BANK OF AMERICA CORP /DE/
Form 10-Q
October 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2013
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 Number:
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 ü 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 ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer ü	Accelerated filer	Non-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 ü

On October 29, 2013, there were 10,666,133,943 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
September 30, 2013
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 its subsidiaries, 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 "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: expectations regarding the pace of international economic growth: the expectation that, if the economy and home prices continue to improve, there will be additional reductions in the allowance for credit losses in future periods, although at a lower level than the third quarter; expectations regarding the anticipated transfers of mortgage servicing rights and their impact on the Corporation; expectations regarding incremental credit provision due to borrower assistance programs; expectations regarding future levels of net charge-offs; expectations of achieving cost savings as a result of Project New BAC of $8 billion per year on an annualized basis, or $2 billion per quarter, by mid-2015, with $1.5 billion in quarterly cost savings achieved by the fourth quarter of 2013; the possibility that the Corporation may conduct additional redemptions, tender offers, exercises and other transactions in the future depending on market conditions, capital, liquidity and other factors; the expectation that the Corporation will continue to streamline processes and achieve cost savings; expectations that, in the fourth quarter of 2013, noninterest expense in Legacy Assets & Servicing (excluding litigation expense) will be below $2.0 billion and the number of 60 days or more past due residential mortgage loans in the Legacy and Non-Legacy Residential Mortgage Serviced Portfolios will decline below 375,000; expectations regarding representations and warranties repurchase and other claims, including levels of unresolved repurchase claims related to private-label securitizations and the possibility of additional settlements in the future; the belief that there will likely be additional requests for loan files in the future leading to repurchase claims; the possibility that the Corporation may purchase common stock, preferred stock and outstanding debt instruments in various transactions depending on prevailing market conditions, liquidity and other factors; the possibility that the Corporation will need to register additional entities as swap dealers and major swap participants; the possibility that the Corporation will be required to restructure certain businesses as a result of final derivatives regulations and this may negatively impact our results of operations; expectations regarding the timing, content and impact of final regulatory capital rules, including the Corporation's ability to meet the final Basel 3 liquidity standards within regulatory timelines and the approval of the Corporation's analytical models for capital measurement under Basel 3 by U.S. regulatory agencies; expectations regarding the impact of the Financial Reform Act on the Corporation; expectations regarding whether the Corporation's issued and outstanding Qualifying Trust Preferred Securities will be classified as Tier 1 or Tier 2 capital beginning in 2016; expectations regarding the Standardized Approach as compared to the Advanced Approach; expectations related to reimbursement of delinquent FHA-insured loans; expectations regarding benefits to be obtained from the Corporation's centralized funding strategy; estimates concerning the Corporation's additional capital requirements as a global systemically important financial institution; the belief that default-related servicing costs peaked in late 2012 and have continued to decline in 2013; the Corporation's belief that it can quickly obtain cash for certain securities, even in stressed market conditions, through repurchase agreements or outright sales; the Corporation's belief that a portion of structured liability obligations will remain outstanding beyond the earliest put or redemption date; the Corporation's anticipation that debt levels will decline due to maturities through 2013; the estimation that lifetime losses on loans originated after 2008 will be significantly less than the losses experienced with respect to vintages prior to 2009; expectations regarding loans in the pay option portfolio; the belief that the Corporation's current market capitalization does not reflect the aggregate fair value of its individual reporting units; effects of the ongoing debt crisis in certain European countries, including the expectation of continued market volatility, the expectation that the Corporation will continue to support

client activities in the region and that exposures may vary over time as the Corporation monitors the situation and manages its risk profile; the expectation that net losses on derivative instruments that qualify as cash flow hedges will be reclassified into earnings; the expectation that the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months; and other matters relating to the Corporation and the securities that it may offer from time to time or steps it may take to manage the risk of these securities. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain 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.

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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, under Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: The potential impact of the recent and any future government shutdown and/or debt ceiling impasse; the Corporation's ability to resolve representations and warranties repurchase claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more of the government-sponsored enterprises, 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; the possibility that the Corporation may not collect mortgage insurance claims; the possible impact of a future FASB standard on accounting for credit losses; uncertainties about the financial stability of several countries in the Eurozone, the risk that those countries may default on their sovereign debt or exit the Eurozone and related stresses on financial markets, the Euro and the Eurozone and the Corporation's exposures to such risks, including direct, indirect and operational; uncertainties related to the timing and pace of Federal Reserve tapering of quantitative easing, and the impact on global interest rates, currency exchange rates, and economic conditions in a number of countries; the possibility of future inquiries or investigations regarding pending or completed foreclosure activities; the negative impact of the Financial Reform Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the potential impact on debit card interchange fee revenue in connection with the U.S. District Court for the District of Columbia's ruling on July 31, 2013 regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment; 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; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the impact of continued refund payments to customers and potential regulatory enforcement action relating to optional identity theft protection services; the impact of potential regulatory enforcement action relating to certain optional credit card debt cancellation products; unexpected claims, damages, penalties and fines resulting from pending or future litigation and regulatory proceedings including proceedings instituted by members of the Financial Fraud Enforcement Task Force; the Corporation's ability to fully realize the cost savings and other anticipated benefits from Project New BAC, including in accordance with currently anticipated timeframes; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; 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.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company 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 nonbanking subsidiaries throughout

the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. We operate our banking activities primarily under two national bank charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA). On October 1, 2013, we completed the merger of our Merrill Lynch & Co., Inc. subsidiary into Bank of America Corporation. This merger has no effect on the Merrill Lynch name and brand and will have no impact on customers or clients. At September 30, 2013, the Corporation had approximately $2.1 trillion in assets and approximately 248,000 full-time equivalent employees.

As of September 30, 2013, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 51 million consumer and small business relationships with approximately 5,200 banking centers, 16,200 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to more than three million small business owners. 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.

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Table 1 provides selected consolidated financial data for the three and nine months ended September 30, 2013 and 2012, and at September 30, 2013 and December 31, 2012.

Table 1
Selected Financial Data

	Three Months Ended September 30				Nine Months Ended September 30			
(Dollars in millions, except per share information)	2013		2012		2013		2012	
Income statement								
Revenue, net of interest expense (FTE basis) [1]	$21,743		$20,657		$68,100		$65,344	
Net income	2,497		340		7,992		3,456	
Diluted earnings (loss) per common share [2]	0.20		0.00		0.62		0.22	
Dividends paid per common share	0.01		0.01		0.03		0.03	
Performance ratios								
Return on average assets	0.47	%	0.06	%	0.49	%	0.21	%
Return on average tangible shareholders' equity [1]	6.32		0.84		6.67		2.89	
Efficiency ratio (FTE basis) [1]	75.38		84.93		76.22		82.23	
Asset quality								
Allowance for loan and lease losses at period end					$19,432		$26,233	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [3]					2.10	%	2.96	%
Nonperforming loans, leases and foreclosed properties at period end [3]					$20,028		$24,925	
Net charge-offs [4]	$1,687		$4,122		6,315		11,804	
Annualized net charge-offs as a percentage of average loans and leases outstanding [3, 4]	0.73	%	1.86	%	0.93	%	1.77	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [3]	0.75		1.93		0.96		1.83	
Annualized net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [3]	0.92		2.63		1.17		2.02	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [4]	2.90		1.60		2.30		1.66	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the purchased credit-impaired loan portfolio	2.42		1.17		1.92		1.21	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and purchased credit-impaired write-offs	2.30		1.13		1.84		1.46	

	September 30 2013	December 31 2012
Balance sheet		
Total loans and leases	$934,392	$907,819
Total assets	2,126,653	2,209,974
Total deposits	1,110,118	1,105,261
Total common shareholders' equity	218,967	218,188

Total shareholders' equity	232,282		236,956	
Capital ratios [5]				
Tier 1 common capital	11.08	%	11.06	%
Tier 1 capital	12.33		12.89	
Total capital	15.36		16.31	
Tier 1 leverage	7.79		7.37	

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 18.

(2) Due to a net loss applicable to common shareholders for the three months ended September 30, 2012, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) 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 104 and corresponding Table 42, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 113 and corresponding Table 51.

(4) Net charge-offs exclude $443 million and $1.6 billion of write-offs in the purchased credit-impaired loan portfolio for the three and nine months ended September 30, 2013 compared to $1.7 billion for both of the same periods in 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

(5) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at September 30, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

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Third Quarter 2013 Economic and Business Environment

In the U.S., economic growth continued at a modest pace in the third quarter of 2013, led by retail sales and a continued recovery in the housing market. However, the economy was adversely affected by weak service spending gains and the continued impact of lower federal government expenditures. Modest employment gains continued during the quarter, with minor declines in the unemployment rate. Core inflation fell, ending the quarter near one percent on an annual basis, below the longer-term inflation target of two percent set by the Board of Governors of the Federal Reserve System (Federal Reserve).

The Federal Reserve announced during the quarter its decision to await more evidence that economic progress will be sustained before adjusting the pace of its securities purchases of agency mortgage-backed securities (MBS) and long-term U.S. Treasury securities, and maintained its forward guidance on interest rates expressed in terms of economic thresholds which began in December 2012. Sequestration remained in effect at quarter-end. Despite ongoing fiscal uncertainties and international economic difficulties, U.S. equities posted gains during the third quarter. As the third quarter ended, uncertainty increased surrounding the extension of the federal government's budget and an extension of the debt ceiling. However, both issues were temporarily resolved on October 16, 2013 with the extension of the federal government's budget until January 15, 2014 and the extension of the debt ceiling until February 7, 2014, setting the stage for potential further uncertainty.

Internationally, most key European and Asian economies demonstrated economic growth, with particularly robust economic growth in the U.K. and Japan. The Eurozone continued to demonstrate a reduced level of financial anxiety as its recession ended with a return to economic growth. China also demonstrated signs of economic stability, though a now slower pace of growth seems likely to prevail. For more information on our international exposure, see Non-U.S. Portfolio on page 119.

Recent Events

Basel 3 Rules

Basel 3 Regulatory Capital Rules

In July 2013, U.S. banking regulators approved final Basel 3 Regulatory Capital rules (Basel 3). The Basel 3 rules will be effective January 1, 2014; however, various aspects of Basel 3 will be subject to multi-year transition periods ending December 31, 2018. Basel 3 generally continues to be subject to interpretation by the U.S. banking regulators. Basel 3 will materially change our Tier 1 common, Tier 1 and Total capital calculations. It introduces new minimum capital ratios and buffer requirements, proposes a supplementary leverage ratio, changes the composition of regulatory capital, expands and modifies the calculation of risk-weighted assets for credit and market risk (the Advanced Approach), revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework and introduces a Standardized Approach for the calculation of risk-weighted assets, which will replace the current rules (Basel 1 – 2013 Rules) effective January 1, 2015. Under Basel 3, we will be required to calculate regulatory capital ratios and risk-weighted assets under both the Standardized and Advanced Approaches. The approach that yields the lower ratios is to be used to assess capital adequacy under the Prompt Corrective Action framework. The Prompt Corrective Action framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. The Basel 3 Advanced Approach requires approval by the U.S. regulatory agencies of analytical models used as part of capital measurement. If these models are not approved, it would likely lead to an increase in our risk-weighted assets, which in some cases could be significant. While we continue to evaluate the impact of both the Standardized and Advanced Approaches, we generally expect that initially the Standardized Approach will yield the lower ratios. For additional information, see Capital Management – Regulatory Capital Changes on page 74.

Proposed Supplementary Leverage Ratio

In July 2013, U.S. banking regulators issued a notice of proposed rulemaking (NPR) to modify the supplementary leverage ratio minimum requirements under Basel 3 effective in 2018. Under the proposed rule, the largest bank holding companies (BHCs), including the Corporation, would be required to maintain a minimum supplementary leverage ratio of three percent, plus a supplementary leverage buffer of two percent, for a total of five percent. If the Corporation's supplementary leverage buffer is not greater than or equal to two percent, then the Corporation would be subject to mandatory limits on its ability to make distributions of capital to shareholders, whether through dividends, stock repurchases or otherwise. In addition, the insured depository institutions of such BHCs, which for the Corporation would include primarily BANA and FIA, would be required to maintain a minimum six percent leverage ratio to be considered "well capitalized." The proposal is not yet final and, when finalized, could have provisions significantly different from those currently proposed. For additional information, see Capital Management – Regulatory Capital Changes on page 74.

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Liquidity Standards

The Basel Committee on Banking Supervision (the Basel Committee) has issued two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). For additional information, see Liquidity Risk – Basel 3 Liquidity Standards on page 82.

Sale of China Construction Bank Corporation Shares

In the third quarter of 2013, we sold our remaining equity investment in China Construction Bank Corporation (CCB), representing two billion shares, or approximately one percent of all CCB shares outstanding. The sale resulted in a pre-tax gain of $753 million.

The strategic assistance agreement (SAA) between the Corporation and CCB, which was recently extended to 2016, will continue. Under the SAA, the Corporation provides advice and assistance to CCB in specified business areas, focusing on processes and systems including customer service and sales models.

Common Stock Repurchases and Liability Management Actions

As disclosed in prior filings, the capital plan that the Corporation submitted to the Federal Reserve in January 2013 as part of our 2013 Comprehensive Capital Analysis and Review (CCAR) included a request to repurchase up to $5.0 billion of common stock and redeem $5.5 billion in preferred stock over four quarters beginning in the second quarter of 2013, and continue the quarterly common stock dividend at $0.01 per share. During the three months ended September 30, 2013, we repurchased and retired 60.0 million common shares for an aggregate purchase price of approximately $866 million. During the nine months ended September 30, 2013, we repurchased and retired 139.6 million common shares for an aggregate purchase price of approximately $1.9 billion and redeemed our Series H and 8 preferred stock for $5.5 billion.

In addition to the CCAR actions, during the three months ended September 30, 2013, we redeemed $951 million of the Corporation's 7.25% Non-Cumulative Preferred Stock, Series J. During the nine months ended September 30, 2013, we redeemed $76 million of our Non-Cumulative Preferred Stock, Series 6 and 7 and issued $1.0 billion of our Fixed-to-Floating Rate Semi-annual Non-Cumulative Preferred Stock, Series U. For additional information, see Capital Management – Regulatory Capital on page 71 and Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

During the nine months ended September 30, 2013, we repurchased certain of our debt and trust preferred securities with an aggregate carrying value of $6.1 billion for $6.2 billion in cash. The majority of this activity occurred during the third quarter of 2013. In addition, on October 17, 2013, we announced a $4.0 billion cash tender offer for certain senior notes maturing in 2014. As of the October 30, 2013 early tender deadline, more than $4.0 billion in senior notes had been tendered. We may conduct additional redemptions, tender offers, exercises and other transactions in the future depending on prevailing market conditions, capital, liquidity and other factors.

Impact of U.K. Corporate Income Tax Rate Reduction

On July 17, 2013, the United Kingdom (U.K.) 2013 Finance Act was enacted, which reduced the U.K. corporate income tax rate by three percent to 20 percent. Two percent of the reduction will become effective on April 1, 2014 and the additional one percent reduction on April 1, 2015. These reductions, which represented the final in a series of announced reductions, will favorably affect income tax expense on future U.K. earnings but also required the Corporation to remeasure, in the three months ended September 30, 2013, its U.K. net deferred tax assets using the lower tax rates. This resulted in a charge to income tax expense of approximately $1.1 billion in aggregate for these

reductions. Because our deferred tax assets in excess of a certain amount are disallowed in calculating regulatory capital, this charge did not impact our capital ratios.

Performance Overview

Net income was $2.5 billion, or $0.20 per diluted share and $8.0 billion, or $0.62 per diluted share for the three and nine months ended September 30, 2013 compared to $340 million, or $0.00 and $3.5 billion, or $0.22 for the same periods in 2012. The results for the three and nine months ended September 30, 2013 reflect our efforts to stabilize revenue, decrease costs, strengthen the balance sheet and improve credit quality. The following highlights the most significant changes from the prior-year periods.

Net interest income on a fully taxable-equivalent (FTE) basis increased $312 million to $10.5 billion, and $1.1 billion to $32.1 billion for the three and nine months ended September 30, 2013. For more information on the significant drivers of net interest income, see Financial Highlights on page 9.

Noninterest income increased $774 million to $11.3 billion, and $1.6 billion to $36.0 billion for the three and nine months ended September 30, 2013. The significant drivers for the increase in the three-month period were higher equity investment income primarily related to the gain on the sale of the company's remaining CCB shares in the current quarter, partially offset by lower mortgage banking income. Also impacting results were negative fair value adjustments on structured liabilities of $152 million for the three months ended September 30, 2013 compared to a negative $1.3 billion for the same period in 2012 and debit valuation adjustment (DVA) losses on derivatives, net of hedges, of $292 million compared to losses of $583 million.

The significant drivers for the increase in noninterest income for the nine-month period were increases in equity investment income, investment banking income and investment and brokerage services income, partially offset by lower mortgage banking income and lower gains on sales of debt securities. Also impacting results were negative fair value adjustments on structured liabilities of $232 million for the nine months ended September 30, 2013 compared to a negative $4.7 billion for the same period in 2012 and DVA losses on derivatives, net of hedges, of $307 million compared to losses of $2.2 billion. The year-ago period included gains of $1.7 billion related to liability management actions.

The provision for credit losses decreased $1.5 billion to $296 million, and $2.7 billion to $3.2 billion for the three and nine months ended September 30, 2013 due to continued improvement in the home loans portfolio primarily as a result of increased home prices, and improvement in credit card portfolios.

Noninterest expense decreased $1.2 billion to $16.4 billion, and $1.8 billion to $51.9 billion for the three and nine months ended September 30, 2013. The decrease for the three-month period was driven by a $889 million decrease in other general operating expense primarily due to lower litigation expense, a decrease in professional fees due in part to reduced Legacy Assets & Servicing expenses, and a decrease in personnel expense as we have continued to streamline processes and achieve cost savings. The decrease for the nine-month period was driven by decreases in personnel expense and professional fees due to the same factors as described in the three-month discussion above. Also contributing to the nine-month decrease was a $540 million decrease in other general operating expense as a result of lower Federal Deposit Insurance Corporation (FDIC) expense and lower default-related servicing expenses, partially offset by higher litigation expense. Litigation expense was $1.1 billion and $3.8 billion for the three and nine months ended September 30, 2013 compared to $1.6 billion and $3.3 billion for the same periods in 2012.

Income tax expense was $2.3 billion on $4.8 billion of pre-tax income and $4.3 billion on $12.3 billion of pre-tax income, resulting in effective tax rates of 48.5 percent and 35.2 percent for the three and nine months ended September 30, 2013. This was compared to $770 million on $1.1 billion of pre-tax income and $1.5 billion on $5.0 billion of pre-tax income that resulted in effective tax rates of 69.4 percent and 30.5 percent for the same periods in 2012. The effective tax rates for the three and nine months ended September 30, 2013 were primarily driven by the $1.1 billion impact of the U.K. corporate income tax rate reduction compared to $788 million for the same periods in

2012.

For additional summary information on the Corporation's results, see Financial Highlights on page 9.

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Table 2
Summary Income Statement

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Net interest income (FTE basis) [1]	$10,479	$10,167	$32,125	$31,002
Noninterest income	11,264	10,490	35,975	34,342
Total revenue, net of interest expense (FTE basis) [1]	21,743	20,657	68,100	65,344
Provision for credit losses	296	1,774	3,220	5,965
Noninterest expense	16,389	17,544	51,907	53,733
Income before income taxes	5,058	1,339	12,973	5,646
Income tax expense (FTE basis) [1]	2,561	999	4,981	2,190
Net income	2,497	340	7,992	3,456
Preferred stock dividends	279	373	1,093	1,063
Net income (loss) applicable to common shareholders	$2,218	$(33)	$6,899	$2,393
Per common share information				
Earnings	$0.21	$0.00	$0.64	$0.22
Diluted earnings	0.20	0.00	0.62	0.22

(1) FTE basis is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 18.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $312 million to $10.5 billion, and $1.1 billion to $32.1 billion for the three and nine months ended September 30, 2013 compared to the same periods in 2012. The increases were primarily due to reductions in long-term debt balances, higher yields on debt securities including the impact of market-related premium amortization expense, lower rates paid on deposits, higher commercial loan balances and increased trading-related net interest income, partially offset by lower consumer loan balances as well as lower asset yields driven by the low rate environment. The net interest yield on a FTE basis increased 12 basis points (bps) and nine bps to 2.44 percent for both the three and nine months ended September 30, 2013 compared to the same periods in 2012 due to the same factors as described above.

Noninterest Income

Table 3
Noninterest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Card income	$1,444	$1,538	$4,323	$4,573
Service charges	1,884	1,934	5,520	5,780
Investment and brokerage services	2,995	2,781	9,165	8,504
Investment banking income	1,297	1,336	4,388	3,699
Equity investment income	1,184	238	2,427	1,371
Trading account profits	1,266	1,239	6,193	5,078
Mortgage banking income	585	2,019	3,026	5,290
Gains on sales of debt securities	356	339	881	1,491

Other income (loss)	260	(928)	72	(1,392)
Net impairment losses recognized in earnings on AFS debt securities	(7)	(6)	(20)	(52)
Total noninterest income	$11,264	$10,490	$35,975	$34,342

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Noninterest income increased $774 million to $11.3 billion, and $1.6 billion to $36.0 billion for the three and nine months ended September 30, 2013 compared to the same periods in 2012. The following highlights the significant changes.

- Card income decreased $94 million and $250 million primarily driven by lower revenue as a result of our exit of consumer protection products.

- Investment and brokerage services increased $214 million and $661 million primarily driven by the impact of long-term assets under management (AUM) inflows, higher market levels and increased transactional activity.

- Investment banking income decreased $39 million for the three months ended September 30, 2013 driven by declines in debt underwriting fees, and increased $689 million for the nine months ended September 30, 2013 primarily due to an increase in debt and equity underwriting fees.

- Equity investment income increased $946 million and $1.1 billion primarily due to a $753 million gain on the sale of our remaining investment in CCB and gains on the sales of a portion of an equity investment in the three and nine months ended September 30, 2013, partially offset by gains on the sales of an investment in Global Markets in the nine months ended September 30, 2012.

- Trading account profits increased $27 million and $1.1 billion. Net DVA losses on derivatives were $292 million and $307 million for the three and nine months ended September 30, 2013 compared to losses of $583 million and $2.2 billion in the year-ago periods. Excluding net DVA, trading account profits decreased $264 million and $778 million primarily due to decreases in our fixed income, currencies and commodities (FICC) businesses driven by unfavorable market conditions.

- Mortgage banking income decreased $1.4 billion and $2.3 billion for the three and nine months ended September 30, 2013 primarily driven by a decrease in servicing income due to a smaller servicing portfolio as a result of mortgage servicing rights (MSR) sales and portfolio runoff, less favorable MSR net-of-hedge performance and the divestiture of an ancillary servicing business in the prior year. Also contributing to the decreases were declines in production income. The decrease for the three months ended September 30, 2013 was due to lower volumes combined with continued industry-wide margin compression, and the decrease for the nine months ended September 30, 2013 was primarily driven by lower margins.

- Other income (loss) increased $1.2 billion to $260 million, and $1.5 billion to $72 million for the three and nine months ended September 30, 2013. Negative fair value adjustments on structured liabilities were $152 million and $232 million for the three and nine months ended September 30, 2013 compared to negative adjustments of $1.3 billion and $4.7 billion in the year-ago periods. The nine months ended September 30, 2013 included a $450 million write-down of a receivable. The nine months ended September 30, 2012 included gains related to liability management actions of $1.7 billion.

Provision for Credit Losses

The provision for credit losses decreased $1.5 billion to $296 million, and $2.7 billion to $3.2 billion for the three and nine months ended September 30, 2013 compared to the same periods in 2012. For the three and nine months ended September 30, 2013, the provision for credit losses was $1.4 billion and $3.1 billion lower than net charge-offs, resulting in a reduction in the allowance for credit losses due to continued improvement in the home loans and credit card portfolios. This compared to reductions of $2.3 billion and $5.8 billion in the allowance for credit losses for the three and nine months ended September 30, 2012. If the economy and home prices continue to improve, we anticipate additional reductions in the allowance for credit losses in future periods, although at a lower level than the third

quarter.

Net charge-offs totaled $1.7 billion, or 0.73 percent, and $6.3 billion, or 0.93 percent of average loans and leases for the three and nine months ended September 30, 2013 compared to $4.1 billion, or 1.86 percent, and $11.8 billion, or 1.77 percent for the same periods in 2012. The decrease in net charge-offs was primarily driven by credit quality improvement across nearly all major portfolios. Also, the prior-year periods included charge-offs associated with the National Mortgage Settlement and loans discharged in Chapter 7 bankruptcy due to the implementation of regulatory guidance. Given improving trends in delinquencies and the Home Price Index, absent any unexpected changes in the economy, we expect net charge-offs to decline again in the fourth quarter of 2013 and stabilize sometime in 2014 at approximately $1.5 billion per quarter. For more information on the provision for credit losses, see Provision for Credit Losses on page 123.

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Noninterest Expense

Table 4

Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Personnel	$8,310	$8,431	$26,732	$27,348
Occupancy	1,096	1,160	3,359	3,419
Equipment	538	561	1,620	1,718
Marketing	511	479	1,377	1,393
Professional fees	702	873	2,045	2,578
Amortization of intangibles	270	315	820	955
Data processing	779	640	2,370	2,188
Telecommunications	397	410	1,217	1,227
Other general operating	3,786	4,675	12,367	12,907
Total noninterest expense	$16,389	$17,544	$51,907	$53,733

Noninterest expense decreased $1.2 billion to $16.4 billion, and $1.8 billion to $51.9 billion for the three and nine months ended September 30, 2013 compared to the same periods in 2012. The decrease for the three months ended September 30, 2013 was driven by a $889 million decrease in other general operating expense primarily due to a $450 million decrease in litigation expense, a $171 million decrease in professional fees due in part to reduced default management activities in Legacy Assets & Servicing, and a $121 million decrease in personnel expense as we continue to streamline processes and achieve cost savings. The decrease for the nine months ended September 30, 2013 was driven by a $616 million decrease in personnel expense and a $533 million decrease in professional fees as a result of the same factors as described in the three-month discussion above. Also contributing to the nine-month decrease was a $540 million decrease in other general operating expense as a result of lower FDIC expense and lower default-related servicing expenses, partially offset by a $494 million increase in litigation expense.

In connection with Project New BAC, which was first announced in the third quarter of 2011, we continue to achieve cost savings in certain noninterest expense categories as we further streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles. We expect total cost savings from Project New BAC to reach $8 billion per year on an annualized basis, or $2 billion per quarter, by mid-2015. We expect to achieve approximately $1.5 billion in quarterly cost savings by the fourth quarter of 2013, representing 75 percent of the quarterly target.

Income Tax Expense

Income tax expense was $2.3 billion on pre-tax income of $4.8 billion for the three months ended September 30, 2013 compared to $770 million on pre-tax income of $1.1 billion for the same period in 2012 and resulted in effective tax rates of 48.5 percent and 69.4 percent. Income tax expense was $4.3 billion on pre-tax income of $12.3 billion for the nine months ended September 30, 2013 compared to $1.5 billion on pre-tax income of $5.0 billion for the same period in 2012 and resulted in effective tax rates of 35.2 percent and 30.5 percent.

