. Residential mortgage loans that are held for interest rate or liquidity risk management purposes are presented on the balance sheet of All Other. For more information on our interest rate and liquidity risk management activities, see Liquidity Risk on page 47 and Interest Rate Risk Management for the Banking Book on page 89. During the nine months ended September 30, 2016, residential mortgage loans held for ALM activities decreased \$6.9 billion to \$36.3 billion at September 30, 2016 primarily as a result of payoffs and paydowns as well as loan sales. Non-core residential mortgage and home equity loans, which are principally run-off portfolios, including certain loans accounted for under the fair value option and MSRs pertaining to

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non-core loans serviced for others, are also held in All Other. During the nine months ended September 30, 2016, total non-core loans decreased \$11.8 billion to \$57.0 billion at September 30, 2016 due largely to payoffs and paydowns, as well as loan sales.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net income for All Other decreased \$334 million to a net loss of \$182 million due to lower net interest income, lower gains on sales of consumer real estate loans, lower gains on sales of debt securities and an increase in noninterest expense, partially offset by favorable MSR results, net of the related hedge performance, which includes a net \$282 million increase in MSR fair value due to a revision of certain MSR valuation assumptions and a decrease in the provision for credit losses. Gains on the sales of loans, including nonperforming and other delinquent loans, net of hedges, were \$36 million compared to gains of \$358 million in the prior-year period. For more information on MSR valuation assumptions, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

The provision for credit losses decreased \$54 million to \$8 million primarily driven by lower loan and lease balances from continued run-off of non-core mortgages. Noninterest expense increased \$144 million to \$1.0 billion driven by litigation expense. The income tax benefit was \$461 million compared to a benefit of \$415 million.

Included in the three months ended September 30, 2016 was a \$350 million tax charge related to the change in the U.K. corporate tax rate. In addition, both periods included income tax benefit adjustments to eliminate the FTE treatment of certain tax credits recorded in Global Banking.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

The net loss for All Other increased \$1.0 billion to \$1.5 billion due to lower net interest income, lower mortgage banking income, lower gains on sales of consumer real estate loans and an increase in noninterest expense, partially offset by an improvement in the provision for credit losses. Gains on the sales of loans, including nonperforming and other delinquent loans, net of hedges, were \$214 million compared to gains of \$934 million in the prior-year period.

The provision for credit losses improved \$201 million to a benefit of \$71 million primarily driven by the same factors as described in the three-month discussion above.

Noninterest expense increased \$308 million to \$4.5 billion driven by the same factors as described in the three-month discussion above. The income tax benefit was \$2.0 billion compared to a benefit of \$1.8 billion driven by the change in the pretax loss, partially offset by the \$350 million tax charge mentioned in the three-month discussion above. In addition, both periods included income tax benefit adjustments to eliminate the FTE treatment in noninterest income of certain tax credits recorded in Global Banking.

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For more information on obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A of the Corporation's 2015 Annual Report on Form 10-K, as well as Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of RMBS guaranteed by the government-sponsored enterprises (GSEs), which include Freddie Mac (FHLMC) and Fannie Mae (FNMA), or by the Government National Mortgage Association (GNMA) in the case of Federal Housing Administration (FHA)-insured, U.S. Department of Veterans Affairs-guaranteed and Rural Housing Service-guaranteed mortgage loans, and sell pools of first-lien residential mortgage loans in the form of whole loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations or in the form of whole loans. In connection with these transactions, we or certain of our subsidiaries or legacy companies made various representations and warranties. Breaches of these representations and warranties have resulted in and may continue to result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to investors, guarantors, insurers or other parties (collectively, repurchases).

We have vigorously contested any request for repurchase where we have concluded that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve legacy mortgage-related issues, we have reached settlements,

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certain of which have been for significant amounts, in lieu of a loan-by-loan review process, including with the GSEs, four monoline insurers and Bank of New York Mellon (BNY Mellon), as trustee for certain securitization trusts.

For more information on accounting for and other information related to representations and warranties, repurchase claims and related exposures, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements, Off-balance Sheet Arrangements and Contractual Obligations in the MD&A of the Corporation's 2015 Annual Report on Form 10-K, Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Unresolved Repurchase Claims

Unresolved representations and warranties repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, mortgage insurance (MI) or mortgage guarantee payments. Claims received from a counterparty remain outstanding until the underlying loan is repurchased, the claim is rescinded by the counterparty, we determine that the applicable statute of limitations has expired, or representations and warranties claims with respect to the applicable trust are settled, and fully and finally released. We do not include duplicate claims in the amounts disclosed.

At September 30, 2016, we had \$18.3 billion of unresolved repurchase claims, predominantly related to subprime and pay option first-lien loans, and home equity loans, compared to \$18.4 billion at December 31, 2015. The notional amount of unresolved repurchase claims at both September 30, 2016 and December 31, 2015 included \$3.5 billion of claims related to loans in specific private-label securitization groups or tranches where we own substantially all of the outstanding securities. At both September 30, 2016 and December 31, 2015, for loans originated from 2004 through 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others was \$16.7 billion. At September 30, 2016 and December 31, 2015, the notional amount of unresolved repurchase claims submitted by the GSEs for loans originated prior to 2009 was \$8 million and \$14 million. During the nine months ended September 30, 2016, we continued to have limited loan-level representations and warranties repurchase claims experience with the monoline insurers due to bulk settlements in prior years and ongoing litigation with a single monoline insurer. For more information on unresolved repurchase claims, see Off-Balance Sheet Arrangements and Contractual Obligations – Unresolved Repurchase Claims in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Liability for Representations and Warranties and Corporate Guarantees

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income in the Consolidated Statement of Income. At September 30, 2016 and December 31, 2015, the liability for representations and warranties was \$2.8 billion and \$11.3 billion. The reduction in the liability was primarily the result of an \$8.5 billion cash payment in February 2016 to BNY Mellon as part of the settlement with BNY Mellon. For the three and nine months ended September 30, 2016, the representations and warranties provision was \$99 million and \$158 million compared to a provision of \$75 million and a benefit of \$46 million for the same periods in 2015.

Our liability for representations and warranties is necessarily dependent on, and limited by, a number of factors including for private-label securitizations, the implied repurchase experience based on the settlement with BNY Mellon, as well as certain other assumptions and judgmental factors. Where relevant, we also consider more recent experience, such as claim activity, notification of potential indemnification obligations, our experience with various

counterparties, the New York Court of Appeals' ACE Securities Corp. v. DB Structured Products, Inc. (ACE) decision, other recent court decisions related to the statute of limitations, and other facts and circumstances, such as bulk settlements, as we believe appropriate. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if future experiences are different from historical experience or our understandings, interpretations or assumptions. For more information on the settlement with BNY Mellon, and the ACE decision and its impact on unresolved repurchase claims, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to \$2 billion over existing accruals at September 30, 2016. We treat claims that are time-barred as resolved and do not consider such claims in the estimated range of possible loss. The estimated range of possible loss reflects principally exposures related to loans in private-label securitization trusts. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

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For more information on the methodology used to estimate the representations and warranties liability, the corresponding estimated range of possible loss and the types of losses not considered in such estimates, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K and, for more information related to the sensitivity of the assumptions used to estimate our liability for representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Other Mortgage-related Matters

We continue to be subject to additional mortgage-related litigation and disputes, as well as governmental and regulatory scrutiny and investigations, related to our past and current origination, servicing, transfer of servicing and servicing rights, servicing compliance obligations, foreclosure activities, indemnification obligations, and MI and captive reinsurance practices with mortgage insurers. The ongoing environment of additional regulation, increased regulatory compliance obligations, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory environment, has resulted in increased operational and compliance costs and may limit our ability to continue providing certain products and services. For more information on management's estimate of the aggregate range of possible loss for certain litigation matters and on regulatory investigations, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

Managing Risk

Risk is inherent in all our business activities. The seven key types of risk faced by the Corporation are strategic, credit, market, liquidity, compliance, operational and reputational risks. Sound risk management enables us to serve our customers and deliver for our shareholders. If not managed well, risks can result in financial loss, regulatory sanctions and penalties, and damage to our reputation, each of which may adversely impact our ability to execute our business strategies. The Corporation takes a comprehensive approach to risk management with a defined Risk Framework and an articulated Risk Appetite Statement which are approved annually by the Enterprise Risk Committee (ERC) and the Board.

Our Risk Framework is the foundation for comprehensive management of the risks facing the Corporation. The Risk Framework sets forth clear roles, responsibilities and accountability for the management of risk and provides a blueprint for how the Board, through delegation of authority to committees and executive officers, establishes risk appetite and associated limits for our activities.

Our Risk Appetite Statement is intended to ensure that the Corporation maintains an acceptable risk profile by providing a common framework and a comparable set of measures for senior management and the Board to clearly indicate the level of risk the Corporation is willing to accept. Risk appetite is set at least annually in conjunction with the strategic, capital and financial operating plans to align risk appetite with the Corporation's strategy and financial resources. Our line of business strategies and risk appetite are also similarly aligned.

For more information on our risk management activities, including our Risk Framework, and the key types of risk faced by the Corporation, see the Managing Risk through the Reputational Risk sections in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Capital Management

The Corporation manages its capital position to ensure capital is more than adequate to support its business activities and to maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain

safety and soundness at all times, even under adverse scenarios, take advantage of organic growth opportunities, ensure obligations to creditors and counterparties are met, maintain ready access to financial markets, continue to serve as a credit intermediary, remain a source of strength for our subsidiaries, and satisfy current and future regulatory capital requirements. Capital management is integrated into our risk and governance processes, as capital is a key consideration in the development of our strategic plan, risk appetite and risk limits.

Effective July 1, 2016, we changed our accounting method for the amortization of premiums and accretion of discounts related to certain debt securities. Under the applicable bank regulatory rules, we are not required to and, accordingly, will not restate previously-filed capital metrics and ratios in connection with the change in accounting method related to certain debt securities. The cumulative impact of this change would have resulted in an insignificant pro forma change of the Corporation's capital metrics and ratios. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. For additional information, see Business Segment Operations on page 17.

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CCAR and Capital Planning

The Federal Reserve requires BHCs to submit a capital plan and requests for capital actions on an annual basis, consistent with the rules governing the CCAR capital plan.