The effective tax rate for the three months ended September 30, 2013 included the $1.1 billion impact of the U.K. corporate income tax rate reduction enacted in July 2013, partially offset by our recurring tax preference items. The effective tax rate for the three months ended September 30, 2012 included the $788 million impact of the U.K. corporate income tax rate reduction that was enacted in July 2012, partially offset by our recurring tax preference items and by tax benefits related to certain non-U.S. jurisdictions, including an increase in our accumulated earnings presumed to be permanently reinvested offshore.

The effective tax rates for the nine months ended September 30, 2013 and 2012 were driven by the same factors as described in the three-month discussion above. The effective tax rate for the nine months ended September 30, 2013 also included the impact of increased tax benefits from the 2012 non-U.S. restructurings as compared to amounts previously recognized.

On July 17, 2013, the U.K. 2013 Finance Act was enacted, which reduced the U.K. corporate income tax rate by three percent to 20 percent. Two percent of the reduction will become effective on April 1, 2014 and the additional one percent reduction on April 1, 2015. These reductions, which represented the final in a series of announced reductions, will favorably affect future U.K. earnings but also required us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rates. As a result, in the three months ended September 30, 2013, we recorded a charge to income tax expense of $1.1 billion in aggregate for these reductions. Because our deferred tax assets in excess of a certain amount are disallowed in calculating regulatory capital, this charge did not impact our capital ratios.

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Balance Sheet Overview

Table 5
Selected Balance Sheet Data

(Dollars in millions)	September 30 2013	December 31 2012	Average Balance Three Months Ended September 30 2013	2012	Nine Months Ended September 30 2013	2012
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$ 212,007	$ 219,924	$ 223,434	$ 234,955	$ 231,379	$ 234,058
Trading account assets	201,206	227,775	194,324	199,039	220,343	196,379
Debt securities	320,998	360,331	327,493	355,302	342,278	351,348
Loans and leases	934,392	907,819	923,978	888,859	914,888	900,650
Allowance for loan and lease losses	(19,432)	(24,179)	(20,473)	(29,478)	(22,031)	(31,377)
All other assets	477,482	518,304	474,674	524,635	486,307	533,916
Total assets	$ 2,126,653	$ 2,209,974	$ 2,123,430	$ 2,173,312	$ 2,173,164	$ 2,184,974
Liabilities						
Deposits	$ 1,110,118	$ 1,105,261	$ 1,090,611	$ 1,049,697	$ 1,082,005	$ 1,037,610
Federal funds purchased and securities loaned or sold under agreements to repurchase	226,274	293,259	235,205	287,142	268,737	274,395
Trading account liabilities	82,713	73,587	84,648	77,528	90,321	78,041
Short-term borrowings	40,769	30,731	44,220	37,881	42,749	37,981
Long-term debt	255,331	275,585	258,717	291,684	267,582	329,320
All other liabilities	179,166	194,595	179,637	193,341	187,644	192,901
Total liabilities	1,894,371	1,973,018	1,893,038	1,937,273	1,939,038	1,950,248
Shareholders' equity	232,282	236,956	230,392	236,039	234,126	234,726
Total liabilities and shareholders' equity	$ 2,126,653	$ 2,209,974	$ 2,123,430	$ 2,173,312	$ 2,173,164	$ 2,184,974

Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities, primarily involving our portfolios of highly liquid assets. These portfolios are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and our customers, and to position the balance sheet in accordance with the Corporation's risk appetite. The execution of these activities requires the use of balance sheet and capital-related limits including spot, average and risk-weighted asset limits, particularly within the market-making activities of our trading businesses. One of our key regulatory metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets.

Assets

At September 30, 2013, total assets were approximately $2.1 trillion, a decrease of $83.3 billion, or four percent, from December 31, 2012. The decrease over the nine months was driven by lower debt securities due to net sales of U.S. Treasuries, paydowns and decreases in the fair value of available-for-sale (AFS) debt securities resulting from the impact of higher interest rates, lower trading account assets due to a reduction in U.S. government and agency securities, a decline in consumer loan balances driven by continued run-off in certain portfolios as well as paydowns and charge-offs outpacing originations, and a decline in securities borrowed or purchased under agreements to resell

due to lower matched-book activity. These decreases were partially offset by higher commercial loan balances.

Average total assets decreased $49.9 billion and $11.8 billion for the three and nine months ended September 30, 2013 compared to the same periods in 2012. The decreases were driven by a decline in consumer loan balances driven by continued run-off in certain portfolios as well as paydowns and charge-offs outpacing originations, lower debt securities due to net sales of U.S. Treasuries, paydowns and decreases in the fair value of AFS debt securities resulting from the impact of higher interest rates, a decline in securities borrowed or purchased under agreements to resell due to lower matched-book activity, and reductions in all other assets primarily due to lower derivative dealer assets and cash and cash equivalents. These declines were partially offset by higher commercial loan balances and the nine-month comparison was also impacted by higher trading account assets due to increased securities inventory and client-based activity.

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Liabilities and Shareholders' Equity

At September 30, 2013, total liabilities were approximately $1.9 trillion, a decrease of $78.6 billion, or four percent, from December 31, 2012 primarily driven by decreases in securities loaned or sold under agreements to repurchase due to lower matched-book activity and trading inventory, and reductions in long-term debt. These decreases were partially offset by higher short-term borrowings due to an increase in advances from the Federal Home Loan Bank (FHLB), an increase in trading account liabilities, and growth in deposits.

Average total liabilities decreased $44.2 billion and $11.2 billion for the three and nine months ended September 30, 2013 compared to the same periods in 2012. The decreases were primarily driven by a decline in securities loaned or sold under agreements to repurchase due to lower matched-book activity, and reductions in long-term debt, partially offset by growth in deposits.

At September 30, 2013, shareholders' equity was $232.3 billion, a decrease of $4.7 billion from December 31, 2012 driven by net preferred stock redemptions, common stock repurchases and a decrease in the fair value of AFS debt securities resulting from the impact of higher interest rates, which is recorded in accumulated other comprehensive income (OCI). These decreases were partially offset by earnings and the positive impact of a remeasurement of pension plan assets and liabilities.

Average shareholders' equity decreased $5.6 billion for the three months ended September 30, 2013 compared to the same period in 2012 primarily driven by net preferred stock redemptions and common stock repurchases, partially offset by earnings.

Average shareholders' equity remained relatively unchanged for the nine months ended September 30, 2013 compared to the same period in 2012 as net preferred stock redemptions and common stock repurchases were offset by earnings.

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Table 6
Selected Quarterly Financial Data

	2013 Quarters			2012 Quarters	
(In millions, except per share information)	Third	Second	First	Fourth	Third
Income statement					
Net interest income	$10,266	$10,549	$10,664	$10,324	$9,938
Noninterest income	11,264	12,178	12,533	8,336	10,490
Total revenue, net of interest expense	21,530	22,727	23,197	18,660	20,428
Provision for credit losses	296	1,211	1,713	2,204	1,774
Noninterest expense	16,389	16,018	19,500	18,360	17,544
Income (loss) before income taxes	4,845	5,498	1,984	(1,904)	1,110
Income tax expense (benefit)	2,348	1,486	501	(2,636)	770
Net income	2,497	4,012	1,483	732	340
Net income (loss) applicable to common shareholders	2,218	3,571	1,110	367	(33)
Average common shares issued and outstanding	10,719	10,776	10,799	10,777	10,776
Average diluted common shares issued and outstanding [1]	11,482	11,525	11,155	10,885	10,776
Performance ratios					
Return on average assets	0.47 %	0.74 %	0.27 %	0.13 %	0.06 %
Four quarter trailing return on average assets [2]	0.40	0.30	0.23	0.19	0.25
Return on average common shareholders' equity	4.06	6.55	2.06	0.67	n/m
Return on average tangible common shareholders' equity [3]	6.15	9.88	3.12	1.01	n/m
Return on average tangible shareholders' equity [3]	6.32	9.98	3.69	1.77	0.84
Total ending equity to total ending assets	10.92	10.88	10.91	10.72	11.02
Total average equity to total average assets	10.85	10.76	10.71	10.79	10.86
Dividend payout	4.82	3.01	9.75	29.33	n/m
Per common share data					
Earnings	$0.21	$0.33	$0.10	$0.03	$0.00
Diluted earnings [1]	0.20	0.32	0.10	0.03	0.00
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.50	20.18	20.19	20.24	20.40
Tangible book value [3]	13.62	13.32	13.36	13.36	13.48
Market price per share of common stock					
Closing	$13.80	$12.86	$12.18	$11.61	$8.83
High closing	14.95	13.83	12.78	11.61	9.55
Low closing	12.83	11.44	11.03	8.93	7.04
Market capitalization	$147,429	$138,156	$131,817	$125,136	$95,163

(1) Due to a net loss applicable to common shareholders for the third quarter of 2012, the impact of antidilutive equity instruments was excluded from diluted earnings per share and average diluted common shares.

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 18.

(4) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 87.

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

(6) 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 104 and corresponding Table 42, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 113 and corresponding Table 51.

(7) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.

(8) Net charge-offs exclude $443 million, $313 million, $839 million, $1.1 billion and $1.7 billion of write-offs in the purchased credit-impaired loan portfolio for the third, second and first quarters of 2013 and the fourth and third quarters of 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

(9) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at September 30, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

n/m = not meaningful

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Table 6
Selected Quarterly Financial Data (continued)

	2013 Quarters			2012 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Average balance sheet					
Total loans and leases	$923,978	$914,234	$906,259	$893,166	$888,859
Total assets	2,123,430	2,184,610	2,212,430	2,210,365	2,173,312
Total deposits	1,090,611	1,079,956	1,075,280	1,078,076	1,049,697
Long-term debt	258,717	270,198	273,999	277,894	291,684
Common shareholders' equity	216,766	218,790	218,225	219,744	217,273
Total shareholders' equity	230,392	235,063	236,995	238,512	236,039
Asset quality (4)					
Allowance for credit losses (5)	$19,912	$21,709	$22,927	$24,692	$26,751
Nonperforming loans, leases and foreclosed properties (6)	20,028	21,280	22,842	23,555	24,925
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6)	2.10 %	2.33 %	2.49 %	2.69 %	2.96 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6)	100	103	102	107	111
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (6)	84	84	82	82	81
Amounts included in allowance that are excluded from nonperforming loans and leases (7)	$8,972	$9,919	$10,690	$12,021	$13,978
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases (7)	54 %	55 %	53 %	54 %	52 %
Net charge-offs (8)	$1,687	$2,111	$2,517	$3,104	$4,122
Annualized net charge-offs as a percentage of average loans and leases outstanding (6, 8)	0.73 %	0.94 %	1.14 %	1.40 %	1.86 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (6)	0.75	0.97	1.18	1.44	1.93
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (6)	0.92	1.07	1.52	1.90	2.63
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	2.10	2.26	2.44	2.52	2.68
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	2.17	2.33	2.53	2.62	2.81
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (8)	2.90	2.51	2.20	1.96	1.60
	2.42	2.04	1.76	1.51	1.17

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio										
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.30		2.18		1.65		1.44		1.13	
Capital ratios (period end) [9]										
Risk-based capital:										
Tier 1 common capital	11.08	%	10.83	%	10.49	%	11.06	%	11.41	%
Tier 1 capital	12.33		12.16		12.22		12.89		13.64	
Total capital	15.36		15.27		15.50		16.31		17.16	
Tier 1 leverage	7.79		7.49		7.49		7.37		7.84	
Tangible equity [3]	7.73		7.67		7.78		7.62		7.85	
Tangible common equity [3]	7.08		6.98		6.88		6.74		6.95	

For footnotes see page 14.

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Table 7
Selected Year-to-Date Financial Data

(In millions, except per share information)	Nine Months Ended September 30 2013		2012	
Income statement				
Net interest income	$31,479		$30,332	
Noninterest income	35,975		34,342	
Total revenue, net of interest expense	67,454		64,674	
Provision for credit losses	3,220		5,965	
Noninterest expense	51,907		53,733	
Income before income taxes	12,327		4,976	
Income tax expense	4,335		1,520	
Net income	7,992		3,456	
Net income applicable to common shareholders	6,899		2,393	
Average common shares issued and outstanding	10,764		10,735	
Average diluted common shares issued and outstanding	11,524		10,827	
Performance ratios				
Return on average assets	0.49	%	0.21	%
Return on average common shareholders' equity	4.23		1.48	
Return on average tangible common shareholders' equity [(1)]	6.40		2.26	
Return on average tangible shareholders' equity [(1)]	6.67		2.89	
Total ending equity to total ending assets	10.92		11.02	
Total average equity to total average assets	10.77		10.74	
Dividend payout	4.68		13.79	
Per common share data				
Earnings	$0.64		$0.22	
Diluted earnings	0.62		0.22	
Dividends paid	0.03		0.03	
Book value	20.50		20.40	
Tangible book value [(1)]	13.62		13.48	
Market price per share of common stock				
Closing	$13.80		$8.83	
High closing	14.95		9.93	
Low closing	11.03		5.80	
Market capitalization	$147,429		$95,163	

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 18.

(2) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 87.

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

(4) 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 104 and corresponding Table 42, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 113 and corresponding Table 51.

(5) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.

(6) Net charge-offs exclude $1.6 billion and $1.7 billion of write-offs in the purchased credit-impaired loan portfolio for the nine months ended September 30, 2013 and 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

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Table 7
Selected Year-to-Date Financial Data (continued)

	Nine Months Ended September 30			
(Dollars in millions)	2013		2012	
Average balance sheet				
Total loans and leases	$914,888		$900,650	
Total assets	2,173,164		2,184,974	
Total deposits	1,082,005		1,037,610	
Long-term debt	267,582		329,320	
Common shareholders' equity	217,922		216,073	
Total shareholders' equity	234,126		234,726	
Asset quality (2)				
Allowance for credit losses (3)	$19,912		$26,751	
Nonperforming loans, leases and foreclosed properties (4)	20,028		24,925	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (4)	2.10	%	2.96	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (4)	100		111	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (4)	84		81	
Amounts included in allowance that are excluded from nonperforming loans and leases (5)	$8,972		$13,978	
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases (5)	54	%	52	%
Net charge-offs (6)	$6,315		$11,804	
Annualized net charge-offs as a percentage of average loans and leases outstanding (4, 6)	0.93	%	1.77	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (4)	0.96		1.83	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (4)	1.17		2.02	
Nonperforming loans and leases as a percentage of total loans and leases outstanding (4)	2.10		2.68	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (4)	2.17		2.81	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (6)	2.30		1.66	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	1.92		1.21	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	1.84		1.46	

For footnotes see page 16.

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Supplemental Financial Data

We view net interest income and related ratios and analyses on a FTE basis, which when presented on a consolidated basis, are non-GAAP financial measures. We believe managing the business with net interest income on a FTE basis provides a more accurate picture of the interest margin for comparative purposes. 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. This measure ensures comparability of net interest income arising from taxable and tax-exempt sources.

Certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on a 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 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 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 all use return on average tangible shareholders' equity (ROTE) 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 intangible assets (excluding MSRs), net of related deferred tax liabilities.

- ROTE 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 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.

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

We evaluate our business segment results based on measures that utilize return on average allocated capital, and prior to January 1, 2013, the return on average economic capital, both of which represent non-GAAP financial measures. These ratios are calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital or average economic capital, as applicable. In addition, for purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity for the business segments is comprised of allocated capital (or economic capital prior to 2013) plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For additional information, see Business Segment Operations on page 30 and Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

Tables 8, 9 and 10 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2013 Quarters			2012 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Fully taxable-equivalent basis data					
Net interest income	$10,479	$10,771	$10,875	$10,555	$10,167
Total revenue, net of interest expense	21,743	22,949	23,408	18,891	20,657
Net interest yield [(1)]	2.44 %	2.44 %	2.43 %	2.35 %	2.32 %
Efficiency ratio	75.38	69.80	83.31	97.19	84.93

(1) Calculation includes fees earned on overnight deposits placed with the Federal Reserve and, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, of $50 million, $40 million and $33 million for the third, second and first quarters of 2013, and $42 million and $48 million for the fourth and third quarters of 2012, respectively.

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Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2013 Quarters			2012 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,266	$10,549	$10,664	$10,324	$9,938
Fully taxable-equivalent adjustment	213	222	211	231	229
Net interest income on a fully taxable-equivalent basis	$10,479	$10,771	$10,875	$10,555	$10,167
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$21,530	$22,727	$23,197	$18,660	$20,428
Fully taxable-equivalent adjustment	213	222	211	231	229
Total revenue, net of interest expense on a fully taxable-equivalent basis	$21,743	$22,949	$23,408	$18,891	$20,657
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$2,348	$1,486	$501	$(2,636)	$770
Fully taxable-equivalent adjustment	213	222	211	231	229
Income tax expense (benefit) on a fully taxable-equivalent basis	$2,561	$1,708	$712	$(2,405)	$999
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$216,766	$218,790	$218,225	$219,744	$217,273
Goodwill	(69,903)	(69,930)	(69,945)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(5,993)	(6,270)	(6,549)	(6,874)	(7,194)
Related deferred tax liabilities	2,296	2,360	2,425	2,490	2,556
Tangible common shareholders' equity	$143,166	$144,950	$144,156	$145,384	$142,659
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$230,392	$235,063	$236,995	$238,512	$236,039
Goodwill	(69,903)	(69,930)	(69,945)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(5,993)	(6,270)	(6,549)	(6,874)	(7,194)
Related deferred tax liabilities	2,296	2,360	2,425	2,490	2,556
Tangible shareholders' equity	$156,792	$161,223	$162,926	$164,152	$161,425
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	$218,967	$216,791	$218,513	$218,188	$219,838
Goodwill	(69,891)	(69,930)	(69,930)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(5,843)	(6,104)	(6,379)	(6,684)	(7,030)
Related deferred tax liabilities	2,231	2,297	2,363	2,428	2,494
Tangible common shareholders' equity	$145,464	$143,054	$144,567	$143,956	$145,326

Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	$232,282	$231,032	$237,293	$236,956	$238,606
Goodwill	(69,891)	(69,930)	(69,930)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(5,843)	(6,104)	(6,379)	(6,684)	(7,030)
Related deferred tax liabilities	2,231	2,297	2,363	2,428	2,494
Tangible shareholders' equity	$158,779	$157,295	$163,347	$162,724	$164,094
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,126,653	$2,123,320	$2,174,819	$2,209,974	$2,166,162
Goodwill	(69,891)	(69,930)	(69,930)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(5,843)	(6,104)	(6,379)	(6,684)	(7,030)
Related deferred tax liabilities	2,231	2,297	2,363	2,428	2,494
Tangible assets	$2,053,150	$2,049,583	$2,100,873	$2,135,742	$2,091,650

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Table 9
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Nine Months Ended September 30	
(Dollars in millions, except per share information)	2013	2012
Fully taxable-equivalent basis data		
Net interest income	$32,125	$31,002
Total revenue, net of interest expense	68,100	65,344
Net interest yield [1]	2.44 %	2.35 %
Efficiency ratio	76.22	82.23
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis		
Net interest income	$31,479	$30,332
Fully taxable-equivalent adjustment	646	670
Net interest income on a fully taxable-equivalent basis	$32,125	$31,002
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis		
Total revenue, net of interest expense	$67,454	$64,674
Fully taxable-equivalent adjustment	646	670
Total revenue, net of interest expense on a fully taxable-equivalent basis	$68,100	$65,344
Reconciliation of income tax expense to income tax expense on a fully taxable-equivalent basis		
Income tax expense	$4,335	$1,520
Fully taxable-equivalent adjustment	646	670
Income tax expense on a fully taxable-equivalent basis	$4,981	$2,190
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity		
Common shareholders' equity	$217,922	$216,073
Goodwill	(69,926)	(69,973)
Intangible assets (excluding MSRs)	(6,269)	(7,531)
Related deferred tax liabilities	2,360	2,627
Tangible common shareholders' equity	$144,087	$141,196
Reconciliation of average shareholders' equity to average tangible shareholders' equity		
Shareholders' equity	$234,126	$234,726
Goodwill	(69,926)	(69,973)
Intangible assets (excluding MSRs)	(6,269)	(7,531)
Related deferred tax liabilities	2,360	2,627
Tangible shareholders' equity	$160,291	$159,849

(1) Calculation includes fees earned on overnight deposits placed with the Federal Reserve and, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, of $123 million and $147 million for the nine months ended September 30, 2013 and 2012.

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Table 10
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures [1]

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Consumer & Business Banking				
Reported net income	$1,779	$1,351	$4,621	$4,101
Adjustment related to intangibles [2]	2	3	6	10
Adjusted net income	$1,781	$1,354	$4,627	$4,111
Average allocated equity [3]	$62,032	$56,413	$62,058	$56,059
Adjustment related to goodwill and a percentage of intangibles	(32,032)	(32,142)	(32,058)	(32,179)
Average allocated capital/economic capital	$30,000	$24,271	$30,000	$23,880
Global Banking				
Reported net income	$1,134	$1,151	$3,707	$3,952
Adjustment related to intangibles [2]	1	1	2	3
Adjusted net income	$1,135	$1,152	$3,709	$3,955
Average allocated equity [3]	$45,413	$42,066	$45,412	$41,807
Adjustment related to goodwill and a percentage of intangibles	(22,413)	(22,427)	(22,412)	(22,431)
Average allocated capital/economic capital	$23,000	$19,639	$23,000	$19,376
Global Markets				
Reported net income (loss)	$(778)	$(276)	$1,348	$1,048
Adjustment related to intangibles [2]	2	2	6	7
Adjusted net income (loss)	$(776)	$(274)	$1,354	$1,055
Average allocated equity [3]	$35,369	$18,796	$35,371	$19,069
Adjustment related to goodwill and a percentage of intangibles	(5,369)	(5,382)	(5,371)	(5,366)
Average allocated capital/economic capital	$30,000	$13,414	$30,000	$13,703
Global Wealth & Investment Management				
Reported net income	$719	$571	$2,197	$1,669
Adjustment related to intangibles [2]	4	6	13	18
Adjusted net income	$723	$577	$2,210	$1,687
Average allocated equity [3]	$20,283	$18,199	$20,302	$17,473
Adjustment related to goodwill and a percentage of intangibles	(10,283)	(10,359)	(10,302)	(10,380)
Average allocated capital/economic capital	$10,000	$7,840	$10,000	$7,093

(1) There are no adjustments to reported net income (loss) or average allocated equity for CRES.
(2) Represents cost of funds, earnings credits and certain expenses related to intangibles.
(3) Average allocated equity is comprised of average allocated capital (or economic capital prior to 2013) plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on

allocated capital and economic capital, see Business Segment Operations on page 30 and Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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Table 10
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures (continued) [1]

(Dollars in millions)	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Consumer & Business Banking				
Deposits				
Reported net income	$572	$291	$1,454	$928
Adjustment related to intangibles [2]	—	—	—	1
Adjusted net income	$572	$291	$1,454	$929
Average allocated equity [3]	$35,398	$33,454	$35,403	$32,847
Adjustment related to goodwill and a percentage of intangibles	(19,998)	(20,018)	(20,003)	(20,024)
Average allocated capital/economic capital	$15,400	$13,436	$15,400	$12,823
Consumer Lending				
Reported net income	$1,207	$1,060	$3,167	$3,173
Adjustment related to intangibles [2]	2	3	6	9
Adjusted net income	$1,209	$1,063	$3,173	$3,182
Average allocated equity [3]	$26,634	$22,959	$26,655	$23,212
Adjustment related to goodwill and a percentage of intangibles	(12,034)	(12,124)	(12,055)	(12,155)
Average allocated capital/economic capital	$14,600	$10,835	$14,600	$11,057

For footnotes see page 21.

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Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on a FTE basis and excluding the impact of trading-related activities. As discussed in Global Markets on page 49, we evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 11 provides additional clarity in assessing our results.

Table 11
Net Interest Income Excluding Trading-related Net Interest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Net interest income (FTE basis)				
As reported [1]	$10,479	$10,167	$32,125	$31,002
Impact of trading-related net interest income	(888)	(847)	(2,817)	(2,296)
Net interest income excluding trading-related net interest income [2]	$9,591	$9,320	$29,308	$28,706
Average earning assets				
As reported	$1,710,685	$1,750,275	$1,759,939	$1,763,600
Impact of trading-related earning assets	(446,212)	(446,948)	(476,908)	(438,640)
Average earning assets excluding trading-related earning assets [2]	$1,264,473	$1,303,327	$1,283,031	$1,324,960
Net interest yield contribution (FTE basis) [3]				
As reported [1]	2.44 %	2.32 %	2.44 %	2.35 %
Impact of trading-related activities	0.58	0.53	0.61	0.54
Net interest yield on earning assets excluding trading-related activities [2]	3.02 %	2.85 %	3.05 %	2.89 %

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, of $50 million and $123 million for the three and nine months ended September 30, 2013 and $48 million and $147 million for the three and nine months ended September 30, 2012.
(2) Represents a non-GAAP financial measure.
(3) Calculated on an annualized basis.

For the three and nine months ended September 30, 2013, net interest income excluding trading-related net interest income increased $271 million to $9.6 billion, and $602 million to $29.3 billion compared to the same periods in 2012. The increases were primarily due to reductions in long-term debt balances, higher yields on debt securities including the impact of market-related premium amortization expense, lower rates paid on deposits and higher commercial loan balances, partially offset by lower consumer loan balances as well as lower asset yields driven by the low rate environment. For more information on the impacts of interest rates, see Interest Rate Risk Management for Nontrading Activities on page 133.

Average earning assets excluding trading-related earning assets for the three and nine months ended September 30, 2013 decreased $38.9 billion to $1,264.5 billion, and $41.9 billion to $1,283.0 billion compared to the same periods in 2012. The decreases were primarily due to declines in consumer loans and debt securities, partially offset by an increase in commercial loans.

For the three and nine months ended September 30, 2013, net interest yield on earning assets excluding trading-related activities increased 17 bps to 3.02 percent, and 16 bps to 3.05 percent compared to the same periods in 2012 due to the same factors as described above.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Third Quarter 2013			Second Quarter 2013		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$17,256	$47	1.07 %	$15,088	$46	1.21 %
Federal funds sold and securities borrowed or purchased under agreements to resell	223,434	291	0.52	233,394	319	0.55
Trading account assets	144,502	1,093	3.01	181,620	1,224	2.70
Debt securities [2]	327,493	2,211	2.70	343,260	2,557	2.98
Loans and leases [3]:						
Residential mortgage [4]	256,297	2,359	3.68	257,275	2,246	3.49
Home equity	98,172	930	3.77	101,708	951	3.74
U.S. credit card	90,005	2,226	9.81	89,722	2,192	9.80
Non-U.S. credit card	10,633	317	11.81	10,613	315	11.93
Direct/Indirect consumer [5]	83,773	587	2.78	82,485	598	2.90
Other consumer [6]	1,867	19	3.89	1,756	17	4.17
Total consumer	540,747	6,438	4.74	543,559	6,319	4.66
U.S. commercial	221,542	1,704	3.05	217,464	1,741	3.21
Commercial real estate [7]	43,164	352	3.24	40,612	340	3.36
Commercial lease financing	23,869	204	3.41	23,579	205	3.48
Non-U.S. commercial	94,656	528	2.22	89,020	543	2.45
Total commercial	383,231	2,788	2.89	370,675	2,829	3.06
Total loans and leases	923,978	9,226	3.97	914,234	9,148	4.01
Other earning assets	74,022	677	3.62	81,740	713	3.50
Total earning assets [8]	1,710,685	13,545	3.15	1,769,336	14,007	3.17
Cash and cash equivalents [1]	113,064	50		104,486	40	
Other assets, less allowance for loan and lease losses	299,681			310,788		
Total assets	$2,123,430			$2,184,610		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, have been included in the cash and cash equivalents line. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on debt securities carried at fair value are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

(3) 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 remaining life of the loan.

(4) Includes non-U.S. residential mortgage loans of $83 million, $86 million and $90 million in the third, second and first quarters of 2013, and $93 million and $92 million in the fourth and third quarters of 2012, respectively.

(5) Includes non-U.S. consumer loans of $6.7 billion, $7.5 billion and $7.7 billion in the third, second and first quarters of 2013, and $8.1 billion and $7.8 billion in the fourth and third quarters of 2012, respectively.

(6) Includes consumer finance loans of $1.3 billion, $1.3 billion and $1.4 billion in the third, second and first quarters of 2013, and $1.4 billion and $1.5 billion in the fourth and third quarters of 2012, respectively; consumer leases of

$422 million, $291 million and $138 million in the third, second and first quarters of 2013, and $3 million and none in fourth and third quarters of 2012, respectively; other non-U.S. consumer loans of $5 million for each of the three quarters of 2013, and $4 million and $997 million in the fourth and third quarters of 2012, respectively; and consumer overdrafts of $172 million, $136 million and $142 million in the third, second and first quarters of 2013, and $156 million and $158 million in the fourth and third quarters of 2012, respectively.

(7) Includes U.S. commercial real estate loans of $41.5 billion, $39.1 billion and $37.7 billion in the third, second and first quarters of 2013, and $36.7 billion and $35.4 billion in the fourth and third quarters of 2012, respectively; and non-U.S. commercial real estate loans of $1.7 billion, $1.5 billion and $1.5 billion in the third, second and first quarters of 2013, and $1.5 billion in both the fourth and third quarters of 2012, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $1 million, $63 million and $141 million in the third, second and first quarters of 2013, and $146 million and $136 million in the fourth and third quarters of 2012, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $556 million, $660 million and $618 million in the third, second and first quarters of 2013, and $598 million and $454 million in the fourth and third quarters of 2012, respectively. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 133.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	First Quarter 2013			Fourth Quarter 2012			Third Quarter 2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$16,129	$46	1.17 %	$16,967	$50	1.14 %	$15,849	$58	1.47 %
Federal funds sold and securities borrowed or purchased under agreements to resell	237,463	315	0.54	241,950	329	0.54	234,955	353	0.60
Trading account assets	194,364	1,380	2.87	186,252	1,362	2.91	166,192	1,243	2.98
Debt securities [2]	356,399	2,556	2.87	360,213	2,201	2.44	355,302	2,068	2.33
Loans and leases [3]:									
Residential mortgage [4]	258,630	2,340	3.62	256,564	2,292	3.57	261,337	2,409	3.69
Home equity	105,939	997	3.80	110,270	1,068	3.86	116,308	1,100	3.77
U.S. credit card	91,712	2,249	9.95	92,849	2,336	10.01	93,292	2,353	10.04
Non-U.S. credit card	11,027	329	12.10	13,081	383	11.66	13,329	385	11.48
Direct/Indirect consumer [5]	82,364	620	3.06	82,583	662	3.19	82,635	704	3.39
Other consumer [6]	1,666	19	4.36	1,602	19	4.57	2,654	40	6.03
Total consumer	551,338	6,554	4.79	556,949	6,760	4.84	569,555	6,991	4.89
U.S. commercial	210,706	1,666	3.20	209,496	1,729	3.28	201,072	1,752	3.47
Commercial real estate [7]	39,179	326	3.38	38,192	341	3.55	36,929	329	3.54
Commercial lease financing	23,534	236	4.01	22,839	184	3.23	21,545	202	3.75
Non-U.S. commercial	81,502	467	2.32	65,690	433	2.62	59,758	401	2.67
Total commercial	354,921	2,695	3.07	336,217	2,687	3.18	319,304	2,684	3.35
Total loans and leases	906,259	9,249	4.12	893,166	9,447	4.21	888,859	9,675	4.34
Other earning assets	90,172	733	3.29	90,388	771	3.40	89,118	760	3.40
Total earning assets [8]	1,800,786	14,279	3.20	1,788,936	14,160	3.16	1,750,275	14,157	3.22
Cash and cash equivalents [1]	92,846	33		111,671	42		122,716	48	
Other assets, less allowance for loan and lease losses	318,798			309,758			300,321		
Total assets	$2,212,430			$2,210,365			$2,173,312		

For footnotes see page 24.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Third Quarter 2013				Second Quarter 2013			
	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$43,968	$5	0.05	%	$44,897	$6	0.05	%
NOW and money market deposit accounts	508,136	100	0.08		500,628	107	0.09	
Consumer CDs and IRAs	81,190	116	0.56		85,001	130	0.62	
Negotiable CDs, public funds and other deposits	24,079	25	0.42		22,721	27	0.46	
Total U.S. interest-bearing deposits	657,373	246	0.15		653,247	270	0.17	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	12,789	16	0.47		10,832	17	0.64	
Governments and official institutions	1,041	1	0.25		924	—	0.26	
Time, savings and other	55,446	71	0.52		55,661	79	0.56	
Total non-U.S. interest-bearing deposits	69,276	88	0.50		67,417	96	0.57	
Total interest-bearing deposits	726,649	334	0.18		720,664	366	0.20	
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	279,425	683	0.97		318,028	809	1.02	
Trading account liabilities	84,648	375	1.76		94,349	427	1.82	
Long-term debt	258,717	1,724	2.65		270,198	1,674	2.48	
Total interest-bearing liabilities (8)	1,349,439	3,116	0.92		1,403,239	3,276	0.94	
Noninterest-bearing sources:								
Noninterest-bearing deposits	363,962				359,292			
Other liabilities	179,637				187,016			
Shareholders' equity	230,392				235,063			
Total liabilities and shareholders' equity	$2,123,430				$2,184,610			
Net interest spread			2.23	%			2.23	%
Impact of noninterest-bearing sources			0.20				0.20	
Net interest income/yield on earning assets (1)		$10,429	2.43	%		$10,731	2.43	%

For footnotes see page 24.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	First Quarter 2013			Fourth Quarter 2012			Third Quarter 2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$42,934	$6	0.05 %	$41,294	$6	0.06 %	$41,581	$11	0.10 %
NOW and money market deposit accounts	501,177	117	0.09	479,130	146	0.12	465,679	173	0.15
Consumer CDs and IRAs	88,376	138	0.63	91,256	156	0.68	94,140	172	0.73
Negotiable CDs, public funds and other deposits	20,880	26	0.52	19,904	27	0.54	19,587	30	0.61
Total U.S. interest-bearing deposits	653,367	287	0.18	631,584	335	0.21	620,987	386	0.25
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	12,155	19	0.64	11,970	22	0.71	13,901	19	0.55
Governments and official institutions	901	1	0.23	876	1	0.29	1,019	1	0.31
Time, savings and other	54,597	75	0.56	53,649	80	0.60	52,157	78	0.59
Total non-U.S. interest-bearing deposits	67,653	95	0.57	66,495	103	0.62	67,077	98	0.58
Total interest-bearing deposits	721,020	382	0.22	698,079	438	0.25	688,064	484	0.28
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	337,644	749	0.90	336,341	855	1.01	325,023	893	1.09
Trading account liabilities	92,047	472	2.08	80,084	420	2.09	77,528	418	2.14
Long-term debt	273,999	1,834	2.70	277,894	1,934	2.77	291,684	2,243	3.07
Total interest-bearing liabilities [(8)]	1,424,710	3,437	0.98	1,392,398	3,647	1.04	1,382,299	4,038	1.16
Noninterest-bearing sources:									
Noninterest-bearing deposits	354,260			379,997			361,633		
Other liabilities	196,465			199,458			193,341		
Shareholders' equity	236,995			238,512			236,039		
	$2,212,430			$2,210,365			$2,173,312		

Total liabilities and shareholders' equity						
Net interest spread		2.22 %		2.12 %		2.06 %
Impact of noninterest-bearing sources		0.21		0.22		0.25
Net interest income/yield on earning assets [1]	$10,842	2.43 %	$10,513	2.34 %	$10,119	2.31 %

For footnotes see page 24.

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Table 13
Year-to-Date Average Balances and Interest Rates – FTE Basis

	Nine Months Ended September 30					
	2013			2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$16,162	$139	1.15 %	$24,877	$187	1.01 %
Federal funds sold and securities borrowed or purchased under agreements to resell	231,379	925	0.53	234,058	1,173	0.67
Trading account assets	173,312	3,697	2.85	165,407	3,944	3.18
Debt securities [2]	342,278	7,324	2.85	351,348	6,730	2.55
Loans and leases [3]:						
Residential mortgage [4]	257,392	6,945	3.60	266,716	7,554	3.78
Home equity	101,911	2,878	3.77	119,713	3,357	3.74
U.S. credit card	90,473	6,667	9.85	95,540	7,168	10.02
Non-U.S. credit card	10,757	961	11.95	13,706	1,189	11.59
Direct/Indirect consumer [5]	82,879	1,805	2.91	85,042	2,238	3.52
Other consumer [6]	1,764	55	4.13	2,612	121	6.23
Total consumer	545,176	19,311	4.73	583,329	21,627	4.95
U.S. commercial	216,610	5,111	3.15	198,618	5,250	3.53
Commercial real estate [7]	41,000	1,018	3.32	37,912	991	3.49
Commercial lease financing	23,662	645	3.63	21,557	690	4.27
Non-U.S. commercial	88,440	1,538	2.33	59,234	1,161	2.62
Total commercial	369,712	8,312	3.01	317,321	8,092	3.41
Total loans and leases	914,888	27,623	4.03	900,650	29,719	4.41
Other earning assets	81,920	2,123	3.46	87,260	2,199	3.37
Total earning assets [8]	1,759,939	41,831	3.17	1,763,600	43,952	3.33
Cash and cash equivalents [1]	103,539	123		117,105	147	
Other assets, less allowance for loan and lease losses	309,686			304,269		
Total assets	$2,173,164			$2,184,974		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, have been included in the cash and cash equivalents line. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on debt securities carried at fair value are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

(3) 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 remaining life of the loan.

(4) Includes non-U.S. residential mortgage loans of $86 million and $89 million for the nine months ended September 30, 2013 and 2012.

(5) Includes non-U.S. consumer loans of $7.3 billion and $7.7 billion for the nine months ended September 30, 2013 and 2012.

(6)

Includes consumer finance loans of $1.3 billion and $1.6 billion, consumer leases of $285 million and none, other non-U.S. consumer loans of $5 million and $932 million, and consumer overdrafts of $150 million and $119 million for the nine months ended September 30, 2013 and 2012.

(7) Includes U.S. commercial real estate loans of $39.4 billion and $36.3 billion, and non-U.S. commercial real estate loans of $1.6 billion and $1.7 billion for the nine months ended September 30, 2013 and 2012.

Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $205 million and $608 million for the nine months ended September 30, 2013 and 2012.

(8) Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.8 billion and $1.7 billion for the nine months ended September 30, 2013 and 2012. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 133.

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Table 13
Year-to-Date Average Balances and Interest Rates – FTE Basis (continued)

	Nine Months Ended September 30							
	2013				2012			
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$43,937	$17	0.05	%	$41,506	$39	0.12	%
NOW and money market deposit accounts	503,339	324	0.09		461,720	547	0.16	
Consumer CDs and IRAs	84,829	384	0.60		97,003	537	0.74	
Negotiable CDs, public funds and other deposits	22,572	78	0.46		21,273	101	0.63	
Total U.S. interest-bearing deposits	654,677	803	0.16		621,502	1,224	0.26	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	11,928	52	0.58		15,666	72	0.62	
Governments and official institutions	956	2	0.25		1,067	3	0.37	
Time, savings and other	55,237	225	0.55		53,206	253	0.63	
Total non-U.S. interest-bearing deposits	68,121	279	0.55		69,939	328	0.63	
Total interest-bearing deposits	722,798	1,082	0.20		691,441	1,552	0.30	
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	311,486	2,241	0.96		312,376	2,717	1.16	
Trading account liabilities	90,321	1,274	1.89		78,041	1,343	2.30	
Long-term debt	267,582	5,232	2.61		329,320	7,485	3.03	
Total interest-bearing liabilities (8)	1,392,187	9,829	0.94		1,411,178	13,097	1.24	
Noninterest-bearing sources:								
Noninterest-bearing deposits	359,207				346,169			
Other liabilities	187,644				192,901			
Shareholders' equity	234,126				234,726			
Total liabilities and shareholders' equity	$2,173,164				$2,184,974			
Net interest spread			2.23	%			2.09	%
Impact of noninterest-bearing sources			0.20				0.24	
Net interest income/yield on earning assets (1)		$32,002	2.43	%		$30,855	2.33	%

For footnotes see page 28.

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Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through five business segments: CBB, CRES, Global Banking, Global Markets and GWIM, with the remaining operations recorded in All Other. We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 18. Table 14 provides selected summary financial data for our business segments and All Other for the three and nine months ended September 30, 2013 compared to the same periods in 2012. For additional detailed information on these results, see the business segment and All Other discussions which follow.

Table 14
Business Segment Results

	Three Months Ended September 30							
	Total Revenue [1]		Provision for Credit Losses		Noninterest Expense		Net Income (Loss)	
(Dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Consumer & Business Banking	$7,524	$7,261	$761	$1,006	$3,980	$4,111	$1,779	$1,351
Consumer Real Estate Services	1,577	3,083	(308)	263	3,419	4,180	(1,000)	(857)
Global Banking	4,009	3,786	322	23	1,928	1,936	1,134	1,151
Global Markets	3,376	3,278	47	31	2,884	2,575	(778)	(276)
Global Wealth & Investment Management	4,390	4,083	23	61	3,248	3,115	719	571
All Other	867	(834)	(549)	390	930	1,627	643	(1,600)
Total FTE basis	21,743	20,657	296	1,774	16,389	17,544	2,497	340
FTE adjustment	(213)	(229)	—	—	—	—	—	—
Total Consolidated	$21,530	$20,428	$296	$1,774	$16,389	$17,544	$2,497	$340
	Nine Months Ended September 30							
	2013	2012	2013	2012	2013	2012	2013	2012
Consumer & Business Banking	$22,370	$22,389	$2,680	$3,069	$12,315	$12,821	$4,621	$4,101
Consumer Real Estate Services	6,004	8,276	318	957	12,219	11,583	(4,094)	(2,735)
Global Banking	12,177	11,722	634	(404)	5,626	5,865	3,707	3,952
Global Markets	12,434	11,264	36	17	8,729	8,668	1,348	1,048
Global Wealth & Investment Management	13,310	12,324	30	154	9,773	9,524	2,197	1,669
All Other	1,805	(631)	(478)	2,172	3,245	5,272	213	(4,579)
Total FTE basis	68,100	65,344	3,220	5,965	51,907	53,733	7,992	3,456
FTE adjustment	(646)	(670)	—	—	—	—	—	—
Total Consolidated	$67,454	$64,674	$3,220	$5,965	$51,907	$53,733	$7,992	$3,456

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 18.

The management accounting and reporting process derives segment and business results by utilizing allocation methodologies for revenue and expense. The net income derived for the businesses is dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

Total revenue, net of interest expense, includes net interest income on a FTE basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of our asset and liability management (ALM) activities.

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Our ALM activities include an overall interest rate risk management strategy that incorporates the use of various derivatives and cash instruments to manage fluctuations in earnings and capital that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The results of a majority of our ALM activities are allocated to the business segments and fluctuate based on the performance of the ALM activities. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our internal funds transfer pricing process and the net effects of other ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain other centralized or shared functions are allocated based on methodologies that reflect utilization.

Effective January 1, 2013, on a prospective basis, we adjusted the amount of capital being allocated to our business segments. The adjustment reflects a refinement to the prior-year methodology (economic capital) which focused solely on internal risk-based economic capital models. The refined methodology (allocated capital) now also considers the effect of regulatory capital requirements in addition to internal risk-based economic 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 and Strategic Risk Management on page 70. The capital allocated to the business segments is currently referred to as allocated capital and, prior to January 1, 2013, was referred to as economic capital, both of which represent non-GAAP financial measures. Allocated capital in the business segments is subject to change over time.

For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. For additional information, see Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

For more information on the business segments and reconciliations to consolidated total revenue, net income (loss) and period-end total assets, see Note 20 – Business Segment Information to the Consolidated Financial Statements.

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Consumer & Business Banking

	Three Months Ended September 30						
	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2013	2012	2013	2012	2013	2012	% Change
Net interest income (FTE basis)	$2,457	$2,164	$2,599	$2,660	$5,056	$4,824	5 %
Noninterest income:							
Card income	15	15	1,160	1,325	1,175	1,340	(12)
Service charges	1,063	1,101	—	—	1,063	1,101	(3)
All other income (loss)	126	91	104	(95)	230	(4)	n/m
Total noninterest income	1,204	1,207	1,264	1,230	2,468	2,437	1
Total revenue, net of interest expense (FTE basis)	3,661	3,371	3,863	3,890	7,524	7,261	4
Provision for credit losses	96	134	665	872	761	1,006	(24)
Noninterest expense	2,670	2,775	1,310	1,336	3,980	4,111	(3)
Income before income taxes	895	462	1,888	1,682	2,783	2,144	30
Income tax expense (FTE basis)	323	171	681	622	1,004	793	27
Net income	$572	$291	$1,207	$1,060	$1,779	$1,351	32
Net interest yield (FTE basis)	1.85 %	1.79 %	7.17 %	7.22 %	3.70 %	3.89 %	
Return on average allocated capital [1]	14.74	—	32.84	—	23.55	—	
Return on average economic capital [1]	—	8.64	—	39.02	—	22.20	
Efficiency ratio (FTE basis)	72.92	82.30	33.92	34.37	52.90	56.62	
Balance Sheet							
Average							
Total loans and leases	$22,371	$23,107	$143,336	$145,985	$165,707	$169,092	(2)
Total earning assets [2]	525,998	479,952	143,771	146,511	542,545	493,200	10
Total assets [2]	558,638	512,860	152,441	154,594	583,855	534,191	9
Total deposits	521,511	477,763	n/m	n/m	522,023	478,142	9
Allocated capital [1]	15,400	—	14,600	—	30,000	—	n/m
Economic capital [1]	—	13,436	—	10,835	—	24,271	n/m

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 30.

(2) For presentation purposes, 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 CBB.

n/m = not meaningful

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	Nine Months Ended September 30						
	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2013	2012	2013	2012	2013	2012	% Change
Net interest income (FTE basis)	$7,316	$ 6,834	$7,787	$ 8,150	$15,103	$ 14,984	1 %
Noninterest income:							
Card income	45	46	3,523	3,927	3,568	3,973	(10)
Service charges	3,111	3,244	—	—	3,111	3,244	(4)
All other income (loss)	345	272	243	(84)	588	188	n/m
Total noninterest income	3,501	3,562	3,766	3,843	7,267	7,405	(2)
Total revenue, net of interest expense (FTE basis)	10,817	10,396	11,553	11,993	22,370	22,389	—
Provision for credit losses	194	412	2,486	2,657	2,680	3,069	(13)
Noninterest expense	8,303	8,514	4,012	4,307	12,315	12,821	(4)
Income before income taxes	2,320	1,470	5,055	5,029	7,375	6,499	13
Income tax expense (FTE basis)	866	542	1,888	1,856	2,754	2,398	15
Net income	$1,454	$ 928	$3,167	$ 3,173	$4,621	$ 4,101	13
Net interest yield (FTE basis)	1.88 %	1.92 %	7.28 %	7.15 %	3.77 %	4.09 %	
Return on average allocated capital [1]	12.62	—	29.06	—	20.62	—	
Return on average economic capital [1]	—	9.68	—	38.44	—	23.00	
Efficiency ratio (FTE basis)	76.76	81.89	34.72	35.92	55.05	57.27	
Balance Sheet							
Average							
Total loans and leases	$22,473	$ 23,595	$142,575	$ 151,394	$165,048	$ 174,989	(6)
Total earning assets [2]	519,688	474,197	143,013	152,364	536,193	489,257	10
Total assets [2]	552,429	507,469	151,639	159,989	577,560	530,154	9
Total deposits	515,190	471,845	n/m	n/m	515,668	472,190	9
Allocated capital [1]	15,400	—	14,600	—	30,000	—	n/m
Economic capital [1]	—	12,823	—	11,057	—	23,880	n/m
Period end	September 30 2013	December 31 2012	September 30 2013	December 31 2012	September 30 2013	December 31 2012	
Total loans and leases	$22,369	$ 22,907	$144,885	$ 146,359	$167,254	$ 169,266	(1)
Total earning assets [2]	530,658	498,146	145,323	146,809	547,187	513,109	7
Total assets [2]	563,110	531,353	154,311	155,408	588,627	554,915	6
Total deposits	526,318	495,711	n/m	n/m	526,876	496,159	6

For footnotes see page 32.

CBB, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise

network that stretches coast to coast through 31 states and the District of Columbia. The franchise network includes approximately 5,200 banking centers, 16,200 ATMs, nationwide call centers, and online and mobile platforms. During the first quarter of 2013, Business Banking results were moved into Deposits as we continue to integrate these businesses. During the second quarter of 2013, consumer Dealer Financial Services (DFS) results were moved into CBB from Global Banking to align this business more closely with our consumer lending activity and better serve the needs of our customers. As a result, Card Services was renamed Consumer Lending. Prior periods were reclassified to conform to current period presentation.

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CBB Results

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income for CBB increased $428 million to $1.8 billion primarily due to higher revenue, lower provision for credit losses and lower noninterest expense. Net interest income increased $232 million to $5.1 billion driven by higher deposit balances, partially offset by compressed deposit spreads due to the continued low rate environment and the impact of lower average loan balances. Noninterest income of $2.5 billion remained relatively unchanged as the net impact of consumer protection products, primarily due to charges in the prior-year period, was offset by the allocation of certain card revenue to GWIM for its clients with a credit card.

The provision for credit losses decreased $245 million to $761 million primarily as a result of improvements in delinquencies. Noninterest expense decreased $131 million to $4.0 billion primarily due to lower personnel and FDIC expenses.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for CBB increased $520 million to $4.6 billion primarily driven by lower noninterest expense and lower provision for credit losses. Net interest income of $15.1 billion remained relatively unchanged. Noninterest income of $7.3 billion remained relatively unchanged as the allocation of certain card revenue to GWIM for its clients with a credit card and lower deposit service charges were offset by the net impact of consumer protection products, primarily due to charges in the prior-year period.

The provision for credit losses decreased $389 million to $2.7 billion due to the same factor as described in the three-month discussion above. Noninterest expense decreased $506 million to $12.3 billion driven by lower operating, personnel, litigation and FDIC expenses.

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, brokerage services, a self-directed online investing platform and key banking capabilities including access to the Corporation's network of banking centers and ATMs.

Business Banking within Deposits provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include U.S.-based companies generally with annual sales of $1 million to $50 million. Our lending products and services include commercial loans, lines of credit and real estate lending. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Deposits also includes the results of our merchant services joint venture.

Deposits includes the net impact of migrating customers and their related deposit 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 52.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income for Deposits increased $281 million to $572 million primarily due to higher revenue, lower noninterest expense and lower provision for credit losses. Net interest income increased $293 million to $2.5 billion driven by higher deposit balances, a customer shift to higher spread liquid products and continued pricing discipline, partially offset by compressed deposit spreads due to the continued low rate environment. Noninterest income of $1.2 billion remained relatively unchanged.

The provision for credit losses decreased $38 million to $96 million due to improvements in credit quality. Noninterest expense decreased $105 million to $2.7 billion primarily due to lower personnel and FDIC expenses.

Average loans decreased $736 million to $22.4 billion primarily driven by continued run-off of non-core portfolios. Average deposits increased $43.7 billion to $521.5 billion driven by a customer shift to more liquid products in the low rate environment. Additionally, $17.4 billion of the increase in average deposits was due to net transfers of deposits from other businesses, largely GWIM. Growth in checking, traditional savings and money market savings of $49.6 billion was partially offset by a decline in time deposits of $5.9 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 nine bps to 10 bps.

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Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for Deposits increased $526 million to $1.5 billion driven by higher revenue, lower provision for credit losses and a decrease in noninterest expense. Net interest income increased $482 million to $7.3 billion and the provision for credit losses decreased $218 million to $194 million driven by the same factors as described in the three-month discussion. Noninterest income of $3.5 billion remained relatively unchanged. Noninterest expense decreased $211 million to $8.3 billion due to lower operating, personnel and FDIC expenses, partially offset by higher litigation expense.

Average loans decreased $1.1 billion to $22.5 billion and average deposits increased $43.3 billion to $515.2 billion driven by the same factors as described in the three-month discussion. Of the increase in average deposits, $14.0 billion was due to net transfers of deposits from other businesses, largely GWIM.

Key Statistics

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Total deposit spreads (excludes noninterest costs)	1.52 %	1.76 %	1.52 %	1.86 %
Period end				
Client brokerage assets (in millions)			$89,517	$75,852
Online banking active accounts (units in thousands)			30,197	29,809
Mobile banking active accounts (units in thousands)			13,967	11,097
Banking centers			5,243	5,540
ATMs			16,201	16,253

Mobile banking customers increased 2.9 million reflecting continuing changes in our customers' banking preferences. The number of banking centers declined by 297 and ATMs declined by 52 as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending is one of the leading issuers of credit and debit cards to consumers and small businesses in the U.S. Our lending products and services also include direct and indirect consumer loans such as automotive, marine, aircraft, 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 as well as annual credit card fees and other miscellaneous fees.

On July 31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve's rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act's (Financial Reform Act) Durbin Amendment. The ruling requires the Federal Reserve to reconsider the current $0.21 per transaction cap on debit card interchange fees. The Federal Reserve is appealing the ruling and final resolution is expected in the first half of 2014. If the Federal Reserve, upon final resolution, implements a lower per transaction cap than the initial range, it may have a significant adverse impact on our debit card interchange fee revenue in future periods.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income for Consumer Lending increased $147 million to $1.2 billion primarily driven by lower provision for credit losses and lower noninterest expense, partially offset by a decline in revenue. Net interest income decreased $61

million to $2.6 billion driven by the impact of lower average loan balances. Noninterest income increased $34 million to $1.3 billion driven by the net impact of consumer protection products, primarily due to charges in the prior-year period, partially offset by the allocation of certain card revenue to GWIM for its clients with a credit card.

The provision for credit losses decreased $207 million to $665 million due to improvements in delinquencies. Noninterest expense decreased $26 million to $1.3 billion primarily due to lower operating expense.

Average loans decreased $2.6 billion to $143.3 billion primarily driven by charge-offs and continued run-off of non-core portfolios.