In April 2016, we submitted our 2016 CCAR capital plan and related supervisory stress tests. The 2016 CCAR capital plan included requests (i) to repurchase \$5.0 billion of common stock over four quarters beginning in the third quarter of 2016, (ii) to repurchase common stock to offset the dilution resulting from certain equity-based compensation awards and (iii) to increase the quarterly common stock dividend from \$0.05 per share to \$0.075 per share. On June 29, 2016, following the Federal Reserve's non-objection to our 2016 CCAR capital plan, the Board authorized the common stock repurchase beginning July 1, 2016. The common stock repurchase authorization includes both common stock and warrants.

During the three months ended September 30, 2016, pursuant to the Board's authorization, we repurchased \$1.4 billion of common stock, which includes common stock to offset equity-based compensation awards. The timing and amount of common stock repurchases will be subject to various factors, including the Corporation's capital position, liquidity, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The common stock repurchases may be effected through open market purchases or privately negotiated transactions, including repurchase plans that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. As a "well-capitalized" BHC, we may notify the Federal Reserve of our intention to make additional capital distributions not to exceed one percent of Tier 1 capital and which were not contemplated in our capital plan, subject to the Federal Reserve's non-objection.

Regulatory Capital

As a financial services holding company, we are subject to regulatory capital rules issued by U.S. banking regulators. On January 1, 2014, we became subject to Basel 3, which includes certain transition provisions through January 1, 2019. The Corporation and its primary affiliated banking entity, BANA, are Advanced approaches institutions under Basel 3.

Basel 3 updated the composition of capital and established a Common equity tier 1 capital ratio. Common equity tier 1 capital primarily includes common stock, retained earnings and accumulated OCI, net of certain deductions and adjustments primarily related to goodwill, deferred tax assets, intangibles, MSRs and defined benefit pension assets. Basel 3 revised minimum capital ratios and buffer requirements, added a supplementary leverage ratio (SLR), and addressed the adequately capitalized minimum requirements under the Prompt Corrective Action (PCA) framework. Basel 3 also established two methods of calculating risk-weighted assets, the Standardized approach and the Advanced approaches. As an Advanced approaches institution, we are required to report regulatory risk-based capital ratios and risk-weighted assets under both the Standardized and Advanced approaches. The approach that yields the lower ratio is used to assess capital adequacy including under the PCA framework.

On January 1, 2016, we became subject to a capital conservation buffer, a countercyclical capital buffer and a global systemically important bank (G-SIB) surcharge which will be phased in over a three-year period ending January 1, 2019. Once fully phased in, the Corporation's risk-based capital ratio requirements will include a capital conservation buffer greater than 2.5 percent, plus any applicable countercyclical capital buffer and G-SIB surcharge in order to avoid restrictions on capital distributions and discretionary bonus payments. The buffers and surcharge must be composed solely of Common equity tier 1 capital. Under the phase-in provisions, in 2016 we must maintain a capital conservation buffer greater than 0.625 percent plus a G-SIB surcharge of 0.75 percent. The countercyclical capital buffer is currently set at zero. We estimate that our fully phased-in G-SIB surcharge will be 3.0 percent. The G-SIB surcharge may differ from this estimate over time.

For additional information, see Capital Management in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Capital Composition and Ratios

Under the applicable bank regulatory rules, we are not required to and, accordingly, did not restate previously-filed regulatory capital metrics and ratios in connection with the change in accounting method related to certain debt securities. Therefore, the December 31, 2015 amounts in Tables 13 through 16 are as originally reported. The cumulative impact of this change in accounting method would have resulted in an immaterial pro forma decrease in the Corporation's Common equity tier 1 capital of approximately one basis point at December 31, 2015. The September 30, 2016 amounts in those tables reflect the change in accounting method. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

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Table 13 presents Bank of America Corporation's transition and fully phased-in capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at September 30, 2016 and December 31, 2015. Fully phased-in estimates are non-GAAP financial measures that the Corporation considers to be useful measures in evaluating compliance with new regulatory capital requirements that are not yet effective. For reconciliations to GAAP financial measures, see Table 16. As of September 30, 2016 and December 31, 2015, the Corporation meets the definition of "well capitalized" under current regulatory requirements.

Table 13

Bank of America Corporation Regulatory Capital under Basel 3 ^(1, 2)

(Dollars in millions)	September 30, 2016 Transition			Fully Phased-in				
	Standardized Approach	Advanced Approaches	Regulatory Minimum ^(3, 4)	Standardized Approach	Advanced Approaches ⁽⁵⁾	Regulatory Minimum ⁽⁶⁾		
Risk-based capital metrics:								
Common equity tier 1 capital	\$169,925	\$169,925		\$165,875	\$165,875			
Tier 1 capital	191,435	191,435		190,734	190,734			
Total capital ⁽⁷⁾	229,132	219,878		226,108	216,855			
Risk-weighted assets (in billions)	1,396	1,547		1,411	1,524			
Common equity tier 1 capital ratio	12.2	% 11.0	% 5.875	% 11.8	% 10.9	% 10.0	%	
Tier 1 capital ratio	13.7	12.4	7.375	13.5	12.5	11.5		
Total capital ratio	16.4	14.2	9.375	16.0	14.2	13.5		
Leverage-based metrics:								
Adjusted quarterly average assets (in billions) ⁽⁸⁾	\$2,111	\$2,111		\$2,112	\$2,112			
Tier 1 leverage ratio	9.1	% 9.1	% 4.0	9.0	% 9.0	% 4.0		
SLR leverage exposure (in billions)					\$2,704			
SLR					7.1	% 5.0		
December 31, 2015								
Risk-based capital metrics:								
Common equity tier 1 capital	\$163,026	\$163,026		\$154,084	\$154,084			
Tier 1 capital	180,778	180,778		175,814	175,814			
Total capital ⁽⁷⁾	220,676	210,912		211,167	201,403			
Risk-weighted assets (in billions)	1,403	1,602		1,427	1,575			
Common equity tier 1 capital ratio	11.6	% 10.2	% 4.5	% 10.8	% 9.8	% 10.0	%	
Tier 1 capital ratio	12.9	11.3	6.0	12.3	11.2	11.5		
Total capital ratio	15.7	13.2	8.0	14.8	12.8	13.5		
Leverage-based metrics:								
Adjusted quarterly average assets (in billions) ⁽⁸⁾	\$2,103	\$2,103		\$2,102	\$2,102			
Tier 1 leverage ratio	8.6	% 8.6	% 4.0	8.4	% 8.4	% 4.0		
SLR leverage exposure (in billions)					\$2,727			
SLR					6.4	% 5.0		

(1)

As an Advanced approaches institution, we are required to report regulatory capital risk-weighted assets and ratios under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy, and was the Advanced approaches at September 30, 2016 and December 31, 2015.

- Under the applicable bank regulatory rules, we are not required to and, accordingly, did not restate previously-filed
- (2) regulatory capital metrics and ratios in connection with the change in accounting method related to certain debt securities. As such, the December 31, 2015 amounts in the Table are as originally reported.
 - (3) The September 30, 2016 amount includes a transition capital conservation buffer of 0.625 percent and a transition G-SIB surcharge of 0.75 percent. The 2016 countercyclical capital buffer is zero.
 - (4) To be "well capitalized" under the current U.S. banking regulatory agency definitions, we must maintain a higher Total capital ratio of 10 percent.
- Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal
- (5) analytical models, including approval of the internal models methodology (IMM). As of September 30, 2016, we did not have regulatory approval for the IMM model.
- Fully phased-in regulatory capital minimums assume a capital conservation buffer of 2.5 percent and estimated
- (6) G-SIB surcharge of 3.0 percent. The estimated fully phased-in countercyclical capital buffer is zero. We will be subject to fully phased-in regulatory minimums on January 1, 2019. The fully phased-in SLR minimum assumes a leverage buffer of 2.0 percent and is applicable on January 1, 2018.
 - (7) Total capital under the Advanced approaches differs from the Standardized approach due to differences in the amount permitted in Tier 2 capital related to the qualifying allowance for credit losses.
 - (8) Reflects adjusted average total assets for the three months ended September 30, 2016 and December 31, 2015.

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Common equity tier 1 capital under Basel 3 Advanced – Transition was \$169.9 billion at September 30, 2016, an increase of \$6.9 billion compared to December 31, 2015 driven by earnings and an increase in accumulated OCI, partially offset by dividends, common stock repurchases and the impact of certain transition provisions under the Basel 3 rules. During the nine months ended September 30, 2016, Total capital increased \$9.0 billion primarily driven by the same factors that drove the increase in Common equity tier 1 capital as well as issuances of preferred stock and subordinated debt.

Risk-weighted assets decreased \$55 billion during the nine months ended September 30, 2016 to \$1,547 billion primarily due to lower market risk, and lower exposures and improved credit quality on legacy retail products.

Table 14 presents the capital composition as measured under Basel 3 – Transition at September 30, 2016 and December 31, 2015.

Table 14

Capital Composition under Basel 3 – Transition^(1, 2, 3)

(Dollars in millions)	September 30 2016	December 31 2015
Total common shareholders' equity	\$ 244,863	\$ 233,932
Goodwill	(69,192)	(69,215)
Deferred tax assets arising from net operating loss and tax credit carryforwards	(4,715)	(3,434)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,171	1,774
Net unrealized (gains) losses on debt and equity securities and net (gains) losses on derivatives recorded in accumulated OCI, net-of-tax	(560)	1,220
Intangibles, other than mortgage servicing rights and goodwill	(1,279)	(1,039)
DVA related to liabilities and derivatives	252	204
Other	(615)	(416)
Common equity tier 1 capital	169,925	163,026
Qualifying preferred stock, net of issuance cost	25,220	22,273
Deferred tax assets arising from net operating loss and tax credit carryforwards	(3,143)	(5,151)
Trust preferred securities	—	1,430
Defined benefit pension fund assets	(375)	(568)
DVA related to liabilities and derivatives under transition	168	307
Other	(360)	(539)
Total Tier 1 capital	191,435	180,778
Long-term debt qualifying as Tier 2 capital	22,985	22,579
Eligible credit reserves included in Tier 2 capital	3,205	3,116
Nonqualifying capital instruments subject to phase out from Tier 2 capital	2,271	4,448
Other	(18)	(9)
Total Basel 3 capital	\$ 219,878	\$ 210,912

As an Advanced approaches institution, we are required to report regulatory capital risk-weighted assets and ratios (1) under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy, and was the Advanced approaches at September 30, 2016 and December 31, 2015.