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Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for Consumer Lending of $3.2 billion remained relatively unchanged as a decline in revenue was offset by lower noninterest expense and lower provision for credit losses. Net interest income decreased $363 million to $7.8 billion driven by the same factor as described in the three-month discussion. The net interest yield increased 13 bps to 7.28 percent primarily due to lower funding costs. Noninterest income decreased $77 million to $3.8 billion driven by lower card income primarily from the allocation of certain card revenue to GWIM for its clients with a credit card and the net impact of portfolio sales, partially offset by the net impact of consumer protection products, primarily due to charges in the prior-year period.

The provision for credit losses decreased $171 million to $2.5 billion driven by the same factor as described in the three-month discussion. Noninterest expense decreased $295 million to $4.0 billion driven by lower litigation and operating expenses.

Average loans decreased $8.8 billion to $142.6 billion primarily driven by the same factors as described in the three-month discussion.

Key Statistics

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
U.S. credit card				
Gross interest yield	9.82 %	10.04 %	9.85 %	10.02 %
Risk-adjusted margin	8.37	7.66	8.29	7.23
New accounts (in thousands)	1,048	857	2,912	2,421
Purchase volumes	$52,823	$48,189	$151,400	$141,872
Debit card purchase volumes	$66,712	$64,121	$199,087	$192,146

During the three and nine months ended September 30, 2013, the U.S. credit card risk-adjusted margin increased 71 bps and 106 bps compared to the same periods in 2012 due to a decrease in net charge-offs driven by an improvement in credit quality. U.S. credit card purchase volumes increased $4.6 billion to $52.8 billion, and $9.5 billion to $151.4 billion and debit card purchase volumes increased $2.6 billion to $66.7 billion, and $6.9 billion to $199.1 billion compared to the same periods in 2012, reflecting higher levels of consumer spending.

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Consumer Real Estate Services

	Three Months Ended September 30						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2013	2012	2013	2012	2013	2012	% Change
Net interest income (FTE basis)	$329	$336	$404	$383	$733	$719	2 %
Noninterest income:							
Mortgage banking income	345	853	429	1,335	774	2,188	(65)
All other income (loss)	35	(10)	35	186	70	176	(60)
Total noninterest income	380	843	464	1,521	844	2,364	(64)
Total revenue, net of interest expense (FTE basis)	709	1,179	868	1,904	1,577	3,083	(49)
Provision for credit losses	(11)	(23)	(297)	286	(308)	263	n/m
Noninterest expense	880	790	2,539	3,390	3,419	4,180	(18)
Income (loss) before income taxes	(160)	412	(1,374)	(1,772)	(1,534)	(1,360)	13
Income tax expense (benefit) (FTE basis)	(61)	152	(473)	(655)	(534)	(503)	6
Net income (loss)	$(99)	$260	$(901)	$(1,117)	$(1,000)	$(857)	17
Net interest yield (FTE basis)	2.50 %	2.37 %	3.36 %	2.43 %	2.91 %	2.41 %	
Efficiency ratio (FTE basis)	n/m	67.01	n/m	n/m	n/m	n/m	
Balance Sheet							
Average							
Total loans and leases	$46,878	$49,561	$41,528	$52,911	$88,406	$102,472	(14)
Total earning assets	52,074	56,285	47,685	62,624	99,759	118,909	(16)
Total assets	52,309	57,371	65,917	83,151	118,226	140,522	(16)
Allocated capital [(1)]	6,000	—	18,000	—	24,000	—	n/m
Economic capital [(1)]	—	3,879	—	9,456	—	13,335	n/m

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 30.

n/m = not meaningful

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	Nine Months Ended September 30						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2013	2012	2013	2012	2013	2012	% Change
Net interest income (FTE basis)	$1,020	$ 1,013	$1,155	$ 1,187	$2,175	$ 2,200	(1)%
Noninterest income:							
Mortgage banking income	1,696	2,394	1,976	3,442	3,672	5,836	(37)
All other income (loss)	(23)	(14)	180	254	157	240	(35)
Total noninterest income	1,673	2,380	2,156	3,696	3,829	6,076	(37)
Total revenue, net of interest expense (FTE basis)	2,693	3,393	3,311	4,883	6,004	8,276	(27)
Provision for credit losses	145	(5)	173	962	318	957	(67)
Noninterest expense	2,564	2,447	9,655	9,136	12,219	11,583	5
Income (loss) before income taxes	(16)	951	(6,517)	(5,215)	(6,533)	(4,264)	53
Income tax expense (benefit) (FTE basis)	(6)	351	(2,433)	(1,880)	(2,439)	(1,529)	60
Net income (loss)	$(10)	$ 600	$(4,084)	$ (3,335)	$(4,094)	$ (2,735)	50
Net interest yield (FTE basis)	2.56 %	2.37 %	3.13 %	2.36 %	2.84 %	2.36 %	
Efficiency ratio (FTE basis)	95.22	72.15	n/m	n/m	n/m	n/m	
Balance Sheet							
Average							
Total loans and leases	$46,990	$ 50,598	$43,488	$ 55,250	$90,478	$ 105,848	(15)
Total earning assets	53,180	57,206	49,318	67,290	102,498	124,496	(18)
Total assets	53,597	58,204	69,313	91,767	122,910	149,971	(18)
Allocated capital [(1)]	6,000	—	18,000	—	24,000	—	n/m
Economic capital [(1)]	—	3,683	—	10,396	—	14,079	n/m
Period end	September 30 2013	December 31 2012	September 30 2013	December 31 2012	September 30 2013	December 31 2012	
Total loans and leases	$46,875	$ 47,742	$40,711	$ 46,918	$87,586	$ 94,660	(7)
Total earning assets	51,248	54,394	46,999	52,580	98,247	106,974	(8)
Total assets	51,075	55,465	64,349	75,594	115,424	131,059	(12)

For footnotes see page 37.

CRES operations include Home Loans and Legacy Assets & Servicing. Home Loans is responsible for ongoing loan production activities and the CRES home equity loan portfolio not selected for inclusion in the Legacy Assets & Servicing owned portfolio. Legacy Assets & Servicing is responsible for all of our mortgage servicing activities related to loans serviced for others and loans held by the Corporation, including loans that have been designated as the Legacy Assets & Servicing Portfolios. The Legacy Assets & Servicing Portfolios (both owned and serviced), herein referred to as the Legacy Owned and Legacy Serviced Portfolios, respectively (together, the Legacy Portfolios), and as further defined below, include those loans originated prior to January 1, 2011 that would not have been originated under our established underwriting standards as of December 31, 2010. For more information on our Legacy

Portfolios, see page 40. In addition, Legacy Assets & Servicing is responsible for managing legacy exposures related to CRES (e.g., representations and warranties). This alignment allows CRES management to lead the ongoing Home Loans business while also providing focus on legacy mortgage issues and servicing activities.

CRES, primarily through Home Loans operations, generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. CRES products offered by Home Loans include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOCs) and home equity loans. First mortgage products are generally either sold into the secondary mortgage market to investors, while we retain MSRs (which are on the balance sheet of Legacy Assets & Servicing) and the Bank of America customer relationships, or are held on the balance sheet in All Other for ALM purposes. Home Loans is compensated for loans held for ALM purposes on a management accounting basis with the corresponding offset in All Other. Newly originated HELOCs and home equity loans are retained on the CRES balance sheet in Home Loans.

CRES includes the impact of migrating customers and their related loan balances between GWIM and CRES. For more information on the transfer of customer balances, see GWIM on page 52.

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CRES Results

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

The net loss for CRES increased $143 million to $1.0 billion primarily driven by lower mortgage banking income, partially offset by lower provision for credit losses and lower noninterest expense. Mortgage banking income decreased $1.4 billion due to both lower servicing income and lower core production income. The provision for credit losses decreased $571 million to a benefit of $308 million due to improving portfolio trends. Noninterest expense decreased $761 million primarily due to lower expenses in Legacy Assets & Servicing, partially offset by higher loan production costs in Home Loans.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

The net loss for CRES increased $1.4 billion to $4.1 billion primarily driven by lower mortgage banking income and higher noninterest expense, partially offset by lower provision for credit losses. Mortgage banking income decreased $2.2 billion driven by the same factors as described in the three-month discussion above. The provision for credit losses decreased $639 million to $318 million due to improving portfolio trends. Noninterest expense increased $636 million primarily due to higher litigation expense and higher loan production costs.

Home Loans

Home Loans products are available to our customers through our retail network of approximately 5,200 banking centers, mortgage loan officers in approximately 320 locations and a sales force offering our customers direct telephone and online access to our products.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income for Home Loans decreased $359 million to a loss of $99 million primarily driven by a decrease in noninterest income and an increase in noninterest expense. Noninterest income decreased $463 million primarily due to a decline in core production revenue in mortgage banking income as a result of a lower loan application volumes combined with continued industry-wide margin compression. The provision for credit losses increased $12 million reflecting a slower rate of credit quality improvement than the prior-year period. Noninterest expense increased $90 million primarily due to higher production costs. The higher production costs were primarily personnel-related as we had added mortgage loan officers earlier in 2013, primarily in banking centers, and other employees in sales and fulfillment areas in order to expand capacity and enhance customer service.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for Home Loans decreased $610 million to a loss of $10 million primarily driven by a decrease in noninterest income, higher provision for credit losses and an increase in noninterest expense. Noninterest income decreased $707 million due to lower mortgage banking income driven by a decline in core production revenue as a result of continued industry-wide margin compression as well as higher representations and warranties provision. The provision for credit losses increased $150 million and noninterest expense increased $117 million driven by the same factors as described in the three-month discussion above.

Legacy Assets & Servicing

Legacy Assets & Servicing is responsible for all of our 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). A portion of this portfolio has been designated as the Legacy Serviced Portfolio, which represented 33 percent and 40 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at September 30, 2013 and 2012.

Legacy Assets & Servicing results reflect the net cost of legacy exposures that are included in the results of CRES, including representations and warranties provision, litigation costs, financial results of the CRES home equity portfolio selected as part of the Legacy Owned Portfolio, the financial results of the servicing operations and the results of MSR activities, including net hedge results. The financial results of the servicing operations reflect certain revenues and expenses on loans serviced for others, including owned loans serviced for Home Loans, GWIM and All Other.

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Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with supervising foreclosures and property dispositions. In an effort to help our customers avoid foreclosure, Legacy Assets & Servicing evaluates various workout options prior to foreclosure sales which, combined with ongoing foreclosure delays in states where foreclosure requires a court order following a legal proceeding (judicial states), has resulted in elongated default timelines. Although we have resumed foreclosure proceedings in all states, there continues to be significant inventory levels in certain judicial states. For more information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 61 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

The net loss for Legacy Assets & Servicing improved $216 million to $901 million primarily driven by a decline in noninterest expense and lower provision for credit losses, partially offset by a decrease in noninterest income. Noninterest income decreased $1.1 billion primarily due to lower servicing income primarily driven by a decline in the servicing portfolio, less favorable MSR net-of-hedge performance and the divestiture of an ancillary servicing business in 2012. The provision for credit losses improved $583 million to a benefit of $297 million due to continued improvement in portfolio trends including increased home prices and the impact of loans discharged in Chapter 7 bankruptcy due to the implementation of regulatory guidance in the prior-year period.

Noninterest expense decreased $851 million primarily due to a $562 million decrease in default-related staffing and other default-related servicing expenses, a $175 million decrease due to the divestiture of an ancillary servicing business in 2012 and a $114 million decline in litigation expense. We expect that noninterest expense in Legacy Assets & Servicing, excluding litigation costs, will be below $2.0 billion in the fourth quarter of 2013.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

The net loss for Legacy Assets & Servicing increased $749 million to $4.1 billion primarily driven by a decrease in noninterest income and an increase in noninterest expense, partially offset by a decrease in the provision for credit losses. Noninterest income decreased $1.5 billion due to lower servicing income driven by the same factors as described in the three-month discussion above. The provision for credit losses decreased $789 million driven by the same factors as described in the three-month discussion above and an improved home price outlook in the purchased credit-impaired (PCI) home equity loan portfolio.

Noninterest expense increased $519 million primarily due to a $1.6 billion increase in litigation expense driven in large part by the settlement with MBIA Inc. and certain of its affiliates (MBIA), partially offset by a $698 million decline in default-related staffing and other default-related servicing expenses as well as a $428 million decline as a result of the divestiture of an ancillary servicing business in 2012.

Legacy Portfolios

The Legacy Portfolios (both owned and serviced) include those loans originated prior to January 1, 2011 that would not have been originated under our established underwriting standards in place as of December 31, 2010. The PCI portfolios as well as certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011 are also included in the Legacy Portfolios. Since determining the pool of loans to be included in the Legacy Portfolios as of January 1, 2011, the criteria have not changed for these portfolios, but will continue to be evaluated over time.

Legacy Owned Portfolio

The Legacy Owned Portfolio includes those loans that met the criteria as described above and are on the balance sheet of the Corporation. The home equity loan portfolio is held on the balance sheet of Legacy Assets & Servicing and the residential mortgage loan portfolio is held on the balance sheet of All Other. The financial results of the on-balance sheet loans are reported in the segment that owns the loans or in All Other. Total loans in the Legacy Owned Portfolio decreased $12.0 billion during the nine months ended September 30, 2013 to $119.1 billion, of which $40.7 billion was held on the Legacy Assets & Servicing balance sheet and the remainder was held on the balance sheet of All Other. The decrease was primarily related to payoffs, paydowns, charge-offs and PCI write-offs, largely offset by the addition of loans repurchased in connection with the Fannie Mae (FNMA) Settlement. For more information on the loans repurchased in connection with the FNMA Settlement, see Consumer Portfolio Credit Risk Management on page 87.

Legacy Serviced Portfolio

The Legacy Serviced Portfolio includes the Legacy Owned Portfolio and those loans serviced for outside investors that met the criteria as described on page 40. The table below summarizes the balances of the residential mortgage loans included in the Legacy Serviced Portfolio (the Legacy Residential Mortgage Serviced Portfolio) representing 32 percent and 38 percent of the total residential mortgage serviced portfolio of $796.0 billion and $1.3 trillion at September 30, 2013 and 2012, as measured by unpaid principal balance. The decline in the Legacy Residential Mortgage Serviced Portfolio was primarily related to servicing transfers, paydowns and payoffs. We expect that by the end of the fourth quarter of 2013, the number of 60 days or more past due residential mortgage loans in the Legacy and Non-Legacy Residential Mortgage Serviced Portfolios will decline below 375,000 from 398,000 at September 30, 2013.

Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio [1, 2]

	September 30	
(Dollars in billions)	2013	2012
Unpaid principal balance		
Residential mortgage loans		
Total	$251	$499
60 days or more past due	67	183
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	1,290	2,810
60 days or more past due	327	808

(1) Excludes loans for which servicing transferred to third parties as of September 30, 2013, with an effective MSR sale date of October 1, 2013, totaling $282 million of unpaid principal balance.

(2) Excludes $41 billion and $79 billion of home equity loans and HELOCs at September 30, 2013 and 2012.

Non-Legacy Portfolio

As previously discussed, Legacy Assets & Servicing is responsible for all of our servicing activities. The table below summarizes the balances of the residential mortgage loans that are not included in the Legacy Serviced Portfolio (the Non-Legacy Residential Mortgage Serviced Portfolio) representing 68 percent and 62 percent of the total residential mortgage serviced portfolio at September 30, 2013 and 2012, as measured by unpaid principal balance. The decline in the Non-Legacy Residential Mortgage Serviced Portfolio was primarily related to servicing transfers, paydowns and payoffs.

Non-Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio [1, 2]

	September 30	
(Dollars in billions)	2013	2012
Unpaid principal balance		
Residential mortgage loans		
Total	$544	$799
60 days or more past due	13	24
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	3,450	5,083
60 days or more past due	71	128

(1) Excludes loans for which servicing transferred to third parties as of September 30, 2013, with an effective MSR sale date of October 1, 2013, totaling $224 million of unpaid principal balance.

(2) Excludes $53 billion and $85 billion of home equity loans and HELOCs at September 30, 2013 and 2012.

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Mortgage Banking Income

CRES mortgage banking income is categorized into production and servicing income. Core production 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, costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans and revenues earned in production-related ancillary businesses. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

Servicing 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. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Production income:				
Core production revenue	$465	$944	$2,140	$2,774
Representations and warranties provision	(323)	(307)	(770)	(984)
Total production income	142	637	1,370	1,790
Servicing income:				
Servicing fees	699	1,089	2,400	3,634
Amortization of expected cash flows [1]	(240)	(346)	(814)	(1,149)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	167	560	693	939
Other servicing-related revenue	6	248	23	622
Total net servicing income	632	1,551	2,302	4,046
Total CRES mortgage banking income	774	2,188	3,672	5,836
Eliminations [3]	(189)	(169)	(646)	(546)
Total consolidated mortgage banking income	$585	$2,019	$3,026	$5,290

(1) Represents the net change in fair value of the MSR asset due to the recognition of modeled cash flows.
(2) Includes gains (losses) on sales of MSRs.
(3) Includes the effect of transfers of mortgage loans from CRES to the ALM portfolio in All Other.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

CRES first mortgage loan originations increased $2.3 billion, or 15 percent, reflecting an increase in our estimated retail market share. Our increase in market share was due to expanded fulfillment capacity which allowed us to reduce the outstanding pipeline of applications. Core production revenue decreased $479 million due to lower loan application volumes combined with continued industry-wide margin compression. During the three months ended September 30, 2013, 78 percent of our first mortgage production volume was for refinance originations and 22 percent was for purchase originations compared to 83 percent and 17 percent for the same period in 2012. Home Affordable Refinance Program (HARP) refinance originations were 17 percent of all refinance originations, down from 35 percent for the same period in 2012 primarily due to the sales of MSRs. Making Home Affordable non-HARP refinance originations were 17 percent of all refinance originations as compared to 11 percent for the same period in 2012. The remaining 66 percent of refinance originations were conventional refinances as compared to 54 percent for

the same period in 2012.

The representations and warranties provision increased $16 million to $323 million. Net servicing income decreased $919 million driven by lower servicing fees due to a smaller servicing portfolio, less favorable MSR net-of-hedge performance and lower ancillary income due to the divestiture of an ancillary servicing business in 2012. The decline in the size of our servicing portfolio was driven by strategic sales of MSRs as well as loan prepayment activity, which exceeded new originations primarily due to our exit from non-retail channels, including the correspondent lending channel in late 2011. For more information on sales of MSRs, see Mortgage Servicing Rights – Sales of Mortgage Servicing Rights on page 44.

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Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

CRES first mortgage loan originations increased $15.7 billion, or 37 percent, while core production revenue decreased $634 million predominantly due to continued industry-wide margin compression. During the nine months ended September 30, 2013, 84 percent of our first mortgage production volume was for refinance originations and 16 percent was for purchase originations compared to 83 percent and 17 percent for the same period in 2012. HARP refinance originations were 24 percent of all refinance originations compared to 31 percent for the same period in 2012. Making Home Affordable non-HARP refinance originations were 19 percent of all refinance originations as compared to 11 percent for the same period in 2012. The remaining 57 percent of refinance originations were conventional refinances and remained relatively unchanged from the same period in 2012.

The representations and warranties provision decreased $214 million to $770 million. Net servicing income decreased $1.7 billion driven by lower servicing fees, partially offset by a decline in amortization of expected cash flows and lower ancillary income due to the same factors as described in the three-month discussion.

Key Statistics

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except as noted)	2013	2012	2013	2012
Loan production				
Total Corporation [1]:				
First mortgage	$22,601	$20,315	$71,797	$53,558
Home equity	1,828	933	4,440	2,623
CRES:				
First mortgage	$17,833	$15,566	$57,611	$41,957
Home equity	1,599	746	3,824	2,067

Period end	September 30 2013	December 31 2012
Mortgage serviced portfolio (in billions) [2, 3]	$889	$1,332
Mortgage loans serviced for investors (in billions)	616	1,045
Mortgage servicing rights:		
Balance	5,058	5,716
Capitalized mortgage servicing rights (% of loans serviced for investors)	82 bps	55 bps

(1) In addition to loan production in CRES, the remaining first mortgage and home equity loan production is primarily in GWIM.

(2) Servicing of residential mortgage loans, HELOCs and home equity loans.

(3) Excludes loans for which servicing transferred to third parties as of September 30, 2013, with an effective MSR sale date of October 1, 2013, totaling $506 million.

Retail first mortgage loan originations for the total Corporation were $22.6 billion and $71.8 billion for the three and nine months ended September 30, 2013 compared to $20.3 billion and $53.6 billion for the same periods in 2012. The increases of $2.3 billion for the three-month period and $18.2 billion for the nine-month period were primarily driven by increased market share due to increased fulfillment capacity. Given the increase in interest rates, the overall mortgage market has declined which has had an adverse impact on our mortgage loan applications, particularly for refinance mortgage loans, and will have an adverse impact on our mortgage loan originations. Our pipeline of mortgage applications decreased 59 percent at September 30, 2013 compared to June 30, 2013 due in large part to a decline in applications for refinance transactions.

Home equity production was $1.8 billion and $4.4 billion for the three and nine months ended September 30, 2013 compared to $933 million and $2.6 billion for the same periods in 2012 with the increase due to a higher demand in the market based on improving housing trends, and increased market share driven by improved banking center engagement with customers and more competitive pricing.

Mortgage Servicing Rights

At September 30, 2013, the consumer MSR balance was $5.1 billion, which represented 82 bps of the related unpaid principal balance compared to $5.7 billion, or 55 bps of the related unpaid principal balance at December 31, 2012. The consumer MSR balance decreased $658 million in the nine months ended September 30, 2013 primarily driven by MSR sales and the recognition of modeled cash flows. These declines were partially offset by the increase in value driven by higher mortgage rates, which resulted in lower forecasted prepayment speeds. For more information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 65. For more information on MSRs, see Note 19 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Sales of Mortgage Servicing Rights

As previously disclosed, during 2013, we entered into definitive agreements with certain counterparties to sell the servicing rights on certain residential mortgage loans serviced for others, with an aggregate unpaid principal balance of approximately $308 billion. The sales involve approximately 2 million loans serviced by us as of the applicable contract dates, including approximately 186,000 residential mortgage loans and 14,500 home equity loans that were 60 days or more past due based upon current estimates.

The transfers of servicing rights have occurred in stages throughout 2013 and 92 percent of the servicing had been transferred as of September 30, 2013. These sales have led to a reduction in servicing revenue of approximately $150 million per quarter compared to the fourth quarter of 2012.

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Global Banking [1]

(Dollars in millions)	Three Months Ended September 30 2013	2012	% Change	Nine Months Ended September 30 2013	2012	% Change
Net interest income (FTE basis)	$2,201	$2,009	10 %	$6,613	$6,036	10 %
Noninterest income:						
Service charges	716	725	(1)	2,103	2,173	(3)
Investment banking fees	694	662	5	2,276	1,951	17
All other income	398	390	2	1,185	1,562	(24)
Total noninterest income	1,808	1,777	2	5,564	5,686	(2)
Total revenue, net of interest expense (FTE basis)	4,009	3,786	6	12,177	11,722	4
Provision for credit losses	322	23	n/m	634	(404)	n/m
Noninterest expense	1,928	1,936	—	5,626	5,865	(4)
Income before income taxes	1,759	1,827	(4)	5,917	6,261	(5)
Income tax expense (FTE basis)	625	676	(8)	2,210	2,309	(4)
Net income	$1,134	$1,151	(1)	$3,707	$3,952	(6)
Net interest yield (FTE basis)	2.86 %	2.82 %		3.06 %	2.92 %	
Return on average allocated capital [2]	19.57	—		21.56	—	
Return on average economic capital [2]	—	23.33		—	27.27	
Efficiency ratio (FTE basis)	48.06	51.14		46.20	50.03	
Balance Sheet						
Average						
Total loans and leases	$260,085	$221,185	18	$253,334	$221,629	14
Total earning assets	305,376	283,088	8	289,161	276,444	5
Total assets	347,062	326,109	6	330,985	318,124	4
Total deposits	239,839	227,421	5	229,941	217,602	6
Allocated capital [2]	23,000	—	n/m	23,000	—	n/m
Economic capital [2]	—	19,639	n/m	—	19,376	n/m
Period end				September 30 2013	December 31 2012	
Total loans and leases				$267,165	$242,340	10
Total earning assets				330,625	288,072	15
Total assets				373,110	331,611	13
Total deposits				263,121	243,306	8

(1) During the second quarter of 2013, the results of consumer Dealer Financial Services, previously reported in Global Banking, were moved to CBB. Prior periods have been reclassified to conform to current period presentation.

(2) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 30.

n/m = not meaningful

Global Banking, which includes Global Corporate and Global Commercial Banking, and 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 work with our clients to provide investment banking products 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

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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, auto dealerships and not-for-profit companies. Global Corporate Banking includes large global corporations, financial institutions and leasing clients.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income for Global Banking remained relatively unchanged as an increase in revenue was offset by higher provision for credit losses. Revenue increased $223 million to $4.0 billion primarily driven by higher net interest income due to commercial loan growth.

The provision for credit losses increased $299 million to $322 million primarily to build reserves as a result of commercial loan growth.

Noninterest expense remained relatively unchanged as lower personnel expense as well as technology and support costs were largely offset by higher litigation expense.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for Global Banking decreased $245 million to $3.7 billion primarily driven by an increase in the provision for credit losses, partially offset by higher revenue and lower noninterest expense. Revenue increased $455 million to $12.2 billion as higher net interest income due to loan growth and higher investment banking fees were partially offset by lower other income due to gains on liquidation of certain portfolios in the prior-year period.

The provision for credit losses increased $1.0 billion to $634 million from a benefit of $404 million primarily driven by the same factor as described in the three-month discussion above and stabilization of portfolio credit quality.

Noninterest expense decreased $239 million to $5.6 billion primarily due to lower personnel expense as we continue to streamline our business operations and achieve cost savings.

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Global Corporate and Global Commercial Banking

Global Corporate and Global Commercial Banking each include Business Lending and Treasury Services activities. Business Lending includes various lending-related products and services including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Treasury Services includes deposits, treasury management, credit card, foreign exchange, and short-term investment and custody solutions to corporate and commercial banking clients. The table below presents a summary of Global Corporate and Global Commercial Banking results.

Global Corporate and Global Commercial Banking

	Three Months Ended September 30					
	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
Revenue						
Business Lending	$884	$765	$960	$916	$1,844	$1,681
Treasury Services	713	660	741	741	1,454	1,401
Total revenue, net of interest expense	$1,597	$1,425	$1,701	$1,657	$3,298	$3,082
Balance Sheet						
Average						
Total loans and leases	$128,845	$107,303	$131,262	$112,999	$260,107	$220,302
Total deposits	129,056	116,077	110,740	111,311	239,796	227,388
	Nine Months Ended September 30					
	2013	2012	2013	2012	2013	2012
Revenue						
Business Lending	$2,590	$2,462	$2,956	$2,712	$5,546	$5,174
Treasury Services	2,081	1,945	2,192	2,256	4,273	4,201
Total revenue, net of interest expense	$4,671	$4,407	$5,148	$4,968	$9,819	$9,375
Balance Sheet						
Average						
Total loans and leases	$124,839	$109,552	$128,489	$111,432	$253,328	$220,984
Total deposits	123,946	110,168	105,952	107,404	229,898	217,572
Period end						
Total loans and leases	$132,727	$107,900	$134,435	$116,638	$267,162	$224,538
Total deposits	149,095	122,553	113,983	112,314	263,078	234,867

Global Corporate and Global Commercial Banking revenue increased $216 million and $444 million for the three and nine months ended September 30, 2013 compared to the same periods in 2012 due to higher revenue in both Business Lending and Treasury Services.

Business Lending revenue in Global Corporate Banking increased $119 million and $128 million for the three and nine months ended September 30, 2013 compared to the same periods in 2012 driven by growth in loan balances, partially offset by lower accretion on acquired portfolios and gains on liquidation of certain portfolios in the prior-year

periods. Business Lending revenue in Global Commercial Banking increased $44 million and $244 million driven by loan growth in commercial and industrial, and commercial real estate portfolios, as well as higher accretion on acquired portfolios.

Treasury Services revenue increased $53 million and $72 million for the three and nine months ended September 30, 2013 compared to the same periods in 2012 driven by growth in U.S. and non-U.S. deposit balances, partially offset by the impact of the low rate environment.

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Average loans and leases in Global Corporate and Global Commercial Banking increased 18 percent and 15 percent for the three and nine months ended September 30, 2013 compared to the same periods in 2012 driven by growth in commercial and industrial, and commercial real estate portfolios from higher client demand. Average deposits in Global Corporate and Global Commercial Banking increased five percent and six percent for the three and nine months ended September 30, 2013 compared to the same periods in 2012 due to client liquidity, international growth and limited alternative investment options.

Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and other loan products, and provide advisory services and tailored risk management solutions. The economics of most investment banking and underwriting activities are shared primarily between Global Banking and Global Markets based on the contribution by and involvement of each segment. To provide a complete discussion of our consolidated investment banking fees, the table below presents total Corporation investment banking fees as well as the portion attributable to Global Banking.

Investment Banking Fees

	Three Months Ended September 30				Nine Months Ended September 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
(Dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Products								
Advisory	$226	$207	$256	$221	$699	$710	$775	$764
Debt issuance	343	341	810	865	1,177	941	2,819	2,285
Equity issuance	125	114	329	279	400	300	1,008	776
Gross investment banking fees	694	662	1,395	1,365	2,276	1,951	4,602	3,825
Self-led	(28)	(5)	(98)	(29)	(63)	(31)	(214)	(126)
Total investment banking fees	$666	$657	$1,297	$1,336	$2,213	$1,920	$4,388	$3,699

Total Corporation investment banking fees of $1.3 billion, excluding self-led deals, included within Global Banking and Global Markets, decreased three percent for the three months ended September 30, 2013 compared to the same period in 2012 due to a decline in leveraged finance underwriting fees, partially offset by an increase in investment grade and equity underwriting activity, and advisory fees. Total Corporation investment banking fees of $4.4 billion, excluding self-led deals, included within Global Banking and Global Markets, increased 19 percent for the nine months ended September 30, 2013 compared to the same period in 2012 due to strong debt underwriting performance, primarily within leveraged finance and investment grade, and strong equity underwriting performance due to significant increases in global initial public offering markets.

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Global Markets

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2013	2012	% Change	2013	2012	% Change
Net interest income (FTE basis)	$975	$929	5 %	$3,097	$2,557	21 %
Noninterest income:						
Investment and brokerage services	480	428	12	1,557	1,389	12
Investment banking fees	622	552	13	1,969	1,546	27
Trading account profits	1,201	1,237	(3)	5,939	4,981	19
All other income (loss)	98	132	(26)	(128)	791	n/m
Total noninterest income	2,401	2,349	2	9,337	8,707	7
Total revenue, net of interest expense (FTE basis)	3,376	3,278	3	12,434	11,264	10
Provision for credit losses	47	31	52	36	17	112
Noninterest expense	2,884	2,575	12	8,729	8,668	1
Income before income taxes	445	672	(34)	3,669	2,579	42
Income tax expense (FTE basis)	1,223	948	29	2,321	1,531	52
Net income (loss)	$(778)	$(276)	182	$1,348	$1,048	29
Return on average allocated capital (1)	n/m	—		6.04 %	—	
Return on average economic capital (1)	—	n/m		—	10.29 %	
Efficiency ratio (FTE basis)	85.45 %	78.56 %		70.20	76.96	
Balance Sheet						
Average						
Total trading-related assets (2)	$442,597	$462,138	(4)	$479,052	$456,932	5
Total earning assets (2)	458,657	458,335	—	489,062	450,603	9
Total assets	602,632	602,095	—	642,810	592,967	8
Allocated capital (1)	30,000	—	n/m	30,000	—	n/m
Economic capital (1)	—	13,414	n/m	—	13,703	n/m
Period end				September 30 2013	December 31 2012	
Total trading-related assets (2)				$438,137	$465,836	(6)
Total earning assets (2)				464,613	486,470	(4)
Total assets				601,139	632,263	(5)

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 30.

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

n/m = not meaningful

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 government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, MBS, commodities and asset-backed securities (ABS). In addition, the economics of most investment banking and underwriting activities are shared primarily between Global Markets and Global Banking based on the activities performed by each segment. 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 48.

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Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

The net loss for Global Markets increased $502 million to $778 million. Excluding net DVA and charges related to the U.K. corporate income tax rate reduction, net income decreased $341 million to $531 million primarily driven by lower FICC revenue due to unfavorable market conditions and higher noninterest expense, partially offset by an increase in equities revenue. Net DVA losses on derivatives were $291 million compared to losses of $582 million in the prior-year period. The U.K. corporate income tax rate reduction enacted in the third quarter resulted in a $1.1 billion charge to income tax expense for the remeasurement of certain deferred tax assets compared to a similar charge of $781 million in the prior-year period. Noninterest expense increased $309 million to $2.9 billion due to increases in litigation expense.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for Global Markets increased $300 million to $1.3 billion. Excluding net DVA and charges related to the U.K. corporate income tax rate reduction, net income decreased $529 million to $2.7 billion. Net DVA losses on derivatives were $308 million compared to losses of $2.2 billion in the prior-year period. Noninterest expense remained relatively unchanged. These period-over-period changes were due to the same factors as described in the three-month discussion above.

Average earning assets increased $38.5 billion to $489.1 billion largely driven by increased client financing activity in the equities business.

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 mortgage-backed securities, residential mortgage-backed securities (RMBS), collateralized debt obligations (CDOs), 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 DVA, which is a non-GAAP financial measure. We believe the use of this non-GAAP financial measure provides clarity in assessing the underlying performance of these businesses.

Sales and Trading Revenue [1, 2]

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Sales and trading revenue				
Fixed income, currencies and commodities	$1,767	$2,000	$6,995	$7,261
Equities	945	667	3,303	2,340
Total sales and trading revenue	$2,712	$2,667	$10,298	$9,601
Sales and trading revenue, excluding net DVA [3]				
Fixed income, currencies and commodities	$2,033	$2,534	$7,293	$9,219
Equities	970	715	3,313	2,554
Total sales and trading revenue, excluding net DVA [1]	$3,003	$3,249	$10,606	$11,773

Includes FTE adjustments of $44 million and $134 million for the three and nine months ended September 30, 2013 compared to $56 million and $164 million for the same periods in 2012. For more information on sales and trading revenue, see Note 3 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of $109 million and $319 million for the three and nine months ended September 30, 2013 compared to $111 million and $473 million for the same periods in 2012.

(3) For this presentation, sales and trading revenue excludes the impact of credit spreads on DVA, which represents a non-GAAP financial measure. Net DVA losses of $266 million and $298 million were included in FICC revenue, and net DVA losses of $25 million and $10 million were included in equities revenue for the three and nine months ended September 30, 2013 compared to net DVA losses of $534 million and $2.0 billion, and $48 million and $214 million for the same periods in 2012.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

FICC revenue, including net DVA, decreased $233 million to $1.8 billion. Excluding net DVA, FICC revenue decreased $501 million to $2.0 billion driven by unfavorable market conditions arising from investor concerns around the Federal Reserve's position on economic stimulus, and political uncertainty both domestically and abroad. Equities revenue, including net DVA, increased $278 million to $945 million. Excluding net DVA, equities revenue increased $255 million to $970 million primarily due to continued gains in market share, higher market volumes, improved performance in equity derivatives as well as increased client financing balances. Sales and trading revenue included total commissions and brokerage fee revenue of $480 million compared to $428 million, substantially all from equities, with the $52 million increase due to a higher market share in equities and increased market volumes.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

FICC revenue, including net DVA, decreased $266 million to $7.0 billion. Excluding the impact of credit spreads on net DVA, FICC revenue decreased $1.9 billion to $7.3 billion primarily driven by the same factors as described in the three-month discussion above as well as the write-down of a receivable related to the MBIA Settlement in the first quarter of 2013. For more information on the MBIA Settlement, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. Equities revenue, including net DVA, increased $963 million to $3.3 billion. Excluding the impact of credit spreads on net DVA, equities revenue increased $759 million to $3.3 billion due to the same factors as described in the three-month discussion above. Sales and trading revenue included total commissions and brokerage fee revenue of $1.6 billion compared to $1.4 billion, substantially all from equities, with the $168 million increase due to the same factors as described in the three-month discussion above.

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Global Wealth & Investment Management

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2013	2012	% Change	2013	2012	% Change
Net interest income (FTE basis)	$1,478	$1,413	5 %	$4,579	$4,337	6 %
Noninterest income:						
Investment and brokerage services	2,413	2,181	11	7,185	6,577	9
All other income	499	489	2	1,546	1,410	10
Total noninterest income	2,912	2,670	9	8,731	7,987	9
Total revenue, net of interest expense (FTE basis)	4,390	4,083	8	13,310	12,324	8
Provision for credit losses	23	61	(62)	30	154	(81)
Noninterest expense	3,248	3,115	4	9,773	9,524	3
Income before income taxes	1,119	907	23	3,507	2,646	33
Income tax expense (FTE basis)	400	336	19	1,310	977	34
Net income	$719	$571	26	$2,197	$1,669	32
Net interest yield (FTE basis)	2.35 %	2.28 %		2.42 %	2.36 %	
Return on average allocated capital (1)	28.68	—		29.54	—	
Return on average economic capital (1)	—	29.22		—	31.75	
Efficiency ratio (FTE basis)	74.00	76.30		73.43	77.28	
Balance Sheet						
Average						
Total loans and leases	$112,752	$101,016	12	$109,499	$99,338	10
Total earning assets	249,203	246,727	1	252,485	245,479	3
Total assets	268,611	265,639	1	271,498	265,812	2
Total deposits	239,663	241,411	(1)	242,757	239,942	1
Allocated capital (1)	10,000	—	n/m	10,000	—	n/m
Economic capital (1)	—	7,840	n/m	—	7,093	n/m
Period end				September 30 2013	December 31 2012	
Total loans and leases				$114,175	$105,928	8
Total earning assets				250,677	277,121	(10)
Total assets				270,484	297,326	(9)
Total deposits				241,553	266,188	(9)

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 30.

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 brokerage, banking and retirement products.

U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted to wealthy and ultra-wealthy clients with investable assets of more than $5 million, 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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Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income increased $148 million to $719 million driven by higher revenue and lower provision for credit losses, partially offset by higher noninterest expense. Revenue increased $307 million to $4.4 billion primarily driven by higher asset management fees related to long-term AUM inflows and higher market levels as well as higher net interest income. The provision for credit losses decreased $38 million to $23 million driven by continued credit quality improvement in the home equity portfolio. Noninterest expense increased $133 million to $3.2 billion driven by higher support costs and volume-driven expenses.

Revenue from MLGWM was $3.6 billion, up seven percent, and revenue from U.S. Trust was $730 million, up 11 percent, both driven by higher noninterest income and net interest income.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income increased $528 million to $2.2 billion driven by higher revenue and lower provision for credit losses, partially offset by higher noninterest expense. Revenue increased $986 million to $13.3 billion. The provision for credit losses decreased $124 million to $30 million. Noninterest expense increased $249 million to $9.8 billion. These changes were driven by the same factors as described in the three-month discussion above.

Revenue from MLGWM was $11.1 billion, up eight percent, and revenue from U.S. Trust was $2.2 billion, up nine percent, both driven by the same factors as described in the three-month discussion above.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their related deposit and loan balances to or from CBB, CRES and the ALM portfolio, as presented in the table below. We move clients between business segments to better meet the needs of our clients. The table below includes the first quarter transfer whereby GWIM identified and transferred deposit balances of approximately $19 billion to CBB. Additionally, beginning in 2013, the revenue and expense associated with GWIM clients that hold credit cards is included in GWIM. Revenue and expense for prior periods are in CBB.

Net Migration Summary

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Average				
Total deposits, net – GWIM from / (to) CBB	$(17,468)	$456	$(14,315)	$242
Total loans, net – GWIM to CRES and the ALM portfolio	(80)	(281)	(45)	(192)
Period end				
Total deposits, net – GWIM from / (to) CBB	$627	$5	$(17,261)	$656
Total loans, net – GWIM to CRES and the ALM portfolio	(34)	(58)	(93)	(281)

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Client Balances

The table below presents client balances which consist of AUM, brokerage assets, assets in custody, deposits, and loans and leases.

Client Balances by Type

(Dollars in millions)	September 30 2013	December 31 2012
Assets under management	$ 779,614	$ 698,095
Brokerage assets	1,013,688	960,351
Assets in custody	131,386	117,686
Deposits	241,553	266,188
Loans and leases [1]	117,195	109,305
Total client balances	$ 2,283,436	$ 2,151,625

(1) Includes margin receivables which are classified in customer and other receivables on the Consolidated Balance Sheet.

The increase of $131.8 billion, or six percent, in client balances was driven by higher market levels and post-merger record long-term AUM inflows, partially offset by the deposit balance transfer of approximately $17.3 billion to CBB as described on page 53.

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All Other

(Dollars in millions)	Three Months Ended September 30 2013	2012	% Change	Nine Months Ended September 30 2013	2012	% Change
Net interest income (FTE basis)	$36	$273	(87)%	$558	$888	(37)%
Noninterest income:						
Card income	79	93	(15)	245	264	(7)
Equity investment income	1,121	172	n/m	2,217	566	n/m
Gains on sales of debt securities	347	328	6	866	1,393	(38)
All other loss	(716)	(1,700)	(58)	(2,081)	(3,742)	(44)
Total noninterest income (loss)	831	(1,107)	n/m	1,247	(1,519)	n/m
Total revenue, net of interest expense (FTE basis)	867	(834)	n/m	1,805	(631)	n/m
Provision for credit losses	(549)	390	n/m	(478)	2,172	n/m
Noninterest expense	930	1,627	(43)	3,245	5,272	(38)
Income (loss) before income taxes	486	(2,851)	n/m	(962)	(8,075)	(88)
Income tax benefit (FTE basis)	(157)	(1,251)	(87)	(1,175)	(3,496)	(66)
Net income (loss)	$643	$(1,600)	n/m	$213	$(4,579)	n/m

Balance Sheet

Average	Three Months Ended September 30 2013	2012	% Change	Nine Months Ended September 30 2013	2012	% Change
Loans and leases:						
Residential mortgage	$206,409	$220,845	(7)	$210,882	$226,841	(7)
Non-U.S. credit card	10,633	13,329	(20)	10,757	13,706	(22)
Other	15,496	21,956	(29)	16,984	22,763	(25)
Total loans and leases	232,538	256,130	(9)	238,623	263,310	(9)
Total assets [(1)]	203,044	304,756	(33)	227,401	327,946	(31)
Total deposits	35,126	39,266	(11)	34,814	45,151	(23)

Period end	September 30 2013	December 31 2012	% Change
Loans and leases:			
Residential mortgage	$204,068	$211,476	(4)
Non-U.S. credit card	11,083	11,697	(5)
Other	14,399	18,808	(23)
Total loans and leases	229,550	241,981	(5)
Total assets [(1)]	177,869	262,800	(32)
Total deposits	30,705	36,061	(15)

(1) For presentation purposes, 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' equity. Such allocated assets were $541.0 billion and $531.0 billion for the three and nine months ended September 30, 2013 compared to $514.4 billion and $496.7 billion for the same periods in 2012, and $558.0 billion and $537.6 billion at September 30, 2013 and December 31, 2012.

n/m = not meaningful

All Other consists of ALM activities, equity investments, the international consumer card business, liquidating businesses, residual expense allocations and other. ALM activities encompass the whole-loan residential mortgage

portfolio and investment securities, interest rate and foreign currency risk management activities including the residual net interest income allocation, gains/losses on structured liabilities, 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 Interest Rate Risk Management for Nontrading Activities on page 133.
Equity investments include Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. Equity investments included our investment in CCB which was sold during the three

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months ended September 30, 2013, and certain other investments. Additionally, All Other includes certain residential mortgage loans that are managed by Legacy Assets & Servicing.

In January 2013, in connection with the FNMA Settlement, we repurchased certain residential mortgage loans, all of which are held in All Other. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net income for All Other increased $2.2 billion to $643 million primarily due to negative fair value adjustments on structured liabilities of $152 million related to the improvement in our credit spreads compared to a negative $1.3 billion in the same period in 2012, an increase of $949 million in equity investment income driven by the $753 million gain on the sale of CCB shares, and a portion of an equity investment, a $939 million reduction in the provision for credit losses, and a decrease in noninterest expense of $697 million.

The provision for credit losses improved $939 million to a benefit of $549 million primarily driven by continued improvement in portfolio trends including increased home prices in the residential mortgage portfolio, as well as improvements in credit quality in the non-U.S. credit card portfolio.

Noninterest expense decreased $697 million to $930 million primarily due to lower litigation expense and personnel expense. The income tax benefit was $157 million compared to a benefit of $1.3 billion. The decrease was primarily attributable to the change in pre-tax income (loss) in All Other as well as the impact of residual income tax allocation.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net income for All Other increased $4.8 billion to $213 million primarily due to negative fair value adjustments on structured liabilities of $232 million related to the improvement in our credit spreads compared to a negative $4.7 billion in the same period in 2012, a $2.7 billion reduction in the provision for credit losses, a decrease in noninterest expense of $2.0 billion and an increase in equity investment income of $1.7 billion, primarily due to gains on the sales of CCB shares and a portion of an equity investment. Partially offsetting these items were $1.7 billion in gains related to liability management actions in the prior-year period and a decrease of $527 million in gains on sales of debt securities.

The provision for credit losses improved $2.7 billion to a benefit of $478 million primarily driven by the same factors as described in the three-month discussion above.

Noninterest expense decreased $2.0 billion to $3.2 billion due to lower litigation and personnel expenses. The income tax benefit was $1.2 billion compared to a benefit of $3.5 billion, with the decrease primarily attributable to the same factors as described in the three-month discussion above, as well as increased benefits from the 2012 non-U.S. restructurings.

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Equity Investment Activity

The tables below present the components of equity investments included in All Other at September 30, 2013 and December 31, 2012, and also a reconciliation to the total consolidated equity investment income for the three and nine months ended September 30, 2013 and 2012. During the three months ended September 30, 2013, the Corporation sold its remaining 2.0 billion common shares of CCB and recorded a pre-tax gain of $753 million.

Equity Investments

(Dollars in millions)	September 30 2013	December 31 2012
Global Principal Investments	$1,932	$3,470
Strategic and other investments	693	2,038
Total equity investments included in All Other	$2,625	$5,508

Equity Investment Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Global Principal Investments	$122	$156	$278	$422
Strategic and other investments	999	16	1,939	144
Total equity investment income included in All Other	1,121	172	2,217	566
Total equity investment income included in the business segments	63	66	210	805
Total consolidated equity investment income	$1,184	$238	$2,427	$1,371

Equity investments included in All Other decreased $2.9 billion to $2.6 billion at September 30, 2013 compared to December 31, 2012, with the decrease due to sales in the GPI and Strategic investments portfolios. GPI had unfunded equity commitments of $155 million at September 30, 2013 compared to $224 million at December 31, 2012.

Equity investment income included in All Other was $1.1 billion and $2.2 billion in the three and nine months ended September 30, 2013, an increase of $949 million and $1.7 billion from the same periods in 2012. The increases in the three and nine months ended September 30, 2013 were primarily due to gains on the sales of CCB shares and a portion of an equity investment. Total Corporation equity investment income was $1.2 billion and $2.4 billion in the three and nine months ended September 30, 2013, an increase of $946 million and $1.1 billion from the same periods in 2012, due to the same factors as described for All Other, partially offset by gains in the prior-year periods on the sales of an equity investment in Global Markets.

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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 our obligations and commitments, see Note 11 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 54 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K, as well as Note 12 – Long-term Debt and Note 13 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of MBS guaranteed by the government-sponsored enterprises (GSEs) or by the Government National Mortgage Association (GNMA) in the case of Federal Housing Administration (FHA)-insured, U.S. Department of Veterans Affairs (VA)-guaranteed and Rural Housing Service-guaranteed mortgage 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 (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, U.S. Department of Housing and Urban Development (HUD) with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) rescissions or mortgage guarantee payments that we may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan investor, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor, where the contract so provides. In the case of private-label securitizations, the applicable agreements may permit investors, which may include the GSEs, with contractually sufficient holdings to direct or influence action by the securitization trustee. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, or of the monoline insurer or other financial guarantor (as applicable) in the loan. Contracts with the GSEs do not contain equivalent language, while GNMA generally limits repurchases to loans that are not insured or guaranteed as required.

For more information on accounting for representations and warranties and our representations and warranties repurchase claims and exposures, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees and Note 13 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K.

Representations and Warranties Bulk Settlement Actions

We have settled, or entered into agreements to settle, certain bulk representations and warranties claims (1) with each of the GSEs in 2010 (2010 GSE Agreements), (2) with a trustee (the Trustee) for certain Countrywide Financial Corporation (Countrywide) private-label securitization trusts in 2011 (the BNY Mellon Settlement), (3) with three monoline insurers, Assured Guaranty Ltd. and subsidiaries in 2011 (the Assured Guaranty Settlement), Syncora

Guarantee Inc. and Syncora Holdings, Ltd. in 2012 (the Syncora Settlement) and MBIA in May 2013 (the MBIA Settlement), and (4) with FNMA in January 2013 (the FNMA Settlement).

We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been material, with the above-referenced counterparties in lieu of a loan-by-loan review process. For instance, in the first quarter of 2013, we entered into the FNMA Settlement to resolve substantially all outstanding and potential repurchase and certain other claims relating to the origination, sale and delivery of residential mortgage loans originated from January 1, 2000 through December 31, 2008 and sold directly to FNMA by entities related to Countrywide and BANA. We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. However, there can be no assurance that we will reach future settlements or, if we do, that the terms of past settlements can be relied upon to predict the terms of future settlements. For a summary of the larger bulk settlement actions and the related impact on the representations and warranties provision and liability, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees herein and Note 13 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K. These

bulk settlements generally did not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims, and our liability in connection with the transactions and claims not covered by these settlements could be material.

BNY Mellon Settlement

The BNY Mellon Settlement, entered into in June 2011, is subject to final court approval and certain other conditions. The court approval hearing on the settlement began on June 3, 2013 in the New York Supreme Court, New York County, and additional hearing days and closing arguments are scheduled to take place in November 2013. Although we are not a party to the proceeding, certain of our rights and obligations under the settlement agreement are conditioned on final court approval of the settlement.

There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and Countrywide will not withdraw from the settlement. If final court approval is not obtained or if we and Countrywide withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K.

Unresolved Claims Status

Unresolved Repurchase Claims

During the three months ended September 30, 2013, we received $1.8 billion in new repurchase claims, including $642 million submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs, $1.0 billion submitted by private-label securitization trustees, $174 million submitted by whole-loan investors and $5 million submitted by monoline insurers. During the three months ended September 30, 2013, $822 million in claims were resolved, primarily with the GSEs. Of the claims that were resolved, $536 million were resolved through rescissions and $286 million were resolved through mortgage repurchases and make-whole payments.

During the nine months ended September 30, 2013, we received $5.1 billion in new repurchase claims, including $1.6 billion submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs, $3.0 billion submitted by private-label securitization trustees, $442 million submitted by whole-loan investors and $49 million submitted by monoline insurers. During the nine months ended September 30, 2013, $15.6 billion in claims were resolved, primarily with the GSEs, including $12.2 billion in GSE claims resolved through the FNMA Settlement and $945 million resolved through the MBIA Settlement. Of the remaining claims that were resolved, $1.5 billion were resolved through rescissions and $962 million were resolved through mortgage repurchases and make-whole payments, primarily with the GSEs. For more information on unresolved repurchase claims from the GSEs, monoline insurers, private-label securitization trustees, whole-loan investors and others, and the resolution of such claims, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

At September 30, 2013, the total notional amount of our unresolved representations and warranties repurchase claims was $17.7 billion compared to $28.3 billion at December 31, 2012. These repurchase claims do not include any repurchase claims related to the trusts covered by the BNY Mellon Settlement. Unresolved 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, 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, or the claim is otherwise resolved. When a claim is denied and we do not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution.

The notional amount of unresolved GSE repurchase claims totaled $1.2 billion at September 30, 2013 compared to $13.5 billion at December 31, 2012. As a result of the FNMA Settlement, $12.2 billion of GSE repurchase claims outstanding at December 31, 2012 were resolved in January 2013.

The notional amount of unresolved monoline repurchase claims totaled $1.5 billion at September 30, 2013 compared to $2.4 billion at December 31, 2012. We have had limited loan-level repurchase claims experience with the remaining monoline insurers due to ongoing litigation. In our experience, the monolines have been generally unwilling to withdraw repurchase claims, regardless of whether and what evidence was offered to refute a claim. Substantially all of the unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation. As a result of the MBIA Settlement, $945 million of monoline repurchase claims outstanding at December 31, 2012 were resolved in May 2013.

The notional amount of unresolved repurchase claims from private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others totaled $14.9 billion at September 30, 2013 compared to $12.3 billion at December 31, 2012. The increase in the notional amount of unresolved repurchase claims is primarily due to continued submission of claims by private-label securitization trustees; the level of detail, support and analysis which impacts overall claim quality and, therefore, claims resolution; and the lack of an established process to resolve disputes related to these claims. We expect unresolved repurchase claims related to private-label securitizations to continue to increase as claims continue to be submitted by private-label securitization trustees and there is not an established process for the ultimate resolution of claims on which there is a disagreement.

In addition to, and not included in, the total unresolved repurchase claims of $17.7 billion at September 30, 2013, we have received repurchase demands from private-label securitization investors and a master servicer where we believe the claimants have not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amounts outstanding of such demands were $1.4 billion, comprised of $1.1 billion of demands received during 2012 and approximately $300 million of demands related to trusts covered by the BNY Mellon Settlement at September 30, 2013 compared to $1.6 billion at December 31, 2012. We do not believe that the $1.4 billion of demands outstanding at September 30, 2013 represents valid repurchase claims and, therefore, it is not possible to predict the resolution with respect to such demands.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices). Although the number of such notices has remained elevated, they have decreased over the last several quarters as the resolution of open notices exceeded new notices. At September 30, 2013, we had approximately 105,000 open MI rescission notices compared to 110,000 at December 31, 2012. Open MI rescission notices at September 30, 2013 included 43,000 pertaining principally to first-lien mortgages serviced for others, 11,000 pertaining to loans held-for-investment (HFI) and 51,000 pertaining to ongoing litigation for second-lien mortgages. Approximately 24,000 of the open MI rescission notices pertaining to first-lien mortgages serviced for others are related to loans sold to FNMA. As of September 30, 2013, 39 percent of the MI rescission notices received have been resolved. Of those resolved, 18 percent were resolved through our acceptance of the MI rescission, 62 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 20 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of September 30, 2013, 61 percent of the MI rescission notices we have received have not yet been resolved. Of those not yet resolved, 49 percent are implicated by ongoing litigation where no loan-level review is currently contemplated or required to preserve our legal rights. In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. We are in the process of reviewing nine percent of the remaining open MI rescission notices, and we have reviewed and are contesting the MI rescission with respect to 91 percent of these remaining open MI rescission notices. Of the remaining open MI rescission notices, 45 percent are also the subject of ongoing litigation; although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation.