Deductions from and adjustments to regulatory capital subject to transition provisions under Basel 3 are generally (2) recognized in 20 percent annual increments, and will be fully recognized as of January 1, 2018. Any assets that are a direct deduction from the computation of capital are excluded from risk-weighted assets and adjusted average total assets.

(3) Under the applicable bank regulatory rules, we are not required to and, accordingly, did not restate previously-filed regulatory capital metrics and ratios in connection with the change in accounting method related to certain debt securities. Therefore, the December 31, 2015 amounts in the Table are as originally reported. The cumulative

impact of this change in accounting method would have resulted in an immaterial pro forma decrease in the Corporation's Common equity tier 1 capital of approximately one basis point at December 31, 2015. The September 30, 2016 amounts in the Table reflect the change in accounting method. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

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Table 15 presents the components of our risk-weighted assets as measured under Basel 3 – Transition at September 30, 2016 and December 31, 2015.

Table 15

Risk-weighted assets under Basel 3 –
Transition ⁽¹⁾

	September 30, 2016		December 31, 2015	
(Dollars in billions)	Standardized Approach	Advanced Approaches	Standardized Approach	Advanced Approaches
Credit risk	\$1,332	\$ 912	\$1,314	\$ 940
Market risk	64	62	89	86
Operational risk	n/a	500	n/a	500
Risks related to CVA	n/a	73	n/a	76
Total risk-weighted assets	\$1,396	\$ 1,547	\$1,403	\$ 1,602

⁽¹⁾ See Table 13, footnote 2.

n/a = not applicable

Table 16 presents a reconciliation of regulatory capital in accordance with Basel 3 Standardized – Transition to the Basel 3 Standardized approach fully phased-in estimates and Basel 3 Advanced approaches fully phased-in estimates at September 30, 2016 and December 31, 2015.

Table 16

Regulatory Capital Reconciliations between Basel 3 Transition to Fully Phased-in ^(1, 2)

(Dollars in millions)	September 30 2016	December 31 2015
Common equity tier 1 capital (transition)	\$ 169,925	\$ 163,026
Deferred tax assets arising from net operating loss and tax credit carryforwards phased in during transition	(3,143)	(5,151)
Accumulated OCI phased in during transition	188	(1,917)
Intangibles phased in during transition	(853)	(1,559)
Defined benefit pension fund assets phased in during transition	(375)	(568)
DVA related to liabilities and derivatives phased in during transition	168	307
Other adjustments and deductions phased in during transition	(35)	(54)
Common equity tier 1 capital (fully phased-in)	165,875	154,084
Additional Tier 1 capital (transition)	21,510	17,752
Deferred tax assets arising from net operating loss and tax credit carryforwards phased out during transition	3,143	5,151
Trust preferred securities phased out during transition	—	(1,430)
Defined benefit pension fund assets phased out during transition	375	568
DVA related to liabilities and derivatives phased out during transition	(168)	(307)
Other transition adjustments to additional Tier 1 capital	(1)	(4)
Additional Tier 1 capital (fully phased-in)	24,859	21,730
Tier 1 capital (fully phased-in)	190,734	175,814
Tier 2 capital (transition)	28,443	30,134
Nonqualifying capital instruments phased out during transition	(2,271)	(4,448)
Other adjustments to Tier 2 capital	9,202	9,667
Tier 2 capital (fully phased-in)	35,374	35,353
Basel 3 Standardized approach Total capital (fully phased-in)	226,108	211,167
Change in Tier 2 qualifying allowance for credit losses	(9,253)	(9,764)

Basel 3 Advanced approaches Total capital (fully phased-in)	\$ 216,855	\$ 201,403
Risk-weighted assets – As reported to Basel 3 (fully phased-in)		
Basel 3 Standardized approach risk-weighted assets as reported	\$ 1,395,541	\$ 1,403,293
Changes in risk-weighted assets from reported to fully phased-in	15,587	24,089
Basel 3 Standardized approach risk-weighted assets (fully phased-in)	\$ 1,411,128	\$ 1,427,382
Basel 3 Advanced approaches risk-weighted assets as reported	\$ 1,547,221	\$ 1,602,373
Changes in risk-weighted assets from reported to fully phased-in	(23,502)	(27,690)
Basel 3 Advanced approaches risk-weighted assets (fully phased-in) ⁽³⁾	\$ 1,523,719	\$ 1,574,683

As an Advanced approaches institution, we are required to report regulatory capital risk-weighted assets and ratios
⁽¹⁾ under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy, and was the Advanced approaches at September 30, 2016 and December 31, 2015.

⁽²⁾ See Table 13, footnote 2.

Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal
⁽³⁾ analytical models, including approval of the IMM. As of September 30, 2016, we did not have regulatory approval for the IMM model.

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Bank of America, N.A. Regulatory Capital

Table 17 presents transition regulatory capital information for BANA in accordance with Basel 3 Standardized and Advanced approaches as measured at September 30, 2016 and December 31, 2015. As of September 30, 2016, BANA meets the definition of "well capitalized" under the PCA framework.

Table 17

Bank of America, N.A. Regulatory Capital under Basel 3

(Dollars in millions)	September 30, 2016					
	Standardized Approach			Advanced Approaches		
	Ratio	Amount	Minimum Required (1)	Ratio	Amount	Minimum Required (1)
Common equity tier 1 capital	13.1 %	\$152,976	6.5 %	14.5 %	\$152,976	6.5 %
Tier 1 capital	13.1	152,976	8.0	14.5	152,976	8.0
Total capital	14.3	167,037	10.0	15.1	158,345	10.0
Tier 1 leverage	9.6	152,976	5.0	9.6	152,976	5.0
December 31, 2015						
Common equity tier 1 capital	12.2 %	\$144,869	6.5 %	13.1 %	\$144,869	6.5 %
Tier 1 capital	12.2	144,869	8.0	13.1	144,869	8.0
Total capital	13.5	159,871	10.0	13.6	150,624	10.0
Tier 1 leverage	9.2	144,869	5.0	9.2	144,869	5.0

(1) Percent required to meet guidelines to be considered "well capitalized" under the PCA framework.

Regulatory Developments

Minimum Total Loss-Absorbing Capacity

On October 30, 2015, the Federal Reserve issued a notice of proposed rulemaking (NPR) to establish external total loss-absorbing capacity (TLAC) requirements to improve the resolvability and resiliency of large, interconnected BHCs. Under the proposal, U.S. G-SIBs would be required to maintain a minimum external TLAC of the greater of: (1) 16 percent of risk-weighted assets in 2019, increasing to 18 percent of risk-weighted assets in 2022 (plus additional TLAC equal to enough Common equity tier 1 capital as a percentage of risk-weighted assets to cover the capital conservation buffer, any applicable countercyclical capital buffer plus the applicable method 1 G-SIB surcharge), or (2) 9.5 percent of the denominator of the SLR. In addition, U.S. G-SIBs must meet a minimum long-term debt requirement equal to the greater of: 6.0 percent of risk-weighted assets plus the applicable method 2 G-SIB surcharge, or 4.5 percent of the denominator of the SLR.

Revisions to Approaches for Measuring Risk-weighted Assets

The Basel Committee has several open proposals to revise key methodologies for measuring risk-weighted assets. The proposals include a standardized approach for credit risk, standardized approach for operational risk, revisions to the credit valuation adjustment (CVA) risk framework and constraints on the use of internal models. The Basel Committee has also finalized a revised standardized model for counterparty credit risk, revisions to the securitization framework and its fundamental review of the trading book, which updates both modeled and standardized approaches for market risk measurement. These revisions are to be coupled with a proposed capital floor framework to limit the extent to which banks can reduce risk-weighted asset levels through the use of internal models, both at the input parameter and aggregate risk-weighted asset level. The Basel Committee expects to finalize the outstanding proposals

by early 2017. Once the proposals are finalized, U.S. banking regulators may update the U.S. Basel 3 rules to incorporate the Basel Committee revisions.

Single-Counterparty Credit Limits

On March 4, 2016, the Federal Reserve issued an NPR to establish Single-Counterparty Credit Limits (SCCL) for large U.S. BHCs. The SCCL rule is designed to complement and serve as a backstop to risk-based capital requirements to ensure that the maximum possible loss that a bank could incur due to a single counterparty's default would not endanger the bank's survival. Under the proposal, U.S. BHCs must calculate SCCL by dividing the net aggregate credit exposure to a given counterparty by a bank's eligible Tier 1 capital base, ensuring that exposure to G-SIBs and other nonbank systemically important financial institutions does not breach 15 percent and exposures to other counterparties do not breach 25 percent.

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Broker-dealer Regulatory Capital and Securities Regulation

The Corporation's principal U.S. broker-dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith, Incorporated (MLPF&S) and Merrill Lynch Professional Clearing Corp (MLPCC). MLPCC is a fully-guaranteed subsidiary of MLPF&S and provides clearing and settlement services. Both entities are subject to the net capital requirements of SEC Rule 15c3-1. Both entities are also registered as futures commission merchants and are subject to the Commodity Futures Trading Commission Regulation 1.17.

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At September 30, 2016, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was \$12.2 billion and exceeded the minimum requirement of \$1.6 billion by \$10.6 billion. MLPCC's net capital of \$3.1 billion exceeded the minimum requirement of \$451 million by \$2.7 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of \$1.0 billion, net capital in excess of \$500 million and notify the Securities and Exchange Commission in the event its tentative net capital is less than \$5.0 billion. At September 30, 2016, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At September 30, 2016, MLI's capital resources were \$34.9 billion which exceeded the minimum requirement of \$15.6 billion.