Although the FNMA Settlement did not resolve underlying MI rescission notices, the FNMA Settlement resolved significant representations and warranties exposures, including unresolved and potential repurchase claims from FNMA resulting solely from MI rescission notices relating to loans covered by the FNMA Settlement. Our pipeline of unresolved repurchase claims from the GSEs resulting solely from MI rescission notices was $443 million at September 30, 2013 compared to $2.3 billion at December 31, 2012. The FNMA Settlement resolved approximately $1.9 billion of such unresolved repurchase claims that were outstanding at December 31, 2012. Many of these claims represent repurchase claims on loans for which we received a MI rescission notice that is included in the 24,000 open MI rescission notices referenced in the paragraph above. In addition, the FNMA Settlement clarified the parties'

obligations with respect to MI rescission notices including establishing timeframes for certain payments and other actions, setting parameters for potential bulk settlements and providing for cooperation in future dealings with mortgage insurers. As a result, we are required to pay the amount of certain MI coverage to FNMA as a result of MI claims rescissions in advance of collection from the mortgage insurance companies and have remitted the amounts required under the agreement related to the 24,000 open MI rescission notices. In certain cases, we may not ultimately collect all such amounts from the mortgage insurance companies. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Unresolved Claims Status – Open Mortgage Insurance Rescission Notices on page 57 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

Representations and Warranties Liability

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.

The liability for representations and warranties exposures and the corresponding estimated range of possible loss do not consider any losses related to litigation matters, including litigation brought by monoline insurers, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any other possible losses related to potential claims for breaches of performance of servicing obligations, except as such losses are included as potential costs of the BNY Mellon Settlement, potential

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securities law or fraud claims or potential indemnity or other claims against us, including claims related to loans insured by the FHA. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against us, except to the extent reflected in the estimated range of possible loss for litigation and regulatory matters disclosed in Note 11 – Commitments and Contingencies to the Consolidated Financial Statements; however, such loss could be material.

At September 30, 2013 and December 31, 2012, the liability for representations and warranties and corporate guarantees was $14.1 billion and $19.0 billion, with the decrease primarily driven by the payment and repurchase of loans related to the FNMA Settlement. For the three and nine months ended September 30, 2013, the representations and warranties and corporate guarantees provision was $323 million and $770 million compared to $307 million and $984 million for the same periods in 2012. The provision for the three- and nine-month periods ended September 30, 2013 was driven by our obligations related to MI rescissions and our remaining GSE exposures, with MI rescission being the primary driver for the three-month period and GSE exposures for the nine-month period.

Estimated Range of Possible Loss

Our estimated liability at September 30, 2013 for obligations under 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 BNY Mellon Settlement, as well as certain other assumptions and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if actual experiences are different from historical experience or our understandings, interpretations or assumptions.

In the case of non-GSE exposures, including private-label securitizations, our estimate of the representations and warranties liability and the corresponding estimated range of possible loss considers, among other things, repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the trusts covered by the BNY Mellon Settlement (Covered Trusts) and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. Where relevant, we also take into account more recent experience, such as increased claim activity, our experience with various counterparties and other facts and circumstances, such as bulk settlements, as we believe appropriate.

The representations and warranties liability represents our best estimate of probable incurred losses as of September 30, 2013. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, we have not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where we have little to no claim activity. We currently estimate that the range of possible loss for representations and warranties exposures could be up to $4 billion over accruals at September 30, 2013. The estimated range of possible loss reflects principally non-GSE exposures. The estimated range of possible loss related to these representations and warranties exposures 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. Our estimated range of possible loss related to representations and warranties exposures does not include possible losses related to monoline insurers.

Future provisions and/or ranges of possible loss for representations and warranties may be significantly impacted if actual experiences are different from our assumptions in our predictive models, including, without limitation, ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, estimated MI rescission rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of possible loss. For example, an appellate court, in the context of claims

brought by a monoline insurer, disagreed with our interpretation that a loan must be in default in order to satisfy the underlying agreements' requirement that a breach have a material and adverse effect. If that decision is extended to non-monoline contexts, it could significantly impact our provision and/or the estimated range of possible loss. Additionally, if court rulings related to monoline litigation, including one related to us, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred, are followed generally by the courts in future monoline litigation, private-label securitization counterparties may view litigation as a more attractive alternative compared to a loan-by-loan review. Finally, although we believe that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, we do not have significant experience resolving loan-level claims in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

For more information about the methodology used to estimate the representations and warranties liability and the corresponding estimated range of possible loss for representations and warranties exposures, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and, for more information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties, see Complex Accounting Estimates – Representations and Warranties on page 143.

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Experience with Government-sponsored Enterprises

As a result of the FNMA Settlement and earlier bulk settlements with the GSEs, our exposure to repurchase claims from the GSEs for vintages prior to 2009 has been significantly reduced. After these settlements, our exposure to representations and warranties liability for loans originated prior to 2009 and sold to the GSEs is limited to loans with an original principal balance of $106.5 billion, sold primarily to Freddie Mac (FHLMC), and loans with certain defects excluded from the settlements that we do not believe will be material, such as title defects and certain specified violations of FNMA's charter. As of September 30, 2013, of the $106.5 billion, approximately $72.7 billion in principal has been paid, $10.2 billion in principal has defaulted or was severely delinquent and the notional amount of unresolved repurchase claims submitted by the GSEs was $1.1 billion related to these vintages. We have performed an initial review with respect to $742 million of these claims and do not believe a valid basis for repurchase has been established by the claimant and are still in the process of reviewing the remaining $361 million of these claims.

The FNMA Settlement and earlier bulk settlements did not address loans originated after 2008. However, we believe that changes made to our operations and underwriting policies have reduced our exposure to the GSEs related to loans originated after 2008. In addition, we estimate that lifetime losses on these vintages will be significantly less than the losses we have experienced with respect to vintages prior to 2009. We have sold $525.7 billion of loans originated after 2008 to the GSEs. As of September 30, 2013, approximately $251.1 billion in principal has been paid, $4.6 billion in principal has defaulted or was severely delinquent and the notional amount of unresolved repurchase claims submitted by the GSEs was $105 million related to these vintages. We have performed an initial review with respect to $83 million of these claims and do not believe a valid basis for repurchase has been established by the claimant and are still in the process of reviewing the remaining $22 million of these claims.

Experience with Investors Other than Government-sponsored Enterprises

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 originated from 2004 through 2008 with an original principal balance of $965 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), of which $547 billion in principal has been paid, $189 billion in principal has defaulted, $56 billion in principal was severely delinquent and $173 billion in principal was current or less than 180 days past due at September 30, 2013.

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Table 15 details the population of loans originated between 2004 and 2008 and the population of loans sold as whole loans or in non-agency securitizations by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent as of September 30, 2013. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan's default. As of September 30, 2013, approximately 25 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement and, of this amount, $109 billion was defaulted or severely delinquent at September 30, 2013.

Table 15
Overview of Non-Agency Securitization and Whole Loan Balances

	Principal Balance		Defaulted or Severely Delinquent						
(Dollars in billions)	Original Principal Balance	Outstanding Principal Balance September 30 2013	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made Less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made More than 36 Payments
By Entity									
Bank of America	$100	$ 19	$3	$7	$10	$1	$2	$2	$5
Countrywide	716	179	45	142	187	24	45	45	73
Merrill Lynch	67	15	3	16	19	3	4	3	9
First Franklin	82	16	5	24	29	5	6	5	13
Total [1, 2]	$965	$ 229	$56	$189	$245	$33	$57	$55	$100
By Product									
Prime	$302	$ 69	$9	$25	$34	$2	$6	$7	$19
Alt-A	172	52	12	38	50	7	12	12	19
Pay option	150	38	14	42	56	5	13	16	22
Subprime	247	56	19	65	84	17	20	16	31
Home equity	88	11	—	17	17	2	4	4	7
Other	6	3	2	2	4	—	2	—	2
Total	$965	$ 229	$56	$189	$245	$33	$57	$55	$100

(1) Excludes transactions sponsored by Bank of America and Merrill Lynch where no representations or warranties were made.
(2) Includes exposures on third-party sponsored transactions related to legacy entity originations.

Monoline Insurers

Legacy companies sold $184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 15, including $103.9 billion of first-lien mortgages and $80.6 billion of second-lien mortgages. Of these balances, $49.3 billion of the first-lien mortgages and $53.4 billion of the second-lien mortgages have been paid in full, and $35.4 billion of the first-lien mortgages and $17.2 billion of the second-lien mortgages have defaulted or were severely delinquent at September 30, 2013. At least 25 payments have been made on approximately 61 percent of the defaulted and severely delinquent loans. Of the first-lien mortgages sold, $39.1

billion, or 38 percent, were sold as whole loans to other institutions which subsequently included these loans with those of other originators in private-label securitization transactions in which the monolines insured one or more securities. During the three and nine months ended September 30, 2013, there was minimal repurchase claim activity with the monolines.

At September 30, 2013, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $1.5 billion compared to $2.4 billion at December 31, 2012. At September 30, 2013, the unpaid principal balance of loans in these vintages for which the monolines had requested loan files for review but for which no repurchase claim had been received was $2.7 billion, excluding loans that had been paid in full or resolved through settlements. Of these file requests, $1.4 billion are aged and subject to ongoing litigation. While no such file requests have been received since 2012, there may be additional requests for loan files in the future leading to repurchase claims. In addition, we have received claims from private-label securitization trustees and a third-party securitization sponsor related to first-lien third-party sponsored securitizations that include monoline insurance.

The MBIA Settlement resolved outstanding and potential claims between the parties to the settlement involving 31 first- and 17 second-lien RMBS trusts for which MBIA provided financial guarantee insurance, including $945 million of monoline repurchase claims outstanding at December 31, 2012. In addition, this settlement covered loans with an unpaid principal balance of $2.6 billion for which we have received file requests but for which no repurchase claims were received as of December 31, 2012. The first- and second-lien mortgages in the covered RMBS trusts had an original principal balance of $29.3 billion and $25.5 billion, and an unpaid principal balance of $9.8 billion and $9.3 billion at the time of the settlement.

For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Experience with Investors Other than Government-sponsored Enterprises on page 59 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

Whole Loans and Private-label Securitizations

Legacy entities, and to a lesser extent Bank of America, sold loans to investors as whole loans or via private-label securitizations. The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. We provided representations and warranties to the whole-loan investors and these investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The loans sold with an original total principal balance of $780.5 billion, included in Table 15, were originated between 2004 and 2008, of which $444.3 billion have been paid in full and $192.4 billion were defaulted or severely delinquent at September 30, 2013. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans. We have received approximately $22.9 billion of representations and warranties repurchase claims from whole-loan investors, including third-party sponsors, and private-label securitization investors and trustees related to these vintages, including $13.6 billion from private-label securitization trustees, $8.5 billion from whole-loan investors and $809 million from one private-label securitization counterparty. In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. Continued high levels of new private-label claims are primarily related to repurchase requests received from trustees and third-party sponsors for private-label securitization transactions not included in the BNY Mellon Settlement, including claims related to first-lien third-party sponsored securitizations that include monoline insurance. Over time, there has been an increase in requests for loan files from certain private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statute of limitations relating to representations and warranties repurchase claims, and we believe it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees with standing to bring such claims. In addition, private-label securitization trustees may have obtained loan files through other means, including litigation and administrative subpoenas.

We have resolved $8.0 billion of the claims received from whole-loan investors and private-label securitization investors and trustees with losses of $1.8 billion. The majority of these resolved claims were from third-party whole-loan investors. Approximately $3.2 billion of these claims were resolved through repurchase or indemnification and $4.8 billion were rescinded by the investor. At September 30, 2013, for loans originated between 2004 and 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees and whole-loan investors was $14.8 billion. We have performed an initial review with respect to $13.9 billion of these claims and do not believe a valid basis for repurchase has been established by the claimant and are still in the process of reviewing the remaining $911 million of these claims.

Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that and other experience to record a liability related to existing and future claims from such counterparties. The BNY Mellon Settlement and subsequent activity with certain counterparties led to the determination that we had sufficient experience to record a liability related to our exposure on certain private-label securitizations but did not provide

sufficient experience related to certain private-label securitizations sponsored by third-party whole-loan investors. As it relates to the other private-label securitizations sponsored by third-party whole-loan investors and certain other whole loan sales, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. Until we receive a repurchase claim, we generally do not review loan files related to private-label securitizations sponsored by third-party whole-loan investors (and are not required by the governing documents to do so). Our estimated range of possible loss related to representations and warranties exposures as of September 30, 2013 included possible losses related to these whole loan sales and private-label securitizations sponsored by third-party whole-loan investors.

Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files. We have received repurchase demands totaling $1.4 billion from private-label securitization investors and a master servicer where in each case we believe the claimant has not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that the demands are otherwise procedurally or substantively invalid.

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Servicing, Foreclosure and Other Mortgage Matters

We service a large portion of the loans we or our subsidiaries have securitized and also service loans on behalf of third-party securitization vehicles and other investors. Our servicing obligations are set forth in servicing agreements with the applicable counterparty. These obligations may include, but are not limited to, loan repurchase requirements in certain circumstances, indemnifications, payment of fees, advances for foreclosure costs that are not reimbursable, or responsibility for losses in excess of partial guarantees for VA loans.

Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, each GSE typically claims the right to demand that the servicer repurchase loans that breach the seller's representations and warranties made in connection with the initial sale of the loans even if the servicer was not the seller. The GSEs claim that they have the contractual right to demand indemnification or loan repurchase for certain servicing breaches. In addition, the GSEs' first-lien mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary, and purport to require the imposition of compensatory fees if those deadlines are not satisfied except for reasons beyond the control of the servicer, although we believe that the governing contracts, our course of dealing, and collective past practices and understandings should inform resolution of these matters. In addition, many non-agency RMBS and whole-loan servicing agreements state that the servicer may be liable for failure to perform its servicing obligations in keeping with industry standards or for acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer's duties.

It is not possible to reasonably estimate our liability with respect to certain potential servicing-related claims. While we have recorded certain accruals for servicing-related claims, the amount of potential liability in excess of existing accruals could be material. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 61 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

2013 IFR Acceleration Agreement

On January 7, 2013, Bank of America and other mortgage servicing institutions entered into an agreement in principle with the Office of the Comptroller of the Currency (OCC) and the Federal Reserve to cease the Independent Foreclosure Review (IFR) that had commenced pursuant to consent orders entered into by Bank of America with the Federal Reserve (2011 FRB Consent Order) and by BANA with the OCC on April 13, 2011 (2011 OCC Consent Order) and replaced it with an accelerated remediation process (2013 IFR Acceleration Agreement). This agreement in principle was memorialized in amendments to the 2011 FRB Consent Order and the 2011 OCC Consent Order on February 28, 2013. The 2013 IFR Acceleration Agreement requires us to provide $1.8 billion of borrower assistance in the form of loan modifications and other foreclosure prevention actions, and in addition, we made a cash payment of $1.1 billion into a qualified settlement fund in the first quarter of 2013, which was fully reserved at December 31, 2012. The borrower assistance program is not expected to result in any incremental credit provision, as we believe that the existing allowance for credit losses is adequate to absorb any costs that have not already been recorded as charge-offs.

National Mortgage Settlement

In March 2012, we entered into settlement agreements (collectively, the National Mortgage Settlement) with (1) the U.S. Department of Justice, various federal regulatory agencies and 49 state Attorneys General to resolve federal and state investigations into certain residential mortgage origination, servicing and foreclosure practices, (2) HUD to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily originated by Countrywide prior to and for a period following our acquisition of that lender, and (3) each of the Federal Reserve and the OCC

regarding civil monetary penalties related to conduct that was the subject of consent orders entered into with the banking regulators in April 2011. The National Mortgage Settlement was entered by the court as a consent judgment on April 5, 2012. The National Mortgage Settlement provided for the establishment of certain uniform servicing standards, upfront cash payments of approximately $1.9 billion to the state and federal governments and for borrower restitution, approximately $7.6 billion in borrower assistance in the form of, among other things, credits earned for principal reduction, short sales, deeds-in-lieu of foreclosure and approximately $1.0 billion of credits earned for interest rate reduction modifications. In addition, the settlement with HUD provided for an upfront cash payment of $500 million to settle certain claims related to FHA-insured loans. We will also be obligated to provide additional cash payments of up to $850 million if we fail to earn an additional $850 million of credits stemming from incremental first-lien principal reductions and satisfy certain solicitation requirements over a three-year period.

We also entered into agreements with several states under which we committed to perform certain minimum levels of principal reduction and related activities within those states in connection with the National Mortgage Settlement, and under which we could be required to make additional payments if we fail to meet such minimum levels.

Subject to confirmation by the independent monitor appointed as a result of the National Mortgage Settlement to review and certify compliance with its provisions, we believe we have substantially fulfilled all borrower assistance, rate reduction modification and principal reduction commitments and, therefore, do not expect to be required to make additional cash payments. The monitor has validated that through December 2012 we have earned nearly $7.8 billion in credits towards our total obligation. The borrower assistance program did not result in any incremental credit losses as of the settlement date, as the existing allowance for credit losses was adequate to absorb any losses that had not already been charged-off. Under the interest rate reduction program, modifications of approximately 24,000 loans with an aggregate unpaid principal balance of $6.4 billion have been completed as of September 30, 2013, including approximately 600 modifications that were completed during the third quarter. These modifications, which are not accounted for as troubled debt restructurings (TDRs), provided for an average interest rate reduction of approximately two percent, resulting in an estimated decrease in fair value of the modified loans of approximately $740 million and a reduction in annual interest income of approximately $120 million.

Under the terms of the National Mortgage Settlement, the federal and participating state governments agreed to release us from further liability for certain alleged residential mortgage origination, servicing and foreclosure deficiencies. In settling origination issues related to FHA-guaranteed loans originated on or before April 30, 2009, we received a release from further liability for all origination claims with respect to such loans if an insurance claim had been submitted to the FHA prior to January 1, 2012 and a release of multiple damages and penalties, but not single damages, if no such claim had been submitted. In addition, provided we meet our assistance and remediation commitments, the OCC agreed not to assess, and we will not be obligated to pay to the Federal Reserve, any civil monetary penalties.

The National Mortgage Settlement does not cover certain claims arising out of origination, securitization (including representations made to investors with respect to MBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration Systems, Inc. (MERS), and claims by the GSEs (including repurchase demands), among other items. For more information on MERS, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage Electronic Registration Systems, Inc. on page 63 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

Impact of Foreclosure Delays

Foreclosure delays impact our default-related servicing costs. We believe default-related servicing costs peaked in late 2012 and these costs declined in 2013. Default-related servicing costs include costs related to resources needed for implementing new servicing standards mandated for the industry, including as part of the National Mortgage Settlement, other operational changes and operational costs due to delayed foreclosures, and do not include mortgage-related assessments, waivers and similar costs related to foreclosure delays.

Other areas of our operations are also impacted by foreclosure delays. In the nine months ended September 30, 2013, we recorded $459 million of mortgage-related assessments, waivers and similar costs related to foreclosure delays compared to $530 million for the same period in 2012. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances, and may impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties. Accordingly, the ultimate resolution of disagreements with counterparties, delays in foreclosure sales beyond those currently anticipated, and any issues that may arise out of alleged irregularities in our foreclosure process could significantly increase the costs associated with our mortgage operations.

Other Mortgage-related Matters

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current origination, servicing, transfer of servicing and servicing rights, and foreclosure activities, including those claims not covered by the National Mortgage Settlement. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. We are also subject to inquiries, investigations, actions and claims from regulators, trustees, investors and other third parties relating to other mortgage-related activities such as the purchase, sale, pooling, and origination and securitization of loans, as well as structuring, marketing, underwriting and issuance of MBS and other securities, including claims relating to the adequacy and accuracy of disclosures in offering documents and representations and warranties made in connection with whole-loan sales or securitizations. The current environment of heightened scrutiny may subject us to governmental or regulatory inquiries, investigations, actions, penalties and fines, including by the RMBS Working Group of the Financial Fraud Enforcement Task Force, or by other regulators or government agencies that could significantly adversely affect our reputation and result in material costs to us in excess of current reserves and management's estimate of the aggregate range of possible loss for litigation matters. For more information on management's estimate of the aggregate range of possible loss and regulatory investigations, see Note 11 – Commitments and Contingencies to the Consolidated Financial Statements.

Mortgage-related Settlements – Servicing Matters

In connection with the BNY Mellon Settlement, BANA has agreed to implement certain servicing changes. The Trustee and BANA have agreed to clarify and conform certain servicing standards related to loss mitigation. In particular, the BNY Mellon Settlement clarifies that it is permissible to apply the same loss mitigation strategies to the Covered Trusts as are applied to BANA affiliates' HFI portfolios. This portion of the agreement was effective in the second quarter of 2011 and is not conditioned on final court approval.

BANA also agreed to transfer the servicing rights related to certain high-risk loans to qualified subservicers on a schedule that began with the signing of the BNY Mellon Settlement. This servicing transfer protocol will reduce the servicing fees payable to BANA in the future. Upon final court approval of the BNY Mellon Settlement, failure to meet the established benchmarking standards for loans not in subservicing arrangements can trigger the payment of agreed-upon fees. Additionally, we and Countrywide have agreed to work to resolve with the Trustee certain mortgage documentation issues related to the enforceability of mortgages in foreclosure and to reimburse the related Covered Trust for any loss if BANA is unable to foreclose on the mortgage and the Covered Trust is not made whole by a title policy because of these issues. These agreements will terminate if final court approval of the BNY Mellon Settlement is not obtained, although we could still have exposure under the pooling and servicing agreements related to the mortgages in the Covered Trusts for these issues.

In connection with the National Mortgage Settlement, BANA has agreed to implement certain additional servicing changes. The uniform servicing standards established under the National Mortgage Settlement are broadly consistent with the residential mortgage servicing practices imposed by the 2011 OCC Consent Order; however, they are more prescriptive and cover a broader range of our residential mortgage servicing activities. These standards are intended to strengthen procedural safeguards and documentation requirements associated with foreclosure, bankruptcy and loss mitigation activities, as well as addressing the imposition of fees and the integrity of documentation, with a goal of ensuring greater transparency for borrowers. These uniform servicing standards also obligate us to implement compliance processes reasonably designed to provide assurance of the achievement of these objectives. Compliance with the uniform servicing standards is being assessed by a monitor based on the measurement of outcomes with respect to these objectives. Implementation of these uniform servicing standards has contributed to elevated costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage-related Settlements – Servicing Matters on page 63 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

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Regulatory Matters

Financial Reform Act

The Financial Reform Act, which was signed into law on July 21, 2010, enacted sweeping financial regulatory reform and has altered and will continue to alter the way in which we conduct certain businesses, increase our costs and reduce our revenues. Many aspects of the Financial Reform Act remain subject to final rulemaking which will take effect over several years, making it difficult to anticipate the precise impact on the Corporation, our customers or the financial services industry.

Credit Risk Retention

On August 28, 2013, federal regulators jointly issued a re-proposal of a rule regarding credit risk retention (Credit Risk Retention Rule) that would, among other things, require sponsors to retain at least five percent of the credit risk of the assets underlying certain ABS and MBS securitizations and would limit sponsors' ability to transfer or hedge that credit risk. The proposed rule, as currently written, would likely have some adverse impacts on our ability to engage in many types of MBS and ABS securitizations and resecuritizations, impose additional operational and compliance costs, and negatively influence the value, liquidity and transferability of ABS or MBS, loans and other assets. However, it remains unclear what requirements will be included in the final rule and what the ultimate impact will be on our results of operations.

Derivatives

Pursuant to the Financial Reform Act and subsequent Commodity Futures Trading Commission (CFTC) rulemaking, we have registered BANA and certain other subsidiaries as swap dealers with the CFTC and we will need to register additional entities as swap dealers or major swap participants as a result of the CFTC's July 2013 final cross-border guidance. Upon registration, swap dealers and major swap participants become subject to certain CFTC rules, including measures regarding clearing and exchange trading of certain derivatives, new capital and margin requirements, additional reporting, external and internal business conduct, swap documentation, portfolio compression and reconciliation requirements for derivatives. Most of these requirements, with the exception of margin, capital and exchange/swap execution facility trading, have gone into effect for us, except with respect to swaps between our non-U.S. swap dealers and non-U.S. branches of BANA with certain non-U.S. counterparties. Some CFTC swap requirements began to apply to portions of our non-U.S. swap activity in October 2013. Swap dealers are now required to clear certain interest rate and index credit derivative transactions when facing all counterparty types unless either counterparty qualifies for the “end-user exception” to the clearing mandate. These products will also become subject to exchange/swap execution facility trading requirements beginning in the first quarter of 2014. The timing for margin implementation remains unknown. The Financial Reform Act and subsequent OCC rulemaking also require BANA to "push out" certain derivatives activity to one or more non-bank affiliates by July 2015.

On July 12, 2013, the CFTC provided temporary exemptive relief from application of derivatives requirements of the Financial Reform Act for certain non-U.S. derivatives activity and adopted a final cross-border framework to apply CFTC requirements outside the U.S. Europe and various G-20 jurisdictions are also enacting their own derivatives regulation, although the overall pace of non-U.S. reform is behind that of the U.S. The ultimate impact on us of the derivatives regulations and the time it will take us to comply remain uncertain. Final regulations will impose additional operational and compliance costs on us, may require us to restructure certain businesses and may negatively impact our results of operations.

Mortgage

The Consumer Financial Protection Bureau (CFPB) has promulgated several proposed and final rules that will affect our consumer businesses. Among these initiatives is a final rule implementing sections of the Financial Reform Act establishing "ability to repay" and "qualified mortgage" standards under the Truth in Lending Act (TILA). The FHA, FNMA and FHLMC have issued proposed guidance which will require additional technical and process changes to meet specific definitions of "qualified mortgage." In addition, the CFPB issued a final rule establishing mortgage loan servicing standards through amendments to the Real Estate Settlement Procedures Act (RESPA). The CFPB has also finalized rules addressing items such as remittance transfer services, appraisal requirements and loan originator compensation requirements. The CFPB expects, in the near term, to finalize the TILA and RESPA rules, which will transform the process and disclosure of information about mortgage loan terms. Additionally, several federal agencies have jointly re-proposed the "qualified residential mortgage" rule, which imposes credit risk retention requirements on lenders originating certain mortgage loans. The Corporation is evaluating the various rules and proposals and devoting substantial compliance, legal and operational business resources to facilitate compliance with these rules by their respective effective dates.