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Common and Preferred Stock Dividends

Table 18 is a summary of our cash dividend declarations on preferred stock during the third quarter of 2016 and through November 1, 2016. During the third quarter of 2016, we declared \$503 million of cash dividends on preferred stock. For more information on preferred stock and a summary of our declared quarterly cash dividends on common stock, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 18

Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B ⁽¹⁾	\$ 1	July 27, 2016	October 11, 2016	October 25, 2016	7.00	% \$1.75
		October 27, 2016	January 11, 2017	January 25, 2017	7.00	1.75
Series D ⁽²⁾	\$ 654	July 7, 2016	August 31, 2016	September 14, 2016	6.204	% \$0.38775
		October 10, 2016	November 30, 2016	December 14, 2016	6.204	0.38775
Series E ⁽²⁾	\$ 317	July 7, 2016	July 29, 2016	August 15, 2016	Floating	\$0.25556
		October 10, 2016	October 31, 2016	November 15, 2016	Floating	0.25556
Series F	\$ 141	July 7, 2016	August 31, 2016	September 15, 2016	Floating	\$1,022.22222
		October 10, 2016	November 30, 2016	December 15, 2016	Floating	1,011.11111
Series G	\$ 493	July 7, 2016	August 31, 2016	September 15, 2016	Adjustable	\$1,022.22222
		October 10, 2016	November 30, 2016	December 15, 2016	Adjustable	1,011.11111
Series I ⁽²⁾	\$ 365	July 7, 2016	September 15, 2016	October 3, 2016	6.625	% \$0.4140625
		October 10, 2016	December 15, 2016	January 3, 2017	6.625	0.4140625
Series K ^(3, 4)	\$ 1,544	July 7, 2016	July 15, 2016	August 1, 2016	Fixed-to-floating	\$40.00
Series L	\$ 3,080	September 16, 2016	October 1, 2016	October 31, 2016	7.25	% \$18.125
Series M ^(3, 4)	\$ 1,310	October 10, 2016	October 31, 2016	November 15, 2016	Fixed-to-floating	\$40.625
Series T	\$ 5,000	July 27, 2016	September 25, 2016	October 11, 2016	6.00	% \$1,500.00
		October 27, 2016	December 26, 2016	January 10, 2017	6.00	1,500.00
Series U ^(3, 4)	\$ 1,000	October 10, 2016	November 15, 2016	December 1, 2016	Fixed-to-floating	\$26.00
Series V ^(3, 4)	\$ 1,500	October 10, 2016	December 1, 2016	December 19, 2016	Fixed-to-floating	\$25.625
Series W ⁽²⁾	\$ 1,100	July 7, 2016	August 15, 2016		6.625	% \$0.4140625

				September 9, 2016		
		October 10, 2016	November 15, 2016	December 9, 2016	6.625	0.4140625
Series X ^(3, 4)	\$ 2,000	July 7, 2016	August 15, 2016	September 6, 2016	Fixed-to-floating	\$31.25
Series Y ⁽²⁾	\$ 1,100	September 16, 2016	October 1, 2016	October 27, 2016	6.50	% \$0.40625
Series Z ^(3, 4)	\$ 1,400	September 16, 2016	October 1, 2016	October 24, 2016	Fixed-to-floating	\$32.50
Series AA ^(3, 4)	\$ 1,900	July 7, 2016	September 1, 2016	September 19, 2016	Fixed-to-floating	\$30.50
Series CC ⁽²⁾	\$ 1,100	September 16, 2016	October 1, 2016	October 31, 2016	6.20	% \$0.3875
Series DD ^(3, 4)	\$ 1,000	July 7, 2016	August 15, 2016	September 12, 2016	Fixed-to-floating	\$31.50
Series EE ⁽²⁾	\$ 900	September 16, 2016	October 1, 2016	October 25, 2016	6.00	% \$0.375
Series 1 ⁽⁵⁾	\$ 98	July 7, 2016	August 15, 2016	August 30, 2016	Floating	\$0.18750
		October 10, 2016	November 15, 2016	November 28, 2016	Floating	0.18750
Series 2 ⁽⁵⁾	\$ 299	July 7, 2016	August 15, 2016	August 30, 2016	Floating	\$0.19167
		October 10, 2016	November 15, 2016	November 28, 2016	Floating	0.19167
Series 3 ⁽⁵⁾	\$ 653	July 7, 2016	August 15, 2016	August 29, 2016	6.375	% \$0.3984375
		October 10, 2016	November 15, 2016	November 28, 2016	6.375	0.3984375
Series 4 ⁽⁵⁾	\$ 210	July 7, 2016	August 15, 2016	August 30, 2016	Floating	\$0.25556
		October 10, 2016	November 15, 2016	November 28, 2016	Floating	0.25556
Series 5 ⁽⁵⁾	\$ 422	July 7, 2016	August 1, 2016	August 22, 2016	Floating	\$0.25556
		October 10, 2016	November 1, 2016	November 21, 2016	Floating	0.25556

(1) Dividends are cumulative.

(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.

(3) Initially pays dividends semi-annually.

(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.

(5) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.

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Liquidity Risk

Funding and Liquidity Risk Management

Liquidity risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers with the appropriate funding sources under a range of economic conditions. Our primary liquidity risk management objective is to meet all contractual and contingent financial obligations at all times, including during periods of stress. To achieve that objective, we analyze and monitor our liquidity risk under expected and stressed conditions, maintain liquidity and access to diverse funding sources, including our stable deposit base, and seek to align liquidity-related incentives and risks.

We define liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our contractual and contingent financial obligations as those obligations arise. We manage our liquidity position through line of business and asset-liability management activities, as well as through our legal entity funding strategy, on both a forward and current (including intraday) basis under both expected and stressed conditions. We believe that a centralized approach to funding and liquidity management within Corporate Treasury enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For more information regarding global funding and liquidity risk management, see Liquidity Risk – Funding and Liquidity Risk Management in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Global Liquidity Sources and Other Unencumbered Assets

We maintain liquidity available to Bank of America Corporation, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. Our liquidity buffer, referred to as Global Liquidity Sources (GLS), formerly GELS, is comprised of assets that are readily available to the parent company and selected subsidiaries, including holding company, bank and broker-dealer subsidiaries, even during stressed market conditions. Our cash is primarily on deposit with the Federal Reserve and, to a lesser extent, central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed conditions, through repurchase agreements or outright sales. We hold our GLS in legal entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities.

Pursuant to the Federal Reserve and FDIC request disclosed in our Current Report on Form 8-K dated April 13, 2016, we provided our resolution plan submission on September 30, 2016. In connection with our resolution planning activities, in the third quarter, we entered into intercompany arrangements with certain key subsidiaries under which we have transferred certain of our parent company assets (and have agreed to transfer certain additional parent company assets) to NB Holdings, Inc., a wholly-owned holding company subsidiary (NB Holdings). The parent company is expected to continue to have access to the same flow of dividends, interest, and other amounts of cash necessary to service its debt, pay dividends, and perform other obligations as it would have had if it had not entered into these arrangements and transferred any assets.

In consideration for the transfer of assets, NB Holdings issued a subordinated note to the parent company in a principal amount equal to the value of the transferred assets; the aggregate principal amount of the note will increase by the amount of any future asset transfers. The note will pay quarterly interest in excess of any interest payable on any intercompany loans transferred to NB Holdings. NB Holdings also provided the parent company with a committed line of credit that allows the parent company to draw funds necessary to service near-term cash needs.

These arrangements support our preferred single point of entry resolution strategy, under which only the parent company would be resolved under the U.S. Bankruptcy Code. These arrangements include provisions to terminate the line of credit, forgive the subordinated note and require the parent company to transfer its remaining financial assets to NB Holdings if our projected liquidity resources deteriorate so severely that resolution of the parent company becomes imminent.

Our GLS are substantially the same in composition to what qualifies as High Quality Liquid Assets (HQLA) under the final U.S. Liquidity Coverage Ratio (LCR) rules. For more information on the final LCR rules, see Liquidity Risk – Basel 3 Liquidity Standards on page 49.

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Our GLS were \$522 billion and \$504 billion at September 30, 2016 and December 31, 2015 and were as shown in Table 19.

Table 19
Global Liquidity Sources

(Dollars in billions)	September 30 2016	December 31 2015	Average for Three Months Ended September 30, 2016
Parent company and NB Holdings	\$ 80	\$ 96	\$ 85
Bank subsidiaries	394	361	392
Other regulated entities	48	47	46
Total Global Liquidity Sources	\$ 522	\$ 504	\$ 523

As shown in Table 19, parent company and NB Holdings liquidity totaled \$80 billion and \$96 billion at September 30, 2016 and December 31, 2015. The decrease in parent company and NB Holdings liquidity was primarily due to the BNY Mellon settlement payment in the first quarter of 2016. Typically, parent company and NB Holdings liquidity is in the form of cash deposited with BANA.

Liquidity held at our bank subsidiaries totaled \$394 billion and \$361 billion at September 30, 2016 and December 31, 2015. The increase in bank subsidiaries' liquidity was primarily due to deposit inflows. Liquidity at bank subsidiaries excludes the cash deposited by the parent company and NB Holdings. Our bank subsidiaries can also generate incremental liquidity by pledging a range of unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was \$294 billion and \$252 billion at September 30, 2016 and December 31, 2015. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined in guidelines from the FHLBs and the Federal Reserve and is subject to change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can generally be used only to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

Liquidity held at our other regulated entities, comprised primarily of broker-dealer subsidiaries, totaled \$48 billion and \$47 billion at September 30, 2016 and December 31, 2015. Our other regulated entities also held unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in an other regulated entity is primarily available to meet the obligations of that entity and transfers to the parent company or to any other subsidiary may be subject to prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 20 presents the composition of GLS at September 30, 2016 and December 31, 2015.

Table 20
Global Liquidity Sources Composition

(Dollars in billions)	September 30 2016	December 31 2015
Cash on deposit	\$ 111	\$ 119
U.S. Treasury securities	62	38
U.S. agency securities and mortgage-backed securities	331	327
Non-U.S. government and supranational securities	18	20

Total Global Liquidity Sources	\$ 522	\$ 504
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Time-to-required Funding and Liquidity Stress Analysis

We use a variety of metrics to determine the appropriate amounts of liquidity to maintain at the parent company and our subsidiaries. One metric we use to evaluate the appropriate level of liquidity at the parent company and NB Holdings is "time-to-required funding (TTF)." This debt coverage measure indicates the number of months the parent company can continue to meet its unsecured contractual obligations as they come due using only the parent company and NB Holdings' liquidity sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Prior to the third quarter of 2016, the TTF metric incorporated only the liquidity of the parent company. During the third quarter of 2016, the TTF metric was expanded to include the liquidity of NB Holdings, following changes in the Corporation's liquidity management practices, initiated in connection with the Corporation's resolution planning activities, that include maintaining at NB Holdings certain liquidity previously held solely at the parent company. Our time-to-required funding was 38 months at September 30, 2016.

We also utilize liquidity stress analysis to assist us in determining the appropriate amounts of liquidity to maintain at the parent company and our subsidiaries. The liquidity stress testing process is an integral part of analyzing our potential contractual and contingent cash outflows. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. The scenarios we consider and utilize incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries, and more severe events including potential resolution scenarios. The scenarios are based on historical experience of the Corporation, experience of distressed and failed financial firms, regulatory guidance, and both expected and unexpected future events.

The types of potential contractual and contingent cash outflows we consider in our scenarios may include, but are not limited to, upcoming contractual maturities of unsecured debt and reductions in new debt issuance; diminished access to secured financing markets; potential deposit withdrawals; increased draws on loan commitments, liquidity facilities and letters of credit; additional collateral that counterparties could call if our credit ratings were downgraded; collateral and margin requirements arising from market value changes; and potential liquidity required to maintain businesses and finance customer activities. Changes in certain market factors including, but not limited to, credit rating downgrades, could negatively impact potential contractual and contingent outflows and the related financial instruments, and in some cases these impacts could be material to our financial results.

We consider all sources of funds that we could access during each stress scenario and focus particularly on matching available sources with corresponding liquidity requirements by legal entity. We also use the stress modeling results to manage our asset-liability profile and establish limits and guidelines on certain funding sources and businesses.

Basel 3 Liquidity Standards

There are two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the LCR and the Net Stable Funding Ratio (NSFR).

The LCR is calculated as the amount of a financial institution's unencumbered HQLA relative to the estimated net cash outflows the institution could encounter over a 30-day period of significant liquidity stress, expressed as a percentage. An initial minimum LCR of 80 percent was required as of January 2015, increased to 90 percent as of January 2016 and will increase to 100 percent in January 2017. These minimum requirements are applicable to the Corporation on a consolidated basis and to our insured depository institutions. As of September 30, 2016, we estimate that the consolidated Corporation was above the 2017 LCR requirements. The Corporation's LCR may fluctuate from

period to period due to normal business flows from customer activity.

In 2014, the Basel Committee issued a final standard for the NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. In April 2016, U.S. banking regulators issued a proposal for an NSFR requirement applicable to U.S. financial institutions. The U.S. NSFR would apply to the Corporation on a consolidated basis and to our insured depository institutions beginning on January 1, 2018. We expect to meet the NSFR requirement within the regulatory timeline.

Diversified Funding Sources

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a centralized, globally coordinated funding approach. We diversify our funding globally across products, programs, markets, currencies and investor groups.

The primary benefits of our centralized funding approach include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.

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We fund a substantial portion of our lending activities through our deposits, which were \$1.23 trillion and \$1.20 trillion at September 30, 2016 and December 31, 2015. Deposits are primarily generated by our Consumer Banking, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

Our trading activities in other regulated entities are primarily funded on a secured basis through securities lending and repurchase agreements and these amounts will vary based on customer activity and market conditions. We believe funding these activities in the secured financing markets is more cost-efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate. For more information on secured financing agreements, see Note 9 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings to the Consolidated Financial Statements.

We issue long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

During the three and nine months ended September 30, 2016, we issued \$8.9 billion and \$24.8 billion of long-term debt, consisting of \$7.2 billion and \$18.7 billion for Bank of America Corporation, \$35 million and \$966 million for Bank of America, N.A. and \$1.7 billion and \$5.1 billion of other debt.

Table 21 presents the carrying value of aggregate annual contractual maturities of long-term debt as of September 30, 2016. During the nine months ended September 30, 2016, we had total long-term debt maturities and purchases of \$41.3 billion consisting of \$25.6 billion for Bank of America Corporation, \$9.1 billion for Bank of America, N.A. and \$6.6 billion of other debt.

Table 21
Long-term Debt By Maturity

(Dollars in millions)	Remainder of 2016	2017	2018	2019	2020	Thereafter	Total
Bank of America Corporation							
Senior notes	\$ 3,042	\$18,336	\$20,007	\$18,290	\$11,594	\$ 52,751	\$124,020
Senior structured notes	802	3,941	2,950	1,422	980	8,200	18,295
Subordinated notes	352	5,024	2,770	1,498	—	21,078	30,722
Junior subordinated notes	—	—	—	—	—	3,830	3,830
Total Bank of America Corporation	4,196	27,301	25,727	21,210	12,574	85,859	176,867
Bank of America, N.A.							
Senior notes	2,499	3,649	5,790	—	—	21	11,959
Subordinated notes	—	3,359	—	1	—	1,831	5,191

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Advances from Federal Home Loan Banks	—	9	9	14	12	120	164
Securitizations and other Bank VIEs ⁽¹⁾	11	3,477	2,300	3,199	—	134	9,121
Other	—	2,718	107	111	14	133	3,083
Total Bank of America, N.A.	2,510	13,212	8,206	3,325	26	2,239	29,518
Other debt							
Structured liabilities	920	3,834	1,212	1,418	1,059	8,168	16,611
Nonbank VIEs ⁽¹⁾	451	244	29	16	—	1,348	2,088
Other	—	1	—	—	—	51	52
Total other debt	1,371	4,079	1,241	1,434	1,059	9,567	18,751
Total long-term debt	\$ 8,077	\$44,592	\$35,174	\$25,969	\$13,659	\$ 97,665	\$225,136

⁽¹⁾ Represents the total long-term debt included in the liabilities of consolidated variable interest entities (VIEs) on the Consolidated Balance Sheet.

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Table 22 presents our long-term debt by major currency at September 30, 2016 and December 31, 2015.

Table 22

Long-term Debt By Major Currency

(Dollars in millions)	September 30	December 31
	2016	2015
U.S. Dollar	\$ 175,874	\$ 190,381
Euro	30,839	29,797
British Pound	7,504	7,080
Japanese Yen	4,468	3,099
Australian Dollar	3,083	2,534
Canadian Dollar	1,095	1,428
Other	2,273	2,445
Total long-term debt	\$ 225,136	\$ 236,764

Total long-term debt decreased \$11.6 billion, or five percent, during the nine months ended September 30, 2016 primarily due to maturities outpacing issuances. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for investors. For more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see Liquidity Risk – Time-to-required Funding and Stress Modeling in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for the Banking Book on page 89.

We may also issue unsecured debt in the form of structured notes for client purposes. During the three and nine months ended September 30, 2016, we issued \$1.7 billion and \$5.2 billion of structured notes, a majority of which were issued by Bank of America Corporation. Structured notes are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivatives and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured note obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date.

Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

Contingency Planning

We maintain contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity. These policies and plans are based on stress scenarios and include potential funding strategies and communication and notification procedures that we would implement in the event we experienced stressed liquidity conditions. We periodically review and test the contingency funding plans to validate efficacy and assess readiness.

Our U.S. bank subsidiaries can access contingency funding through the Federal Reserve Discount Window. Certain non-U.S. subsidiaries have access to central bank facilities in the jurisdictions in which they operate. While we do not rely on these sources in our liquidity modeling, we maintain the policies, procedures and governance processes that would enable us to access these sources if necessary.

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Credit Ratings

Credit ratings and outlooks are opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Table 23 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies. These ratings have not changed from those disclosed in the Corporation's 2015 Annual Report on Form 10-K. For more information on credit ratings, see Liquidity Risk – Credit Ratings in the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Table 23

Senior Debt Ratings

	Moody's Investors Service			Standard & Poor's			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term ⁽¹⁾	Outlook	Long-term	Short-term	Outlook
Bank of America Corporation	Baa1	P-2	Stable	BBB+	A-2	Stable	A	F1	Stable
Bank of America, N.A.	A1	P-1	Stable	A	A-1	CreditWatch Positive	A+	F1	Stable
Merrill Lynch, Pierce, Fenner & Smith, Incorporated	NR	NR	NR	A	A-1	CreditWatch Positive	A+	F1	Stable
Merrill Lynch International	NR	NR	NR	A	A-1	CreditWatch Positive	A	F1	Positive

⁽¹⁾ Standard & Poor's Ratings Services short-term ratings are not on CreditWatch.

NR = not rated

For information on the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit rating downgrade, see Note 2 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Credit Risk Management

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management below, Commercial Portfolio Credit Risk Management on page 67, Non-U.S. Portfolio on page 78, Provision for Credit Losses on page 79, Allowance for Credit Losses on page 80, and Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

Consumer Portfolio Credit Risk Management

Credit risk management for the consumer portfolio begins with initial underwriting and continues throughout a borrower's credit cycle. Statistical techniques in conjunction with experiential judgment are used in all aspects of portfolio management including underwriting, product pricing, risk appetite, setting credit limits, and establishing operating processes and metrics to quantify and balance risks and returns. Statistical models are built using detailed behavioral information from external sources such as credit bureaus and/or internal historical experience. These models are a component of our consumer credit risk management process and are used in part to assist in making both new and ongoing credit decisions, as well as portfolio management strategies, including authorizations and line management, collection practices and strategies, and determination of the allowance for loan and lease losses and allocated capital for credit risk.

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Consumer Credit Portfolio

Improvement in the U.S. unemployment rate and home prices continued during the three and nine months ended September 30, 2016 resulting in improved credit quality and lower credit losses across most major consumer portfolios compared to the same periods in 2015. The 30 and 90 days or more past due balances declined across nearly all consumer loan portfolios during the nine months ended September 30, 2016 as a result of improved delinquency trends.

Improved credit quality, continued loan balance run-off and sales across the consumer portfolio drove a \$1.0 billion decrease in the consumer allowance for loan and lease losses during the nine months ended September 30, 2016 to \$6.4 billion at September 30, 2016. For additional information, see Allowance for Credit Losses on page 80.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and troubled debt restructurings (TDRs) for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Table 24 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 24, PCI loans are also shown separately in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 24

Consumer Loans and Leases

(Dollars in millions)	Outstandings		Purchased Credit-impaired Loan Portfolio	
	September 30 2016	December 31 2015	September 30 2016	December 31 2015
Residential mortgage ⁽¹⁾	\$ 187,968	\$ 187,911	\$ 10,614	\$ 12,066
Home equity	68,997	75,948	3,854	4,619
U.S. credit card	88,789	89,602	n/a	n/a
Non-U.S. credit card	9,258	9,975	n/a	n/a
Direct/Indirect consumer ⁽²⁾	93,294	88,795	n/a	n/a
Other consumer ⁽³⁾	2,389	2,067	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	450,695	454,298	14,468	16,685
Loans accounted for under the fair value option ⁽⁴⁾	1,768	1,871	n/a	n/a
Total consumer loans and leases ⁽¹⁾	\$ 452,463	\$ 456,169	\$ 14,468	\$ 16,685

Outstandings include pay option loans of \$1.9 billion and \$2.3 billion at September 30, 2016 and December 31, 2015. We no longer originate pay option loans.