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Resolution Planning

The Federal Reserve and the FDIC require that the Corporation and other BHCs with assets of $50 billion or more, as well as companies designated as systemically important by the Financial Stability Oversight Council, submit annually their plans for a rapid and orderly resolution in the event of material financial distress or failure.

A resolution plan is intended to be a detailed roadmap for the orderly resolution of the BHC and material entities pursuant to the U.S. Bankruptcy Code and other applicable resolution regimes under one or more hypothetical scenarios assuming no extraordinary government assistance. If the Federal Reserve and the FDIC determine that our (or any other BHC's) plan is not credible and we fail to cure the deficiencies in a timely manner, the Federal Reserve and the FDIC may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations of the Corporation. We submitted our initial plan in 2012 and a subsequent plan in the third quarter of 2013. The plan is to be updated annually.

Similarly, in the U.K., the Prudential Regulation Authority (PRA) has issued proposed rules requiring the submission of significant information about certain U.K.-incorporated subsidiaries and other financial institutions, as well as branches of non-U.K. banks located in the U.K. (including information on intra-group dependencies, legal entity separation and barriers to resolution) to allow the PRA to develop resolution plans. As a result of the PRA review, we could be required to take certain actions over the next several years which could impose operational costs and potentially result in the restructuring of certain business and subsidiaries.

For more information on other significant regulatory matters, see Capital Management – Regulatory Capital on page 71, Note 11 – Commitments and Contingencies to the Consolidated Financial Statements herein, Regulatory Matters on page 64 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K, and Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K.

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Managing Risk

Overview

Risk is inherent in every material business activity that we undertake. Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risks. We must manage these risks to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings.

We take a comprehensive approach to risk management. We have a defined risk framework and articulated risk appetite which was approved on January 23, 2013 by the Corporation's Board of Directors (the Board). Risk management planning is integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities.

Enterprise-wide Stress Testing

As a part of our core risk management practices, we conduct enterprise-wide stress tests on a periodic basis to better understand balance sheet, earnings, capital and liquidity sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated. These enterprise-wide stress tests provide illustrative hypothetical potential impacts from our risk profile on our balance sheet, earnings, capital and liquidity and serve as a key component of our capital, liquidity and risk management practices. Scenarios are recommended by the Asset Liability and Market Risk Committee (ALMRC) and approved by the Chief Financial Officer and the Chief Risk Officer. Impacts to each business from each scenario are then determined and analyzed, primarily by leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our Chief Financial Officer Risk Committee, ALMRC and the Board's Enterprise Risk Committee. For a more detailed discussion of our risk management activities, see pages 66 through 121 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

Strategic Risk Management

Strategic risk is embedded in every business and is one of the major risk categories along with credit, market, liquidity, compliance, operational and reputational risks. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the macroeconomic environment, such as business cycles, competitor actions, changing customer preferences, product obsolescence, technology developments and regulatory environment. We face significant strategic risk due to the changing regulatory environment and the fast-paced development of new products and technologies in the financial services industries. Our appetite for strategic risk is assessed based on the strategic plan, with strategic risks selectively and carefully considered against the backdrop of the evolving marketplace. Strategic risk is managed in the context of our overall financial condition, risk appetite and stress results, among other considerations. The Chief Executive Officer and executive management team manage and act on significant strategic actions, such as material acquisitions or capital actions subsequent to required review and approval by the Board.

For more information on our Strategic Risk Management activities, see page 70 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

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Capital Management

The Corporation manages its capital position to maintain sufficient capital to support its business activities and maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain safety and soundness at all times including under adverse conditions, take advantage of organic growth opportunities, 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.

To determine the appropriate level of capital, we assess the results of our Internal Capital Adequacy Assessment Process (ICAAP), the current economic and market environment, and feedback from key stakeholders including investors, rating agencies and regulators. Based upon this analysis, we set goals for capital ratios to maintain an adequate capital position, including in severe adverse economic scenarios.

The ICAAP incorporates capital forecasts, stress test results, economic capital (which is a component of allocated capital), qualitative risk assessments and consideration of regulatory changes. Throughout the year, we generate regulatory capital and economic capital forecasts that are aligned to the most recent earnings, balance sheet and risk forecasts. We utilize quarterly stress tests to assess the potential impacts to our balance sheet, earnings, capital and liquidity under a variety of stress scenarios. We perform qualitative risk assessments to identify and assess material risks not fully captured in the forecasts, stress tests or economic capital. We regularly assess the capital impacts of proposed changes to regulatory capital requirements. Management regularly assesses ICAAP results and provides documented quarterly assessments of the adequacy of the capital guidelines and capital position to the Board or its committees.

Capital management is integrated into our risk and governance processes, as capital is a key consideration in the development of the strategic plan, risk appetite and risk limits. Effective January 1, 2013, on a prospective basis, we adjusted the amount of capital being allocated to our business segments. The adjustment reflects a refinement to the prior-year methodology (economic capital) which focused solely on internal risk-based economic capital models. The refined methodology (allocated capital) now also considers the effect of regulatory capital requirements in addition to internal risk-based economic 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 and Strategic Risk Management on page 70. The capital allocated to the business segments is currently referred to as allocated capital and, prior to January 1, 2013, was referred to as economic capital, both of which represent non-GAAP financial measures. Allocated capital in the business segments is subject to change over time. For more information on the refined methodology, see Business Segment Operations on page 30.

Regulatory Capital

As a financial services holding company, we are subject to the general risk-based capital rules issued by federal banking regulators which was Basel 1 through December 31, 2012. On January 1, 2013, Basel 1 was amended prospectively, introducing changes to the measurement of risk-weighted assets for exposures subject to market risk (Market Risk Final Rule) and is referred to herein as the Basel 1 – 2013 Rules. Under these rules, the Corporation and its affiliated banking entities, BANA and FIA, measure capital adequacy based on Tier 1 common, Tier 1 and Total capital (Tier 1 plus Tier 2 capital). Capital ratios are calculated by dividing each capital amount by risk-weighted assets. Additionally, Tier 1 capital is divided by adjusted quarterly average total assets to derive the Tier 1 leverage ratio. For more information on the Market Risk Final Rule, see Capital Management – Regulatory Capital Changes on page 74.

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. The CCAR is the central element to the Federal Reserve's approach to ensuring that large BHCs have adequate capital and robust processes for managing their capital. In January 2013, we submitted our 2013 capital plan, and received results on March 14, 2013. The Federal Reserve's stress scenario projections for the Corporation, based on the 2013 capital plan, estimated a Basel 1 – 2013 minimum Tier 1 common capital ratio of 6.0 percent under severe adverse economic conditions with all proposed capital actions through the end of 2014, exceeding the five percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation included a request to repurchase up to $5.0 billion of common stock and redeem $5.5 billion in preferred stock over four quarters beginning in the second quarter of 2013, and continue the quarterly common stock dividend at $0.01 per share. As of September 30, 2013, in connection with the CCAR capital plan, we have repurchased and retired 139.6 million common shares for an aggregate purchase price of approximately $1.9 billion and we redeemed $5.5 billion of preferred stock consisting of Series H and 8.

The timing and amount of common stock repurchases have been and will continue to be consistent with the Corporation's 2013 capital plan and will be subject to various factors, including the Corporation's capital position, liquidity, applicable legal considerations, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The remaining 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.

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For additional information, see Capital Management – Regulatory Capital on page 70 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K and Note 17 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Capital Composition and Ratios

Tier 1 common capital under the Basel 1 – 2013 Rules was $142.8 billion at September 30, 2013, an increase of $9.4 billion compared to $133.4 billion under Basel 1 at December 31, 2012. The increase was due to earnings eligible to be included in capital, partially offset by the impact of the common stock repurchases. For comparative purposes, we have also provided pro-forma Tier 1 common capital and the related ratio as of December 31, 2012 as if the Basel 1 – 2013 Rules had been in effect at that time. At December 31, 2012, the pro-forma Tier 1 common capital of $133.4 billion was unchanged and the difference between the pro-forma Tier 1 common capital ratio of 10.38 percent compared to 11.06 percent on an as-reported basis was the result of additional risk-weighted assets of $78.8 billion as measured under the Basel 1 – 2013 Rules. At September 30, 2013, the Tier 1 common capital ratio was 11.08 percent, a 70 bps increase from the pro-forma Tier 1 common capital ratio of 10.38 percent at December 31, 2012 driven by the increase in Tier 1 common capital, partially offset by a modest increase in risk-weighted assets. During the nine months ended September 30, 2013, total capital increased $1.3 billion primarily driven by the increase in Tier 1 common capital and the portion of the allowance for loan and lease losses eligible to be included in capital, partially offset by decreases in qualifying preferred stock, term subordinated debt and qualifying trust preferred securities (Trust Securities). For additional information, see Tables 16 and 18.

Table 16 presents Bank of America Corporation's capital ratios and related information in accordance with the Basel 1 – 2013 Rules as measured at September 30, 2013 and Basel 1 at December 31, 2012.

Table 16
Bank of America Corporation Regulatory Capital – Actual and Pro-Forma

	September 30, 2013				December 31, 2012			
(Dollars in millions)	Ratio		Amount	Minimum Required [1]	Ratio		Amount	Minimum Required [1]
Tier 1 common capital	11.08	%	$142,825	n/a	11.06	%	$ 133,403	n/a
Tier 1 common capital (pro-forma) [2]	n/a		n/a	n/a	10.38		133,403	n/a
Tier 1 capital	12.33		159,008	$77,367	12.89		155,461	$ 72,359
Total capital	15.36		198,001	128,944	16.31		196,680	120,598
Tier 1 leverage	7.79		159,008	81,631	7.37		155,461	84,429

	September 30 2013	December 31 2012
Risk-weighted assets (in billions)	$ 1,289	$ 1,206
Adjusted quarterly average total assets (in billions) [3]	2,041	2,111

(1) Dollar amount required to meet guidelines to be considered well-capitalized.
(2) Pro-forma Tier 1 common capital ratio at December 31, 2012 includes the estimated impact of the Basel 1 – 2013 Rules. Represents a non-GAAP financial measure. On a pro-forma basis, risk-weighted assets would have been approximately $1,285 billion with the inclusion of $78.8 billion in pro-forma risk-weighted assets.
(3) Reflects adjusted average total assets for the three months ended September 30, 2013 and December 31, 2012.
n/a = not applicable

At September 30, 2013, in order to increase or decrease our Tier 1 common, Tier 1 or Total capital ratios by one bp, we would need an additional $129 million of Tier 1 common, Tier 1 or Total capital. We could also increase our Tier 1 common, Tier 1 or Total capital ratios by one bp on such date by a reduction in risk-weighted assets of $1.2 billion, $1.0 billion or $839 million, respectively. To increase our Tier 1 leverage ratio by one bp on such date, we would need $204 million of additional Tier 1 capital or a reduction of $2.6 billion in adjusted average assets.

Risk-weighted assets increased $83.5 billion during the nine months ended September 30, 2013 to $1,289 billion. This increase adversely impacted Tier 1 common, Tier 1 and Total capital ratios by 74 bps, 84 bps and 106 bps, respectively. The increase was primarily due to the net impact of the Basel 1 – 2013 Rules which added approximately $87 billion in risk-weighted assets and reduced the Tier 1 common capital ratio by approximately 77 bps. The Tier 1 leverage ratio increased 42 bps during the nine months ended September 30, 2013 primarily driven by a reduction in adjusted quarterly average total assets and the increase in Tier 1 capital.

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Table 17 presents Bank of America Corporation's risk-weighted assets activity for the nine months ended September 30, 2013.

Table 17
Risk-weighted Assets Activity

(Dollars in billions)	Nine Months Ended September 30, 2013
Risk-weighted assets, January 1	$1,206
Changes to risk-weighted assets	
Increase related to Comprehensive Risk Measure [1]	22
Increase related to Incremental Risk Charge [1]	7
Increase related to market risk regulatory VaR	21
Standard specific risk [2]	28
Increase due to items no longer eligible to be included in market risk	9
Increases related to implementation of Basel 1 – 2013 Rules	87
Decrease related to trading and banking book exposures	(10)
Other changes	6
Total risk-weighted assets, September 30	$1,289

(1) For additional information, see Capital Management – Regulatory Capital Changes on page 74.
(2) A measure of the risk of loss on a position that could result from factors other than broad market movements.

Table 18 presents capital composition in accordance with the Basel 1 – 2013 Rules as measured at September 30, 2013 and Basel 1 at December 31, 2012.

Table 18
Capital Composition

(Dollars in millions)	September 30 2013	December 31 2012
Total common shareholders' equity	$ 218,967	$ 218,188
Goodwill	(69,891)	(69,976)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	(4,441)	(4,994)
Net unrealized (gains) losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	3,369	(2,036)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	2,943	4,456
Fair value adjustments related to structured liabilities [1]	4,227	4,084
Disallowed deferred tax asset	(13,939)	(17,940)
Other	1,590	1,621
Total Tier 1 common capital	142,825	133,403
Qualifying preferred stock	10,397	15,851
Trust preferred securities	5,786	6,207
Total Tier 1 capital	159,008	155,461
Long-term debt qualifying as Tier 2 capital	21,417	24,287
Allowance for loan and lease losses	19,432	24,179
Reserve for unfunded lending commitments	480	513
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	(3,709)	(9,459)
45 percent of the pre-tax net unrealized gains (losses) on AFS marketable equity securities	(2)	329

Other	1,375	1,370
Total capital	$ 198,001	$ 196,680

(1) Represents loss on structured liabilities, net-of-tax, that is excluded from Tier 1 common capital, Tier 1 capital and Total capital for regulatory capital purposes.

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Regulatory Capital Changes

Market Risk Final Rule

At September 30, 2013, we measured and reported our capital ratios and related information in accordance with the Basel 1 – 2013 Rules, which introduced new measures of market risk including a charge related to stressed Value-at-Risk (VaR), an incremental risk charge and the comprehensive risk measure (CRM), as well as other technical modifications, all of which were effective January 1, 2013. The CRM is used to determine the risk-weighted assets for correlation trading positions. With approval from U.S. banking regulators, but not sooner than one year following compliance with the Market Risk Final Rule, we may remove a surcharge applicable to the CRM. This benefit is not yet included in our reported results. The implementation of the Basel 1 – 2013 Rules was the primary driver of the changes in total risk-weighted assets, and the Tier 1, Tier 1 common and Total capital ratios from December 31, 2012. We manage regulatory capital to adhere to internal capital guidelines and regulatory standards of capital adequacy based on our current understanding of the rules and the application of such rules to our business as currently conducted.

Basel 3 Regulatory Capital Rules

In July 2013, U.S. banking regulators approved the final Basel 3 Regulatory Capital rules (Basel 3) which will be effective January 1, 2014. Various aspects of Basel 3 will be subject to multi-year transition periods ending December 31, 2018 and Basel 3 generally continues to be subject to interpretation by the U.S. banking regulators. Basel 3 will materially change our Tier 1 common, Tier 1 and Total capital calculations. Basel 3 introduces new minimum capital ratios and buffer requirements, proposes a supplementary leverage ratio, changes the composition of regulatory capital, revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework, expands and modifies the calculation of risk-weighted assets for credit and market risk (the Advanced Approach), and introduces a Standardized Approach for the calculation of risk-weighted assets. This will replace the Basel 1 – 2013 Rules effective January 1, 2015. For more information on the Standardized Approach, see page 75.

Under Basel 3, we will be required to calculate regulatory capital ratios and risk-weighted assets under both the Standardized Approach and, upon formal notification of approval by U.S. banking regulators anytime on or after January 1, 2014, the Advanced Approach. From January 1, 2014 through December 31, 2014, the Standardized Approach measures risk-weighted assets under the Basel 1 – 2013 Rules and uses Basel 3 capital in the determination of the Basel 3 Standardized Approach capital ratios. For more information on the Standardized Approach, see Table 19 and page 75. The approach that yields the lower ratio is to be used to assess capital adequacy including under the Prompt Corrective Action framework. Prior to receipt of formal notification of approval, we are required to assess our capital adequacy under the Standardized Approach only. The Prompt Corrective Action framework establishes categories of capitalization, including “well capitalized,” based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for “well-capitalized” banking entities. While we continue to evaluate the impact of both the Standardized and Advanced Approaches, we generally expect that initially the Standardized Approach will yield the lower ratios.

In 2011, the Basel Committee issued proposed guidance on capital requirements for global systemically important financial institutions, including the methodology for measuring systemic importance, the additional capital required (the SIFI buffer), and the arrangements by which the guidance will be phased in (the 2011 G-SIFI Proposal). Under this proposal, the SIFI buffer would increase minimum capital requirements for Tier 1 common capital from one percent to 2.5 percent, and in certain circumstances, 3.5 percent. As of September 30, 2013, we estimate our SIFI buffer would be 1.5 percent, in line with the Financial Stability Board’s report, “Update of Group of Global Systemically Important Banks,” issued on November 1, 2012 and based on the 2011 G-SIFI Proposal. Subsequently, in

July 2013, the Basel Committee issued a new proposal that updates and replaces the 2011 G-SIFI Proposal. This new proposal modifies and recalibrates the assessment methodology and introduces public disclosure requirements. U.S. banking regulators have not yet issued proposed or final rules related to the SIFI buffer or disclosure requirements.

Regulatory Capital Adjustments and Deductions

Important differences in determining the composition of regulatory capital between Basel 1 – 2013 Rules and Basel 3 include changes in capital deductions related to our MSRs, deferred tax assets and defined benefit pension assets, and the inclusion of unrealized gains and losses on AFS debt and certain marketable equity securities recorded in accumulated OCI, each of which will be impacted by future changes in interest rates, overall earnings performance or other corporate actions.

Changes to the composition of regulatory capital under Basel 3, such as recognizing the impact of unrealized gains or losses on AFS debt securities on Tier 1 common capital, are subject to a transition period where the impact is recognized in 20 percent annual increments. The transition period for these regulatory capital adjustments and deductions extends from the effective date through December 31, 2017. The phase-in period for the new minimum capital ratio requirements and related buffers under Basel 3 will occur from January 1, 2014 through December 31, 2018. When presented on a fully phased-in basis, the capital ratio, capital and risk-weighted assets assume all

regulatory capital adjustments and deductions are fully recognized. Table 19 summarizes how certain regulatory capital deductions and adjustments will be transitioned from 2014 through 2018 for Tier 1 common and Tier 1 capital.

Table 19
Summary of Basel 3 Regulatory Capital Transition Provisions

Beginning on January 1 of each year	2014	2015	2016	2017	2018
Tier 1 common capital					
Percent of total amount deducted from Tier 1 common capital includes:	20%	40%	60%	80%	100%
Deferred tax assets arising from net operating loss and tax credit carryforwards; intangibles, other than mortgage servicing rights and goodwill; defined benefit pension fund net assets; net gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value; direct and indirect investments in own Tier 1 common capital instruments; amount exceeding 10 percent and 15 percent thresholds					
Percent of total amount used to adjust Tier 1 common capital includes [1]:	80%	60%	40%	20%	0%
Net unrealized gains (losses) on AFS debt and certain marketable equity securities recorded in accumulated OCI; employee benefit plan adjustments recorded in accumulated OCI					
Tier 1 capital					
Percent of total amount deducted from Tier 1 capital includes:	80%	60%	40%	20%	0%
Deferred tax assets arising from net operating loss and tax credit carryforwards; defined benefit pension fund net assets; net gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value					

(1) Represents the phase-out percentage of the exclusion by year.

In addition, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring that Trust Securities be: (1) partially transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016; and (2) partially transitioned and excluded from Tier 2 capital beginning in 2016. The exclusion from Tier 2 capital starts at 40 percent on January 1, 2016, increasing 10 percent each year until the full amount of Trust Securities is excluded from Tier 2 capital beginning on January 1, 2022. Our previously issued and outstanding Trust Securities in the aggregate qualifying amount of $5.8 billion (approximately 45 bps of Tier 1 capital) at September 30, 2013 will no longer qualify as Tier 1 capital or Tier 2 capital beginning in 2016.

Standardized Approach

The Basel 3 Standardized Approach measures risk-weighted assets primarily for market risk and credit risk exposures. Exposures subject to market risk, as defined under the rules, are measured on the same basis as the Market Risk Final Rule, described previously. Credit risk exposures are measured by applying fixed risk weights to the exposure, determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development (OECD) country risk code and maturity, among others. Under the Standardized Approach, no distinction is made for variations in credit quality for corporate exposures, and the economic benefit of collateral is restricted to a limited list of eligible securities and cash. Some key differences between the Standardized and Advanced Approaches are that the Advanced Approach includes a measure of operational risk and a credit valuation adjustment (CVA) capital charge in credit risk and relies on internal analytical models to measure credit risk-weighted assets, as more fully described below. Under the Basel 3 Standardized Approach, we estimate our Tier 1 common capital ratio, on a fully phased-in basis, to be just above nine percent at September 30, 2013.

Advanced Approach

Under the Basel 3 Advanced Approach, risk-weighted assets are determined primarily for market risk, credit risk and operational risk. Market risk capital measurements are consistent with the Standardized Approach, except for securitization exposures, where the Supervisory Formula Approach is also permitted, and certain differences arising

from the inclusion of the CVA capital charge in the credit risk capital measurement. Credit risk exposures are measured using advanced internal ratings-based models to determine the applicable risk weight by estimating the probability of default, loss-given default (LGD) and, in certain instances, exposure at default (EAD). The analytical models primarily rely on internal historical default and loss experience. Operational risk is measured using advanced internal models which rely on both internal and external operational loss experience and data. The Basel 3 Advanced Approach requires approval by the U.S. regulatory agencies of our internal analytical models used to calculate risk-weighted assets. If these models are not approved, it would likely lead to an increase in our risk-weighted assets, which in some cases could be significant.

Prior to calculating and assessing capital adequacy and reporting regulatory capital ratios using Basel 3 Advanced Approach risk-weighted assets, we must receive formal notification of approval to do so from the U.S banking regulators. Under the Basel 3 Advanced Approach, we estimated our Tier 1 common capital ratio, on a fully phased-in basis, to be 9.94 percent at September 30, 2013. As of September 30, 2013, we estimated that our Tier 1 common capital would be $131.8 billion and total risk-weighted assets would be $1,327 billion, on a fully phased-in basis. This assumes approval by U.S. banking regulators of our internal analytical models, but does not

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include the benefit of the removal of the surcharge applicable to the CRM. The calculations under Basel 3 require management to make estimates, assumptions and interpretations, including the probability of future events based on historical experience. Realized results could differ from those estimates and assumptions.

Basel 3 regulatory capital metrics are considered non-GAAP financial measures until January 1, 2014 when they are fully adopted and required by U.S. banking regulators. Table 20 presents a reconciliation of our Tier 1 common capital and risk-weighted assets in accordance with the Basel 1 – 2013 Rules to our Basel 3 fully phased-in estimates at September 30, 2013 and Basel 1 to Basel 3 fully phased-in estimates at December 31, 2012. Our estimates under the Basel 3 Advanced Approach may be refined over time as a result of further rulemaking or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve.

Table 20
Basel 1 to Basel 3 (fully phased-in) Reconciliation [1]

(Dollars in millions)	September 30 2013	December 31 2012
Regulatory capital – Basel 1 to Basel 3 (fully phased-in)		
Basel 1 Tier 1 capital	$159,008	$155,461
Deduction of qualifying preferred stock and trust preferred securities	(16,183)	(22,058)
Basel 1 Tier 1 common capital	142,825	133,403
Deduction of defined benefit pension assets	(935)	(737)
Deferred tax assets and threshold deductions (deferred tax asset temporary differences, MSRs and significant investments)	(4,758)	(3,020)
Other deductions, net	(5,319)	(1,020)
Basel 3 Advanced Approach (fully phased-in) Tier 1 common capital	$131,813	$128,626
Risk-weighted assets – Basel 1 to Basel 3 (fully phased-in)		
Basel 1 risk-weighted assets	$1,289,444	$1,205,976
Credit and other risk-weighted assets	37,140	103,085
Increase due to Market Risk Final Rule [2]	—	81,811
Basel 3 Advanced Approach (fully phased-in) risk-weighted assets	$1,326,584	$1,390,872
Tier 1 common capital ratios		
Basel 1	11.08 %	11.06 %
Basel 3 Advanced Approach (fully phased-in)	9.94	9.25

(1) Includes the Market Risk Final Rule at September 30, 2013. Basel 1 did not include the Market Risk Final Rule at December 31, 2012.

(2) Excludes the benefit of certain hedges at December 31, 2012. Including these hedges, the increase due to the Market Risk Final Rule would have been $78.8 billion. For additional information, see Capital Management – Capital Composition and Ratios on page 72.

In Table 20, the other deductions, net at September 30, 2013 of $5.3 billion included net unrealized losses in accumulated OCI on AFS debt and marketable equity securities and employee benefit plans. The change of $4.3 billion in other deductions, net from December 31, 2012 to September 30, 2013 was primarily driven by net unrealized losses in accumulated OCI on AFS debt securities, partially offset by net unrealized gains in accumulated OCI on employee benefit plans. We merged certain pension plans into the Bank of America Pension Plan during the third quarter of 2013, which required a remeasurement of the qualified pension obligations and plan assets at fair value as of the merger date. The remeasurement, which was accelerated from the required December 31 remeasurement, resulted in an increase in accumulated OCI of $1.4 billion which benefited our Tier 1 common capital under Basel 3. For more information on the plan merger, see Note 15 – Pension, Postretirement and Certain

Compensation Plans to the Consolidated Financial Statements.

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Supplementary Leverage Ratio

Basel 3 also will require us to calculate a supplementary leverage ratio, determined by dividing Tier 1 capital by total leverage exposure for each month-end during the quarter, and then calculating the simple average for the quarter. Total leverage exposure is comprised of all on-balance sheet assets, plus a measure of certain off-balance sheet exposures, including, among others, lending commitments, letters of credit, over-the-counter (OTC) derivatives, repo-style transactions and margin loans. The minimum supplementary leverage ratio requirement of three percent is not effective until January 1, 2018. We will be required to disclose our supplementary leverage ratio effective January 1, 2015.

In July 2013, U.S. banking regulators issued a NPR to modify the supplementary leverage ratio minimum requirements under Basel 3 effective in 2018. This proposal would only be applicable to BHCs with more than $700 billion in total assets or more than $10 trillion in total assets under custody. If adopted, it would require the Corporation to maintain a minimum supplementary leverage ratio of three percent, plus a supplementary leverage buffer of two percent, for a total of five percent. If the Corporation's supplementary leverage buffer is not greater than or equal to two percent, then the Corporation would be subject to mandatory limits on its ability to make distributions of capital to shareholders, whether through dividends, stock repurchases or otherwise. In addition, the insured depository institutions of such BHCs, which for the Corporation would include primarily BANA and FIA, would be required to maintain a minimum six percent leverage ratio to be considered "well capitalized." As of September 30, 2013, we estimate the Corporation's supplementary leverage ratio to be in excess of five percent based on these proposed requirements, and our primary bank subsidiaries, BANA and FIA, to be in excess of the six percent minimum proposed requirement. The proposal is not yet final and, when finalized, could have provisions significantly different from those currently proposed. The provisions of the NPR on the supplementary leverage ratio, if finalized as currently proposed, could have an impact on certain of our businesses. We continue to evaluate the impact of the proposed NPR on us.