(2) Outstandings include auto and specialty lending loans of \$47.8 billion and \$42.6 billion, unsecured consumer lending loans of \$630 million and \$886 million, U.S. securities-based lending loans of \$40.1 billion and \$39.8 billion, non-U.S. consumer loans of \$3.1 billion and \$3.9 billion, student loans of \$514 million and \$564 million and other consumer loans of \$1.1 billion and \$1.0 billion at September 30, 2016 and December 31, 2015.

(3) Outstandings include consumer finance loans of \$489 million and \$564 million, consumer leases of \$1.7 billion and \$1.4 billion and consumer overdrafts of \$151 million and \$146 million at September 30, 2016 and December 31, 2015.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of \$1.4 billion and \$1.6 billion and home equity loans of \$340 million and \$250 million at September 30, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

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Table 25 presents consumer nonperforming loans and accruing consumer loans past due 90 days or more. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer loans not secured by real estate (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the FHA or individually insured under long-term standby agreements with FNMA and FHLMC (collectively, the fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily from our repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due.

Table 25
Consumer Credit Quality

(Dollars in millions)	Nonperforming		Accruing Past Due 90 Days or More	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Residential mortgage ⁽¹⁾	\$3,341	\$ 4,803	\$5,117	\$ 7,150
Home equity	2,982	3,337	—	—
U.S. credit card	n/a	n/a	702	789
Non-U.S. credit card	n/a	n/a	65	76
Direct/Indirect consumer	26	24	29	39
Other consumer	1	1	3	3
Total ⁽²⁾	\$6,350	\$ 8,165	\$5,916	\$ 8,057
Consumer loans and leases as a percentage of outstanding consumer loans and leases ⁽²⁾	1.41	% 1.80	% 1.31	% 1.77
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios ⁽²⁾	1.56	2.04	0.20	0.23

Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At September 30, 2016 and December 31, 2015, residential mortgage included \$3.3 billion and \$4.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and \$1.8 billion and \$2.9 billion of loans on which interest was still accruing.

Balances exclude consumer loans accounted for under the fair value option. At September 30, 2016 and December 31, 2015, \$222 million and \$293 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

Table 26 presents net charge-offs and related ratios for consumer loans and leases.

Table 26
Consumer Net Charge-offs and Related Ratios

(Dollars in millions)	Net Charge-offs ⁽¹⁾				Net Charge-off Ratios ^(1, 2)			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015	2016	2015	2016	2015

Residential mortgage	\$4	\$26	\$129	\$400	0.01%	0.05%	0.09%	0.26%
Home equity	97	120	335	443	0.55	0.60	0.61	0.72
U.S. credit card	543	546	1,703	1,751	2.45	2.46	2.60	2.66
Non-U.S. credit card	43	47	134	142	1.83	1.83	1.84	1.88
Direct/Indirect consumer	34	25	91	83	0.14	0.12	0.13	0.13
Other consumer	57	57	152	139	9.74	11.21	9.09	9.72
Total	\$778	\$821	\$2,544	\$2,958	0.69	0.71	0.76	0.84

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

(2) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

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Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.01 percent and 0.12 percent for residential mortgage, 0.58 percent and 0.65 percent for home equity, and 0.77 percent and 0.85 percent for the total consumer portfolio for the three and nine months ended September 30, 2016, respectively. Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.08 percent and 0.39 percent for residential mortgage, 0.64 percent and 0.77 percent for home equity, and 0.82 percent and one percent for the total consumer portfolio for the three and nine months ended September 30, 2015, respectively. These are the only product classifications that include PCI and fully-insured loans.

Net charge-offs, as shown in Tables 26 and 27, exclude write-offs in the PCI loan portfolio of \$33 million and \$109 million in residential mortgage for the three and nine months ended September 30, 2016 compared to \$128 million and \$580 million for the same periods in 2015. Net charge-offs, as shown in Tables 26 and 27, exclude write-offs in the PCI loan portfolio of \$50 million and \$161 million in home equity for the three and nine months ended September 30, 2016 compared to \$20 million and \$146 million for the same periods in 2015. Net charge-off ratios including the PCI write-offs were 0.08 percent and 0.17 percent for residential mortgage for the three and nine months ended September 30, 2016 compared to 0.32 percent and 0.64 percent for the same periods in 2015. Net charge-off ratios including the PCI write-offs were 0.83 percent and 0.91 percent for home equity for the three and nine months ended September 30, 2016 compared to 0.70 percent and 0.96 percent for the same periods in 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

Table 27 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the core and non-core portfolio within the consumer real estate portfolio.

We categorize consumer real estate loans as core and non-core on the basis of loan and customer characteristics such as origination date, product type, LTV, FICO score and delinquency status consistent with our current consumer and mortgage servicing strategy. Generally, loans that were originated after January 1, 2010, qualified under government-sponsored enterprise underwriting guidelines, or otherwise met our underwriting guidelines in place in 2015 are characterized as core loans. Loans held in legacy private-label securitizations, government-insured loans originated prior to 2010, loan products no longer originated, and loans originated prior to 2010 and classified as nonperforming or modified in a TDR prior to 2016 are generally characterized as non-core loans, and are principally run-off portfolios. Core loans as reported within Table 27 include loans held in the Consumer Banking and GWIM segments, as well as loans held for ALM activities in All Other. For more information on core and non-core loans, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

As shown in Table 27, outstanding core consumer real estate loans increased \$4.7 billion during the nine months ended September 30, 2016 driven by an increase of \$8.7 billion in residential mortgage, partially offset by a \$4.0 billion decrease in home equity. The increase in residential mortgage was primarily driven by increased originations in Consumer Banking and GWIM. The decrease in home equity was driven by paydowns outpacing new originations and draws on existing lines.

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Table 27

Consumer Real Estate Portfolio ⁽¹⁾

	Outstandings		Nonperforming		Net Charge-offs ⁽²⁾			
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
(Dollars in millions)								
Core portfolio								
Residential mortgage	\$150,491	\$141,795	\$1,394	\$1,825	\$(12)	\$11	\$(23)	\$77
Home equity	50,924	54,917	956	974	35	37	81	117
Total core portfolio	201,415	196,712	2,350	2,799	23	48	58	194
Non-core portfolio								
Residential mortgage	37,477	46,116	1,947	2,978	16	15	152	323
Home equity	18,073	21,031	2,026	2,363	62	83	254	326
Total non-core portfolio	55,550	67,147	3,973	5,341	78	98	406	649
Consumer real estate portfolio								
Residential mortgage	187,968	187,911	3,341	4,803	4	26	129	400
Home equity	68,997	75,948	2,982	3,337	97	120	335	443
Total consumer real estate portfolio	\$256,965	\$263,859	\$6,323	\$8,140	\$101	\$146	\$464	\$843
			Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses			
			September 30, 2016	December 31, 2015	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Core portfolio								
Residential mortgage			\$261	\$319	\$(33)	\$(15)	\$(86)	\$(19)
Home equity			593	664	2	(44)	10	(40)
Total core portfolio			854	983	(31)	(59)	(76)	(59)
Non-core portfolio								
Residential mortgage			827	1,181	(34)	(73)	(88)	(146)
Home equity			1,308	1,750	29	120	(27)	273
Total non-core portfolio			2,135	2,931	(5)	47	(115)	127
Consumer real estate portfolio								
Residential mortgage			1,088	1,500	(67)	(88)	(174)	(165)
Home equity			1,901	2,414	31	76	(17)	233
Total consumer real estate portfolio			\$2,989	\$3,914	\$(36)	\$(12)	\$(191)	\$68

Outstandings and nonperforming loans exclude loans accounted for under the fair value option. Consumer loans ⁽¹⁾ accounted for under the fair value option include residential mortgage loans of \$1.4 billion and \$1.6 billion and home equity loans of \$340 million and \$250 million at September 30, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

⁽²⁾ Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

We believe that the presentation of information adjusted to exclude the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing

operations and credit quality of the business. As a result, in the following discussions of the residential mortgage and home equity portfolios, we provide information that excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 62.

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Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 42 percent of consumer loans and leases at September 30, 2016. Approximately 40 percent of the residential mortgage portfolio is in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties. Approximately 33 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages originated for the home purchase and refinancing needs of our wealth management clients and the remaining portion of the portfolio is primarily in Consumer Banking.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, remained relatively unchanged at \$188.0 billion for the nine months ended September 30, 2016 compared to December 31, 2015 as retention of new originations was offset by loan sales of \$5.4 billion and runoff. Loan sales primarily included \$3.1 billion of loans in consolidated agency residential mortgage securitization vehicles and \$1.6 billion of nonperforming and other delinquent loans.

At September 30, 2016 and December 31, 2015, the residential mortgage portfolio included \$30.1 billion and \$37.1 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term standby agreements that provide for the transfer of credit risk to FNMA and FHLMC. At September 30, 2016 and December 31, 2015, \$24.1 billion and \$33.4 billion had FHA insurance with the remainder protected by long-term standby agreements. At September 30, 2016 and December 31, 2015, \$8.0 billion and \$11.2 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

Table 28 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 62.

Table 28

Residential Mortgage – Key Credit Statistics

	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired and Fully-insured Loans	
	September 30 2016	December 31 2015	September 30 2016	December 31 2015
(Dollars in millions)				
Outstandings	\$187,968	\$187,911	\$147,294	\$138,768
Accruing past due 30 days or more	8,295	11,423	1,451	1,568
Accruing past due 90 days or more	5,117	7,150	—	—
Nonperforming loans	3,341	4,803	3,341	4,803
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	5	% 7	% 4	% 5
Refreshed LTV greater than 100	5	8	3	4

Refreshed FICO score below 620	9	13	4	6
2006 and 2007 vintages ⁽²⁾	15	17	13	17

	Reported Basis				Excluding Purchased Credit-impaired and Fully-insured Loans			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30		September 30		September 30		September 30	
	2016	2015	2016	2015	2016	2015	2016	2015
Net charge-off ratio ⁽³⁾	0.01 %	0.05 %	0.09 %	0.26 %	0.01 %	0.08 %	0.12 %	0.39 %

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option.

These vintages of loans account for \$1.0 billion, or 31 percent, and \$1.6 billion, or 34 percent of nonperforming residential mortgage loans at September 30, 2016 and December 31, 2015. For the three and nine months ended

(2) September 30, 2016, these vintages accounted for \$6 million of recoveries and \$10 million, or eight percent of total residential mortgage net charge-offs. For the three and nine months ended September 30, 2015, these vintages accounted for \$4 million of recoveries, and \$114 million, or 29 percent of total residential mortgage net charge-offs.

(3) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

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Nonperforming residential mortgage loans decreased \$1.5 billion during the nine months ended September 30, 2016 as outflows, including sales of \$1.2 billion, outpaced new inflows. Of the nonperforming residential mortgage loans at September 30, 2016, \$1.1 billion, or 32 percent, were current on contractual payments.

Net charge-offs decreased \$22 million to \$4 million and decreased \$271 million to \$129 million for the three and nine months ended September 30, 2016 compared to the same periods in 2015. These decreases in net charge-offs were primarily driven by charge-offs related to the consumer relief portion of the settlement with the DoJ of \$49 million and \$379 million in the prior-year periods. Net charge-offs also included recoveries of \$7 million and charge-offs of \$35 million related to nonperforming loan sales during the three and nine months ended September 30, 2016 compared to recoveries of \$57 million and \$119 million for the same periods in 2015. Additionally, net charge-offs declined driven by favorable portfolio trends and decreased write-downs on loans greater than 180 days past due, which were written down to the estimated fair value of the collateral, less costs to sell, due in part to improvement in home prices and the U.S. economy.

Loans with a refreshed LTV greater than 100 percent represented three percent and four percent of the residential mortgage loan portfolio at September 30, 2016 and December 31, 2015. Of the loans with a refreshed LTV greater than 100 percent, 98 percent were performing at both September 30, 2016 and December 31, 2015. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, partially offset by subsequent appreciation.

Of the \$147.3 billion in total residential mortgage loans outstanding at September 30, 2016, as shown in Table 29, 38 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was \$11.1 billion, or 20 percent, at September 30, 2016. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At September 30, 2016, \$219 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to \$1.5 billion, or one percent for the entire residential mortgage portfolio. In addition, at September 30, 2016, \$535 million, or five percent of outstanding interest-only residential mortgage loans that had entered the amortization period were nonperforming, of which \$268 million were contractually current, compared to \$3.3 billion, or two percent for the entire residential mortgage portfolio, of which \$1.1 billion were contractually current. Loans that have yet to enter the amortization period in our interest-only residential mortgage portfolio are primarily well-collateralized loans to our wealth management clients and have an interest-only period of three to ten years. More than 80 percent of these loans that have yet to enter the amortization period will not be required to make a fully-amortizing payment until 2019 or later.

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Table 29 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 15 percent and 14 percent of outstandings at September 30, 2016 and December 31, 2015. For the three and nine months ended September 30, 2016, loans within this MSA contributed net recoveries of \$5 million and \$6 million within the residential mortgage portfolio compared to net recoveries of \$6 million and \$10 million for the same periods in 2015. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 12 percent and 11 percent of outstandings at September 30, 2016 and December 31, 2015. For the three and nine months ended September 30, 2016, loans within this MSA contributed net charge-offs of \$4 million and \$31 million within the residential mortgage portfolio compared to net charge-offs of \$13 million and \$86 million for the same periods in 2015.

Table 29

Residential Mortgage State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾			
					Three Months		Nine Months	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	Ended September 30, 2016	2015	Ended September 30, 2016	2015
(Dollars in millions)								
California	\$55,236	\$ 48,865	\$638	\$ 977	\$(21)	\$(30)	\$(51)	\$(37)
New York ⁽³⁾	13,707	12,696	324	399	(1)	11	17	46
Florida ⁽³⁾	10,051	10,001	351	534	2	5	19	51
Texas	6,401	6,208	144	185	—	—	8	9
Massachusetts	5,115	4,799	84	118	—	—	4	6
Other U.S./Non-U.S.	56,784	56,199	1,800	2,590	24	40	132	325
Residential mortgage loans ⁽⁴⁾	\$147,294	\$138,768	\$3,341	\$ 4,803	\$4	\$26	\$129	\$400
Fully-insured loan portfolio	30,060	37,077						
Purchased credit-impaired residential mortgage loan portfolio ⁽⁵⁾	10,614	12,066						
Total residential mortgage loan portfolio	\$187,968	\$187,911						

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option.

(2) Net charge-offs exclude \$33 million and \$109 million of write-offs in the residential mortgage PCI loan portfolio for the three and nine months ended September 30, 2016 compared to \$128 million and \$580 million for the same periods in 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

(3) In these states, foreclosure requires a court order following a legal proceeding (judicial states).

(4) Amounts exclude the PCI residential mortgage and fully-insured loan portfolios.

(5) At September 30, 2016 and December 31, 2015, 48 percent and 47 percent of PCI residential mortgage loans were in California. There were no other significant single state concentrations.

Home Equity

At September 30, 2016, the home equity portfolio made up 15 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At September 30, 2016, our HELOC portfolio had an outstanding balance of \$60.4 billion, or 87 percent of the total home equity portfolio compared to \$66.1 billion, or 87 percent, at December 31, 2015. HELOCs generally have an

initial draw period of 10 years and the borrowers typically are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At September 30, 2016, our home equity loan portfolio had an outstanding balance of \$6.6 billion, or 10 percent of the total home equity portfolio compared to \$7.9 billion, or 10 percent, at December 31, 2015. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the \$6.6 billion at September 30, 2016, 55 percent have 25- to 30-year terms. At both September 30, 2016 and December 31, 2015, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of \$2.0 billion, or three percent of the total home equity portfolio. We no longer originate reverse mortgages.

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At September 30, 2016, approximately 67 percent of the home equity portfolio was included in Consumer Banking, 26 percent was included in All Other and the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased \$7.0 billion during the nine months ended September 30, 2016 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at September 30, 2016 and December 31, 2015, \$19.9 billion and \$20.3 billion, or 29 percent and 27 percent, were in first-lien positions (30 percent and 28 percent excluding the PCI home equity portfolio). At September 30, 2016, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled \$11.4 billion, or 18 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled \$47.7 billion at September 30, 2016 compared to \$50.3 billion at December 31, 2015. The decrease was primarily due to accounts reaching the end of their draw period, which automatically eliminates open line exposure, as well as customers choosing to close accounts. Both of these more than offset customer paydowns of principal balances and the impact of new production. The HELOC utilization rate was 56 percent at September 30, 2016 compared to 57 percent at December 31, 2015.

Table 30 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 62.

Table 30

Home Equity – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired Loans	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Outstandings	\$68,997	\$ 75,948	\$65,143	\$ 71,329
Accruing past due 30 days or more ⁽²⁾	565	613	565	613
Nonperforming loans ⁽²⁾	2,982	3,337	2,982	3,337
Percent of portfolio				
Refreshed CLTV greater than 90 but less than or equal to 100	6	% 6	% 5	% 6
Refreshed CLTV greater than 100	10	12	8	11
Refreshed FICO score below 620	7	7	6	7
2006 and 2007 vintages ⁽³⁾	39	43	36	41

	Reported Basis				Excluding Purchased Credit-impaired Loans			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015	2016	2015	2016	2015
Net charge-off ratio ⁽⁴⁾	0.55 %	0.60 %	0.61 %	0.72 %	0.58	% 0.64	% 0.65	% 0.77

⁽¹⁾ Outstandings, accruing past due, nonperforming loans and percentages of the portfolio exclude loans accounted for under the fair value option.

⁽²⁾

Accruing past due 30 days or more includes \$74 million and \$89 million and nonperforming loans include \$350 million and \$396 million of loans where we serviced the underlying first-lien at September 30, 2016 and December 31, 2015.

- (3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 48 percent and 45 percent of nonperforming home equity loans at September 30, 2016 and December 31, 2015, and 57 percent and 47 percent of net charge-offs for the three and nine months ended September 30, 2016 and 52 percent and 56 percent for the three and nine months ended September 30, 2015.
- (4) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

Nonperforming outstanding balances in the home equity portfolio decreased \$355 million during the nine months ended September 30, 2016 as outflows, including sales of \$163 million, outpaced new inflows. Of the nonperforming home equity portfolio at September 30, 2016, \$1.5 billion, or 49 percent, were current on contractual payments.

Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, junior-lien loans where the underlying first-lien is 90 days or more past due, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, \$950 million, or 32 percent of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans that were 30 days or more past due decreased \$48 million during the nine months ended September 30, 2016.

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In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. For certain loans, we utilize a third-party vendor to combine credit bureau and public record data to better link a junior-lien loan with the underlying first-lien mortgage. At September 30, 2016, we estimate that \$991 million of current and \$144 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on \$168 million of these combined amounts, with the remaining \$967 million serviced by third parties. Of the \$1.1 billion of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately \$432 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased \$23 million to \$97 million and decreased \$108 million to \$335 million for the three and nine months ended September 30, 2016 compared to the same periods in 2015. These decreases in net charge-offs were partly attributable to charge-offs of \$4 million and \$70 million related to the consumer relief portion of the settlement with the DoJ in the prior-year periods. Additionally, net charge-offs declined driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy.

Outstanding balances with a refreshed combined loan-to-value (CLTV) greater than 100 percent comprised eight percent and 11 percent of the home equity portfolio at September 30, 2016 and December 31, 2015. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where our loan and available line of credit combined with any outstanding senior liens against the property are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 96 percent of the customers were current on their home equity loan and 92 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at September 30, 2016.

Of the \$65.1 billion in total home equity portfolio outstandings at September 30, 2016, as shown in Table 31, 56 percent require interest-only payments. The outstanding balance of HELOCs that have entered the amortization period was \$13.6 billion at September 30, 2016. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At September 30, 2016, \$277 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more. In addition, at September 30, 2016, \$1.7 billion, or 12 percent of outstanding HELOCs that had entered the amortization period were nonperforming, of which \$802 million were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and 28 percent of these loans will enter the amortization period in the remainder of 2016 and 2017 and will be required to make fully-amortizing payments. We communicate to contractually current customers more than a year prior to the end of their draw period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended September 30, 2016, approximately 45 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

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Table 31 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent of the outstanding home equity portfolio at both September 30, 2016 and December 31, 2015. For the three and nine months ended September 30, 2016, loans within this MSA contributed 15 percent and 16 percent of net charge-offs within the home equity portfolio compared to 11 percent and 13 percent of net charge-offs for the same periods in 2015. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent and 12 percent of the outstanding home equity portfolio at September 30, 2016 and December 31, 2015. For both the three and nine months ended September 30, 2016, loans within this MSA contributed zero percent of net charge-offs within the home equity portfolio compared to zero percent and two percent of net charge-offs for the same periods in 2015.

Table 31

Home Equity State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾			
					Three Months Ended		Nine Months Ended	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
(Dollars in millions)								
California	\$18,361	\$ 20,356	\$848	\$ 902	\$3	\$7	\$12	\$44
Florida ⁽³⁾	7,585	8,474	449	518	18	27	59	89
New Jersey ⁽³⁾	5,246	5,570	204	230	12	11	37	36
New York ⁽³⁾	4,847	5,249	274	316	11	9	37	34
Massachusetts	3,185	3,378	104	115	2	2	10	11
Other U.S./Non-U.S.	25,919	28,302	1,103	1,256	51	64	180	229
Home equity loans ⁽⁴⁾	\$65,143	\$ 71,329	\$2,982	\$ 3,337	\$97	\$120	\$335	\$443
Purchased credit-impaired home equity portfolio ⁽⁵⁾	3,854	4,619						
Total home equity loan portfolio	\$68,997	\$ 75,948						

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option.

(2) Net charge-offs exclude \$50 million and \$161 million of write-offs in the home equity PCI loan portfolio for the three and nine months ended September 30, 2016 compared to \$20 million and \$146 million for the same periods in 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

(3) In these states, foreclosure requires a court order following a legal proceeding (judicial states).

(4) Amount excludes the PCI home equity portfolio.

(5) At both September 30, 2016 and December 31, 2015, 29 percent of PCI home equity loans were in California. There were no other significant single state concentrations.

Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser's initial investment in loans if those differences are attributable, at least in part, to credit quality. For more information on PCI loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

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Table 32 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the PCI loan portfolio.

Table 32

Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	September 30, 2016				
	Unpaid Principal Balance	Gross Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
Residential mortgage	\$10,832	\$10,614	\$ 191	\$ 10,423	96.22 %
Home equity	3,930	3,854	262	3,592	91.40
Total purchased credit-impaired loan portfolio	\$14,762	\$14,468	\$ 453	\$ 14,015	94.94

December 31, 2015					
Residential mortgage	\$12,350	\$12,066	\$ 338	\$ 11,728	94.96 %
Home equity	4,650	4,619	466	4,153	89.31
Total purchased credit-impaired loan portfolio	\$17,000	\$16,685	\$ 804	\$ 15,881	93.42

The total PCI unpaid principal balance decreased \$2.2 billion, or 13 percent, during the nine months ended September 30, 2016 primarily driven by payoffs, sales, paydowns and write-offs. During the nine months ended September 30, 2016, we sold PCI loans with a carrying value of \$435 million compared to sales of \$1.2 billion for the same period in 2015.

Of the unpaid principal balance of \$14.8 billion at September 30, 2016, \$13.0 billion, or 88 percent, was current based on the contractual terms, \$959 million, or six percent, was in early stage delinquency, and \$587 million was 180 days or more past due, including \$509 million of first-lien mortgages and \$78 million of home equity loans.

During the nine months ended September 30, 2016, we recorded a provision benefit of \$81 million for the PCI loan portfolio which included a benefit of \$43 million for home equity and \$38 million for residential mortgage. This compared to a total provision benefit of \$68 million and \$40 million for the three and nine months ended September 30, 2015. The provision benefit for the nine months ended September 30, 2016 was primarily driven by lower default estimates on second-lien loans and continued home price improvement.

The PCI valuation allowance declined \$351 million during the nine months ended September 30, 2016 due to write-offs in the PCI loan portfolio of \$109 million in residential mortgage and \$161 million in home equity, combined with a provision benefit of \$81 million.

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 73 percent of the total PCI loan portfolio at September 30, 2016. Those loans to borrowers with a refreshed FICO score below 620 represented 28 percent of the PCI residential mortgage loan portfolio at September 30, 2016. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 25 percent of the PCI residential mortgage loan portfolio and 28 percent based on the unpaid principal balance at September 30, 2016.

Pay option adjustable-rate mortgages, which are included in the PCI residential mortgage portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually. During an initial five- or ten-year period,

minimum required payments may increase by no more than 7.5 percent. If payments are insufficient to pay all of the monthly interest charges, unpaid interest is added to the loan balance (i.e., negative amortization) until the loan balance increases to a specified limit at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

At September 30, 2016, the unpaid principal balance of pay option loans was \$2.0 billion, with a carrying value of \$1.9 billion. This includes \$1.7 billion of loans that were credit-impaired upon acquisition and \$223 million of loans that are 90 days or more past due. The total unpaid principal balance of pay option loans with accumulated negative amortization was \$341 million, including \$18 million of negative amortization. We believe the majority of borrowers that are now making scheduled payments are able to do so primarily because the low rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans and have taken into consideration several assumptions including prepayment and default rates.

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Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 27 percent of the total PCI loan portfolio at September 30, 2016. Those loans with a refreshed FICO score below 620 represented 15 percent of the PCI home equity portfolio at September 30, 2016. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 52 percent of the PCI home equity portfolio and 55 percent based on the unpaid principal balance at September 30, 2016.

U.S. Credit Card

At September 30, 2016, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder in GWIM. Outstandings in the U.S. credit card portfolio decreased \$813 million during the nine months ended September 30, 2016 due to a seasonal decline in retail transaction volume. Net charge-offs decreased \$3 million to \$543 million and \$48 million to \$1.7 billion during the three and nine months ended September 30, 2016 compared to the same periods in 2015 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. During the nine months ended September 30, 2016, U.S. credit card loans 30 days or more past due and still accruing interest decreased \$116 million to \$1.5 billion, and loans 90 days or more past due and still accruing interest decreased \$87 million to \$702 million at September 30, 2016 as a result of the factors mentioned above that contributed to lower net charge-offs.

Unused lines of credit for U.S. credit card totaled \$323.9 billion and \$312.5 billion at September 30, 2016 and December 31, 2015. The \$11.4 billion increase was driven by account growth and lines of credit increases.

Table 33 presents certain state concentrations for the U.S. credit card portfolio.

Table 33

U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended		Nine Months Ended	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
(Dollars in millions)					2016	2015	2016	2015
California	\$13,651	\$13,658	\$106	\$115	\$86	\$85	\$269	\$269
Florida	7,467	7,420	74	81	60	58	184	186
Texas	6,737	6,620	56	58	40	37	122	117
New York	5,507	5,547	52	57	39	38	120	121
Washington	3,944	3,907	18	19	13	13	42	45
Other U.S.	51,483	52,450	396	459	305	315	966	1,013
Total U.S. credit card portfolio	\$88,789	\$89,602	\$702	\$789	\$543	\$546	\$1,703	\$1,751

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased \$717 million during the nine months ended September 30, 2016 primarily driven by weakening of the British Pound against the U.S. Dollar. For the three and nine months ended September 30, 2016, net charge-offs decreased \$4 million to \$43 million and \$8 million to \$134 million compared to the same periods in 2015. During the nine months ended September 30, 2016,

non-U.S. credit card loans 30 days or more past due and still accruing interest decreased \$21 million to \$125 million, and loans 90 days or more past due and still accruing interest decreased \$11 million to \$65 million at September 30, 2016.

Unused lines of credit for non-U.S. credit card totaled \$25.5 billion and \$27.9 billion at September 30, 2016 and December 31, 2015. The \$2.4 billion decrease was driven by weakening of the British Pound against the U.S. Dollar, partially offset by account growth and increases in lines of credit.

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Direct/Indirect Consumer

At September 30, 2016, approximately 52 percent of the direct/indirect portfolio was included in Consumer Banking (consumer auto and specialty lending – automotive, marine, aircraft, recreational vehicle loans, and consumer personal loans), 47 percent was included in GWIM (principally securities-based lending loans) and the remainder was primarily student loans in All Other.

Outstandings in the direct/indirect portfolio increased \$4.5 billion during the nine months ended September 30, 2016 primarily in the consumer auto loan portfolio, partially offset by lower outstandings in the securities-based lending and the unsecured consumer lending portfolios.

Table 34 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 34

Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended		Nine Months Ended	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
(Dollars in millions)								
California	\$ 11,231	\$ 10,735	\$ 3	\$ 3	\$ 4	\$ 1	\$ 9	\$ 5
Texas	9,334	8,514	3	4	6	4	14	12
Florida	9,036	8,835	3	3	7	6	20	14
New York	5,341	5,077	1	1	—	1	1	2
Georgia	3,095	2,869	4	4	4	1	7	5
Other U.S./Non-U.S.	55,257	52,765	15	24	13	12	40	45
Total direct/indirect loan portfolio	\$ 93,294	\$ 88,795	\$ 29	\$ 39	\$ 34	\$ 25	\$ 91	\$ 83

Other Consumer

At September 30, 2016, approximately 73 percent of the \$2.4 billion other consumer portfolio was consumer auto leases included in Consumer Banking. The remainder is primarily associated with certain consumer finance businesses that we previously exited.

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 35 presents nonperforming consumer loans, leases and foreclosed properties activity for the three and nine months ended September 30, 2016 and 2015. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. During the nine months ended September 30, 2016, nonperforming consumer loans declined \$1.8 billion to \$6.4 billion primarily driven by loan sales of \$1.3 billion. Excluding these sales, nonperforming loans declined as outflows outpaced new inflows.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At September 30, 2016, \$2.8 billion, or 42 percent of nonperforming consumer real estate loans

and foreclosed properties had been written down to their estimated property value less costs to sell, including \$2.4 billion of nonperforming loans 180 days or more past due and \$372 million of foreclosed properties. In addition, at September 30, 2016, \$2.5 billion, or 38 percent of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties decreased \$72 million during the nine months ended September 30, 2016 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties decreased \$72 million during the nine months ended September 30, 2016. Not included in foreclosed properties at September 30, 2016 was \$1.3 billion of real estate that was acquired upon foreclosure of certain delinquent government-guaranteed loans (principally FHA-insured loans). We exclude these amounts from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the guarantor for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period.

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Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 35.

Table 35

Nonperforming Consumer Loans, Leases and Foreclosed Properties

Activity ⁽¹⁾

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Nonperforming loans and leases, beginning of period	\$6,705	\$9,575	\$8,165	\$10,819
Additions to nonperforming loans and leases:				
New nonperforming loans and leases	831	1,029	2,581	