In June 2013, the Basel Committee issued a consultative document proposing changes to the method of calculating total leverage exposure. Under this proposal the total leverage exposure would increase, primarily due to the inclusion of repo-style transactions, OTC and centrally-cleared derivatives on a gross basis and a change to measure written credit derivative exposure using a notional-based approach with only limited netting permitted. U.S. banking regulators are not expected to issue any proposed rulemaking until after the Basel Committee issues a final rule.

Additional Proposals

On December 20, 2011, the Federal Reserve issued proposed rules to implement enhanced supervisory and prudential requirements, and the early remediation requirements established under the Financial Reform Act. The enhanced standards include liquidity standards, requirements for overall risk management, single-counterparty credit limits, stress test requirements and a debt-to-equity limit for certain companies determined to pose a threat to financial stability. The final rules, when adopted and fully implemented, are likely to influence our regulatory capital and liquidity planning process, and may impose additional operational and compliance costs on us.

For more information regarding Basel 3 and other proposed regulatory capital changes, see Note 17 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

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Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

Table 21 presents regulatory capital information for BANA and FIA at September 30, 2013 and December 31, 2012.

Table 21
Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital [1]

	September 30, 2013			December 31, 2012		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required [2]	Ratio	Amount	Minimum Required [2]
Tier 1 capital						
Bank of America, N.A.	12.42 %	$125,825	$60,796	12.44 %	$118,431	$57,099
FIA Card Services, N.A.	15.71	18,711	7,146	17.34	22,061	7,632
Total capital						
Bank of America, N.A.	13.97	141,568	101,327	14.76	140,434	95,165
FIA Card Services, N.A.	17.00	20,248	11,910	18.64	23,707	12,719
Tier 1 leverage						
Bank of America, N.A.	9.25	125,825	68,050	8.59	118,431	68,957
FIA Card Services, N.A.	11.83	18,711	7,908	13.67	22,061	8,067

(1) BANA regulatory capital information included the Basel 1 – 2013 Rules at September 30, 2013. At December 31, 2012, BANA regulatory capital information did not include the Basel 1 – 2013 Rules. FIA is not impacted by the Basel 1 – 2013 Rules.

(2) Dollar amount required to meet guidelines for well-capitalized institutions.

BANA's Tier 1 capital ratio decreased two bps to 12.42 percent and the Total capital ratio decreased 79 bps to 13.97 percent at September 30, 2013 compared to December 31, 2012. The Tier 1 leverage ratio increased 66 bps to 9.25 percent at September 30, 2013 compared to December 31, 2012. The decrease in the Tier 1 capital ratio was driven by an increase in risk-weighted assets of $61.6 billion compared to December 31, 2012, returns of capital and dividends paid to the Corporation of $2.0 billion and $7.2 billion for the three and nine months ended September 30, 2013, partially offset by earnings eligible to be included in capital of $3.9 billion and $12.9 billion. The decrease in the Total capital ratio was driven by the same factors as discussed for the Tier 1 capital ratio as well as a $2.0 billion and $6.9 billion decrease in qualifying subordinated debt for the three and nine months ended September 30, 2013. The increase in the Tier 1 leverage ratio was driven by an increase in Tier 1 capital and a decrease in adjusted quarterly average total assets of $18.2 billion. The increase in risk-weighted assets was primarily due to the impact of implementing the Basel 1 – 2013 Rules and an increase in loans.

FIA's Tier 1 capital ratio decreased 163 bps to 15.71 percent and the Total capital ratio decreased 164 bps to 17.00 percent at September 30, 2013 compared to December 31, 2012. The Tier 1 leverage ratio decreased 184 bps to 11.83 percent at September 30, 2013 compared to December 31, 2012. The decrease in the Tier 1 capital and Total capital ratios was driven by returns of capital of $2.6 billion and $6.5 billion to the Corporation, partially offset by earnings eligible to be included in capital of $1.1 billion and $3.0 billion for the three and nine months ended September 30, 2013 and a decrease in risk-weighted assets of $8.1 billion compared to December 31, 2012, primarily due to a decrease in loans. The decrease in the Tier 1 leverage ratio was driven by the decrease in Tier 1 capital, partially offset by a decrease in adjusted quarterly average total assets of $3.2 billion. FIA was not impacted by the implementation of the Basel 1 – 2013 Rules.

Broker/Dealer Regulatory Capital

The Corporation's principal U.S. broker/dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith (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 Securities and Exchange Commission (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, 2013, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $12.0 billion and exceeded the minimum requirement of $901 million by $11.1 billion. MLPCC's net capital of $1.9 billion exceeded the minimum requirement of $328 million by $1.6 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 SEC in the event its tentative net capital is less than $5.0 billion. At September 30, 2013, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

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Common and Preferred Stock Dividends

For a summary of our declared quarterly cash dividends on common stock during the third quarter of 2013 and through October 30, 2013, see Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

Table 22 is a summary of our cash dividend declarations on preferred stock during the third quarter of 2013 and through October 30, 2013. During the third quarter of 2013, preferred dividends were $279 million, including $255 million in dividends declared during the third quarter plus approximately $24 million, representing the difference between the redemption price at par and the carrying value of securities redeemed in the third quarter. For more information on preferred stock, see Note 14 – Shareholders' Equity to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Table 22
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 24, 2013	October 11, 2013	October 25, 2013	7.00	%	$1.75
		October 24, 2013	January 10, 2014	January 24, 2014	7.00		1.75
Series D [2]	$ 654	July 2, 2013	August 30, 2013	September 16, 2013	6.204	%	$0.38775
		October 15, 2013	November 29, 2013	December 16, 2013	6.204		0.38775
Series E [2]	$ 317	July 2, 2013	July 31, 2013	August 15, 2013	Floating		$0.25556
		October 15, 2013	October 31, 2013	November 15, 2013	Floating		0.25556
Series F	$ 141	July 2, 2013	August 30, 2013	September 16, 2013	Floating		$1,022.2222
		October 15, 2013	November 29, 2013	December 16, 2013	Floating		1,011.1111
Series G	$ 493	July 2, 2013	August 30, 2013	September 16, 2013	Adjustable		$1,022.2222
		October 15, 2013	November 29, 2013	December 16, 2013	Adjustable		1,011.1111
Series I [2]	$ 365	July 2, 2013	September 15, 2013	October 1, 2013	6.625	%	$0.4140625
		October 15, 2013	December 15, 2013	January 2, 2014	6.625		0.4140625
Series J [2, 3]	$ 951	July 2, 2013	July 15, 2013	August 1, 2013	7.25	%	$0.453125
Series K [4, 5]	$ 1,544	July 2, 2013	July 15, 2013	July 30, 2013	Fixed-to-floating		$40.00
Series L	$ 3,080	September 16, 2013	October 1, 2013	October 30, 2013	7.25	%	$18.125
Series M [4, 5]	$ 1,310	October 15, 2013	October 31, 2013	November 15, 2013	Fixed-to-floating		$40.62500
Series T [1]	$ 5,000				6.00	%	$1,500.00

		September 16, 2013	September 25, 2013	October 10, 2013		
Series U	$ 1,000	October 15, 2013	November 15, 2013	December 2, 2013	Fixed-to-floating	$26.00

(1) Dividends are cumulative.

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

(3) This series was redeemed on August 1, 2013.

(4) Initially pays dividends semi-annually.

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

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Table 22
Preferred Stock Cash Dividend Summary (continued)

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate		Dividend Per Share
Series 1 [6]	$ 98	July 2, 2013	August 15, 2013	August 28, 2013	Floating		$0.18750
		October 15, 2013	November 15, 2013	November 29, 2013	Floating		0.18750
Series 2 [6]	$ 299	July 2, 2013	August 15, 2013	August 28, 2013	Floating		$0.19167
		October 15, 2013	November 15, 2013	November 29, 2013	Floating		0.19167
Series 3 [6]	$ 653	July 2, 2013	August 15, 2013	August 28, 2013	6.375	%	$0.3984375
		October 15, 2013	November 15, 2013	November 29, 2013	6.375		0.39844
Series 4 [6]	$ 210	July 2, 2013	August 15, 2013	August 28, 2013	Floating		$0.25556
		October 15, 2013	November 15, 2013	November 29, 2013	Floating		0.25556
Series 5 [6]	$ 422	July 2, 2013	August 1, 2013	August 21, 2013	Floating		$0.25556
		October 15, 2013	November 1, 2013	November 21, 2013	Floating		0.25556

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

Liquidity Risk

Funding and Liquidity Risk Management

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity objective is to provide adequate funding for our businesses throughout market cycles, including periods of financial stress. To achieve that objective, we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our funding requirements as those obligations arise.

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management 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 on page 75 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, or the parent company and selected subsidiaries in the form of cash and high-quality, liquid, unencumbered securities. These assets, which we call our Global Excess Liquidity Sources, serve as our primary means of liquidity risk mitigation. Our cash is primarily on deposit with the Federal Reserve and 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 market conditions, through repurchase agreements or outright sales. We hold our Global Excess Liquidity Sources in 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.

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Our Global Excess Liquidity Sources were $359 billion and $372 billion at September 30, 2013 and December 31, 2012 and were maintained as presented in Table 23.

Table 23
Global Excess Liquidity Sources

(Dollars in billions)	September 30 2013	December 31 2012	Average for Three Months Ended September 30, 2013
Parent company	$ 95	$ 103	$90
Bank subsidiaries	236	247	236
Broker/dealers	28	22	28
Total global excess liquidity sources	$ 359	$ 372	$354

Beginning in third quarter of 2013, certain amounts required to collateralize affiliate transactions with our U.S. banks were excluded from parent company liquidity and included in bank liquidity. This change did not have an impact on the Corporation's total Global Excess Liquidity Sources or Time to Required Funding. For further details on Time to Required Funding, see page 82. As shown in Table 23, parent company Global Excess Liquidity Sources totaled $95 billion and $103 billion at September 30, 2013 and December 31, 2012. The decrease in parent company liquidity was primarily due to debt maturities and capital actions, partially offset by capital repayments from subsidiaries and debt issuances. Typically, parent company cash is deposited overnight with BANA.

Global Excess Liquidity Sources available to our bank subsidiaries totaled $236 billion and $247 billion at September 30, 2013 and December 31, 2012. The decrease in bank subsidiaries' liquidity was primarily due to loan growth and a decrease in the fair value of debt securities, partially offset by an increase in short-term borrowings and deposit growth. Liquidity amounts are distinct from the cash deposited by the parent company. In addition to their Global Excess Liquidity Sources, our bank subsidiaries hold other unencumbered investment-grade securities that we believe could also be used to generate liquidity. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $212 billion and $194 billion at September 30, 2013 and December 31, 2012. 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 by guidelines outlined by 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 only be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

Global Excess Liquidity Sources available to our broker/dealer subsidiaries totaled $28 billion and $22 billion at September 30, 2013 and December 31, 2012. Our broker/dealers also held other unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in a broker/dealer subsidiary is available to meet the obligations of that entity and can only be transferred to the parent company or to any other subsidiary with prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 24 presents the composition of Global Excess Liquidity Sources at September 30, 2013 and December 31, 2012.

Table 24
Global Excess Liquidity Sources Composition
(Dollars in billions)

	September 30 2013	December 31 2012
Cash on deposit	$ 76	$ 65
U.S. Treasuries	10	21
U.S. agency securities and mortgage-backed securities	255	271
Non-U.S. government and supranational securities	18	15
Total global excess liquidity sources	$ 359	$ 372

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Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is "Time to Required Funding." This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess 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 or Merrill Lynch. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our Time to Required Funding was 35 months at September 30, 2013, which is above the Corporation's target minimum of 21 months. For purposes of calculating Time to Required Funding, at September 30, 2013, we have included in the amount of unsecured contractual obligations the $8.6 billion liability related to the BNY Mellon Settlement. The BNY Mellon Settlement is subject to final court approval and certain other conditions, and the timing of payment is not certain. The merger of Merrill Lynch & Co., Inc. into Bank of America Corporation on October 1, 2013 had no impact on the unsecured contractual obligations included in this metric.

We utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. These models are risk sensitive and have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the Time to Required Funding analysis. 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 are based on historical experience, 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, including Variable Rate Demand Notes; 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

The Basel Committee has issued two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the LCR and the NSFR. The LCR is calculated as the amount of a financial institution's unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under a 30-day period of significant liquidity stress, expressed as a percentage. The Basel Committee's liquidity risk-related standards do not directly apply to U.S. financial institutions currently, and would only apply once U.S. rules are finalized by the U.S. banking regulators.

On October 24, 2013, the U.S. banking regulators jointly proposed regulations that would implement LCR requirements for the largest U.S. financial institutions on a consolidated basis and for their subsidiary depository institutions with total assets greater than $10 billion. Under the proposal, an initial minimum LCR requirement of 80 percent would be required in January 2015, and would thereafter increase in 10 percentage point increments annually through January 2017. These minimum requirements would be applicable to the Corporation on a consolidated basis and at our insured depository institutions, including BANA, FIA and Bank of America California, N.A. We are currently evaluating the proposal and its potential impact on our businesses; however, we expect to meet or exceed the final LCR requirement within the regulatory timelines.

The NSFR measures the amount of a financial institution’s longer-term, stable sources of funding relative to the liquidity profiles of the assets funded, as well as the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations over a one-year period. The Basel Committee is currently reviewing the NSFR requirement and announced that it intends to implement the requirement by January 2018, following an observation period that is currently underway. We continue to monitor the development and the potential impact of the NSFR. Assuming adoption by U.S. banking regulators, we expect to meet the final NSFR requirement within the regulatory timelines.

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Diversified Funding Sources

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

The primary benefits expected from our centralized funding strategy 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.

We fund a substantial portion of our lending activities through our deposits, which were $1.11 trillion at both September 30, 2013 and December 31, 2012. Deposits are primarily generated by our CBB, 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 securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

Our trading activities in broker/dealer subsidiaries 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.

We issue the majority of our long-term unsecured debt at the parent company. During the three and nine months ended September 30, 2013, we issued $6.4 billion and $22.5 billion of long-term unsecured debt, including structured liabilities of $2.5 billion and $5.7 billion. We may also issue long-term unsecured debt through BANA in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile, although there were no new issuances through BANA during the nine months ended September 30, 2013. 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.

On October 17, 2013, we announced a $4.0 billion cash tender offer for certain senior notes maturing in 2014. As of the October 30, 2013 early tender deadline, more than $4.0 billion in senior notes had been tendered. In addition, we issued $2.5 billion of 2.6% notes due January 2019 and $500 million of floating-rate notes due January 2019. During the three months ended September 30, 2013, we paid $5.0 billion for certain senior notes maturing in 2014. In addition, we issued $2.0 billion of 4.1% notes due July 2023 and €1.5 billion of 2.5% notes due July 2020. Substantially all of this newly issued fixed-rate debt has been converted to floating-rate debt with derivative transactions.

Table 25 presents the carrying value of aggregate annual contractual maturities of long-term debt at September 30, 2013.

Table 25
Long-term Debt By Maturity

(Dollars in millions)	2013	2014	2015	2016	2017	Thereafter	Total
Bank of America Corporation	$1,208	$17,359	$17,579	$22,613	$19,631	$57,332	$135,722
Merrill Lynch & Co., Inc. (1)	4,483	16,917	3,794	2,867	5,683	26,284	60,028
Merrill Lynch & Co., Inc. subsidiaries	486	3,892	2,073	1,931	2,184	8,570	19,136
Bank of America, N.A. and subsidiaries	—	2	—	1,085	6,358	1,760	9,205
Other debt	1,825	1,469	1,521	1,478	17	449	6,759
Total long-term debt excluding consolidated VIEs	8,002	39,639	24,967	29,974	33,873	94,395	230,850
Long-term debt of consolidated VIEs	3,836	9,732	1,313	1,872	1,583	6,145	24,481
Total long-term debt	$11,838	$49,371	$26,280	$31,846	$35,456	$100,540	$255,331

(1) On October 1, 2013, the merger of Merrill Lynch & Co., Inc. into Bank of America Corporation was completed. Effective with this merger, Bank of America Corporation assumed outstanding Merrill Lynch & Co., Inc. debt.

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Table 26 presents our long-term debt by major currency at September 30, 2013 and December 31, 2012.

Table 26
Long-term Debt By Major Currency

(Dollars in millions)	September 30 2013	December 31 2012
U.S. Dollar	$ 176,530	$ 180,329
Euro	49,778	58,985
Japanese Yen	10,072	12,749
British Pound	9,255	11,126
Canadian Dollar	3,026	3,560
Australian Dollar	1,970	2,760
Swiss Franc	1,576	1,917
Other	3,124	4,159
Total long-term debt	$ 255,331	$ 275,585

Total long-term debt decreased $20.3 billion, or seven percent, during the nine months ended September 30, 2013, primarily driven by maturities outpacing new issuances. We anticipate that debt levels will continue to decline due to maturities through the remainder of 2013, reflecting our ongoing initiative to reduce our debt balances over time. 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 broker/dealer subsidiaries may make markets in our debt instruments to provide liquidity for investors. For more information on long-term debt funding, see Note 12 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see page 75 of the MD&A of the Corporation's 2012 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 Nontrading Activities on page 133.

We also diversify our unsecured funding sources by issuing various types of debt instruments including structured liabilities, which 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 derivative positions 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 liability 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. We had outstanding structured liabilities with a carrying value of $48.4 billion and $51.7 billion at September 30, 2013 and December 31, 2012.

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

Our borrowing costs and ability to raise funds are impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including OTC derivatives. Thus, it is our objective to maintain high-quality 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. Our credit ratings are subject to ongoing review by the rating agencies which consider a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control. The rating agencies could make adjustments to our ratings at any time and they provide no assurances that they will maintain our ratings at current levels.

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types, the rating agencies' assessment of the general operating environment for financial services companies, our mortgage exposures (including litigation), our relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, funding costs, the level and volatility of earnings, corporate governance and risk management policies, capital position, capital management practices, and current or future regulatory and legislative initiatives.

The major rating agencies have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments.

On August 22, 2013, Moody's Investors Service, Inc. (Moody's) initiated a review of systemically important U.S. BHCs, including BAC, as the agency considers whether to reduce or eliminate the one to two notches of uplift for government support incorporated into its ratings for those companies. Moody’s also noted that it had concurrently placed the Corporation’s stand-alone ratings on review for upgrade, citing a number of positive developments at Bank of America. As a result of these two factors, the long-term debt ratings of the Corporation were placed on review direction uncertain, the Corporation’s short-term credit ratings were placed on review for downgrade, and BANA’s senior debt ratings were placed on review for upgrade. Moody’s expects to complete its review by the end of 2013. On June 11, 2013, Standard & Poor's Ratings Services (S&P) published a report that affirmed all its current ratings for Bank of America Corporation and seven other BHCs that the agency views as having high systemic importance. That report also indicated that S&P is reconsidering, and may remove, the uplift for government support in its holding company ratings for those companies. As a result, the agency maintained its negative outlook on the Corporation's holding company ratings. S&P also maintained its negative outlook on the Corporation's operating company ratings, citing company-specific factors. On May 16, 2013, Fitch Ratings (Fitch) announced the results of its periodic review of its ratings for 12 large, complex securities trading and universal banks, including Bank of America Corporation. As part of this action, Fitch affirmed the Corporation's senior credit ratings and upgraded the rating of its stand-alone creditworthiness, as well as the ratings for its subordinated debt, trust preferred and preferred stock issuances, each by one notch.

Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa2/P-2 (review direction uncertain for long-term rating, review for downgrade for short-term rating) by Moody's, A-/A-2 (negative) by S&P, and A/F1 (stable) by Fitch. BANA's long-term/short-term senior debt ratings and outlooks are as follows: A3/P-2 (review for upgrade) by Moody's, A/A-1 (negative) by S&P, and A/F1 (stable) by Fitch. MLPF&S's long-term/short-term senior debt ratings and outlooks are A/A-1 (negative) by S&P and A/F1 (stable) by Fitch. Merrill Lynch International's long-term/short-term senior debt ratings are A/A-1 (negative) by S&P

and A/F-1 (stable) by Fitch.

A reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations may have a material adverse effect on our liquidity, potential loss of access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of downgrades of our or our rated subsidiaries' credit ratings, the counterparties to those agreements may require us to provide additional collateral, or to terminate these contracts or agreements, which could cause us to sustain losses and/or adversely impact our liquidity. If the short-term credit ratings of our parent company, bank or broker/dealer subsidiaries were downgraded by one or more levels, the potential loss of access to short-term funding sources such as repo financing and the effect on our incremental cost of funds could be material.

At September 30, 2013, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $3.4 billion, including $3.0 billion for BANA. If the rating agencies had downgraded their long-term senior debt ratings for these entities by an additional second incremental notch, approximately $4.4 billion in additional incremental collateral, including $300 million for BANA, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of September 30, 2013 was $2.3 billion, against which $1.9 billion of collateral has been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation and certain subsidiaries by a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of September 30, 2013 was an incremental $1.2 billion, against which $800 million of collateral has been posted.

While certain potential impacts are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time to Required Funding and Stress Modeling on page 82.

For more 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 3 – Derivatives to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K.

On October 15, 2013, Fitch placed its AAA long-term and F1+ short-term sovereign credit rating on the U.S. government on rating watch negative. On July 18, 2013, Moody's revised its outlook on the U.S. government to stable from negative and affirmed its Aaa long-term sovereign credit rating on the U.S. government. On June 10, 2013, S&P affirmed its AA+ long-term and A-1+ short-term sovereign credit rating on the U.S. government, as the outlook on the long-term credit rating was revised to stable from negative.

Credit Risk Management

Credit quality continued to improve during the third quarter of 2013 due in part to improving economic conditions. In addition, our proactive credit risk management activities positively impacted the credit portfolio as charge-offs and delinquencies continued to improve, primarily in the consumer portfolios and risk ratings improved in the commercial portfolios. For additional information, see Executive Summary – Third Quarter 2013 Economic and Business Environment on page 6.

We proactively refine our underwriting and credit management practices as well as credit standards to meet the changing economic environment. To actively mitigate losses and enhance customer support in our consumer businesses, we have in place collection programs and loan modification and customer assistance infrastructures. We utilize a number of actions to mitigate losses in the commercial businesses including increasing the frequency and intensity of portfolio monitoring, hedging activity and our practice of transferring management of deteriorating commercial exposures to independent special asset officers as credits enter criticized categories.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 119 and Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K.

For more information on our Credit Risk Management activities, see Consumer Portfolio Credit Risk Management on page 87, Commercial Portfolio Credit Risk Management on page 107, Non-U.S. Portfolio on page 119, Provision for Credit Losses and Allowance for Credit Losses both on page 123, and Note 5 – Outstanding Loans and Leases and Note 6 – Allowance for Credit Losses to the Consolidated Financial Statements.

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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 help make both new and ongoing credit decisions, as well as portfolio management strategies, including authorizations and line management, collection practices and strategies, determination of the allowance for loan and lease losses, and allocated capital for credit risk.

Since January 2008, and through the third quarter of 2013, Bank of America and Countrywide have completed approximately 1.3 million loan modifications with customers. During the third quarter of 2013, we completed more than 40,000 customer loan modifications with a total unpaid principal balance of approximately $8 billion, including approximately 18,500 permanent modifications under the government's Making Home Affordable Program. Of the loan modifications completed during the third quarter of 2013, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the portfolio serviced for investors and were not on our balance sheet. The most common types of modifications include a combination of rate reduction and/or capitalization of past due amounts which represented 67 percent of the volume of modifications completed during the quarter, while principal reductions and forgiveness represented 14 percent, principal forbearance represented 11 percent and capitalization of past due amounts represented seven percent. For modified loans on our balance sheet, these modification types are generally considered TDRs. For more information on TDRs and portfolio impacts, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 104 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

Improvement in the U.S. economy, labor markets and home prices continued during the three and nine months ended September 30, 2013 resulting in lower credit losses across nearly all major consumer portfolios compared to the same periods in 2012. Although home prices have shown steady improvement since the beginning of 2012, they have not fully recovered from their 2006 levels.

Improved credit quality across the consumer portfolio drove a $5.1 billion decrease in the consumer allowance for loan and lease losses during the nine months ended September 30, 2013. For additional information, see Allowance for Credit Losses on page 123.

In January 2013, we entered into the FNMA Settlement to resolve substantially all outstanding and potential repurchase and certain other claims relating to the origination, sale and delivery of residential mortgage loans originated and sold directly to FNMA from January 1, 2000 through December 31, 2008 by entities related to Countrywide and BANA. In connection with the FNMA Settlement, we repurchased certain loans from FNMA and, as of September 30, 2013, these loans had an unpaid principal balance of $5.9 billion and a carrying value of $5.0 billion of which $5.6 billion of unpaid principal balance and $4.7 billion of carrying value were classified as PCI loans. All of these loans are included in the Legacy Assets & Servicing portfolio in Table 30. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements. For more information on the FNMA Settlement, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

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Table 27 presents our outstanding consumer loans, leases and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 27, PCI loans are also shown separately, net of purchase accounting adjustments, in the "Purchased Credit-impaired Loan Portfolio" columns. For additional information, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For additional information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98. In addition, given the continued run-off of our discontinued real estate portfolio, effective January 1, 2013, the pay option loans previously included in discontinued real estate loans are now included as part of our residential mortgage and home equity portfolios. The majority of these loans were considered credit-impaired and were written down to fair value upon acquisition. Prior periods were reclassified to conform to current period presentation. For more information on pay option loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Residential Mortgage Loan Portfolio on page 100.

Table 27
Consumer Loans and Leases

(Dollars in millions)	Outstandings		Purchased Credit-impaired Loan Portfolio	
	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Residential mortgage [1]	$253,496	$ 252,929	$20,064	$ 17,451
Home equity	96,653	108,140	7,104	8,667
U.S. credit card	90,280	94,835	n/a	n/a
Non-U.S. credit card	11,083	11,697	n/a	n/a
Direct/Indirect consumer [2]	84,035	83,205	n/a	n/a
Other consumer [3]	1,913	1,628	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	537,460	552,434	27,168	26,118
Loans accounted for under the fair value option [4]	2,186	1,005	n/a	n/a
Total consumer loans and leases	$539,646	$ 553,439	$27,168	$ 26,118

(1) Outstandings include pay option loans of $5.2 billion and $6.7 billion and non-U.S. residential mortgage loans of $87 million and $93 million at September 30, 2013 and December 31, 2012. We no longer originate pay option loans.

(2) Outstandings include dealer financial services loans of $39.5 billion and $35.9 billion, consumer lending loans of $3.1 billion and $4.7 billion, U.S. securities-based lending loans of $30.4 billion and $28.3 billion, non-U.S. consumer loans of $5.7 billion and $8.3 billion, student loans of $4.3 billion and $4.8 billion and other consumer loans of $1.0 billion and $1.2 billion at September 30, 2013 and December 31, 2012.

(3) Outstandings include consumer finance loans of $1.2 billion and $1.4 billion, consumer leases of $492 million and $34 million, consumer overdrafts of $175 million and $177 million and other non-U.S. consumer loans of $5 million at both September 30, 2013 and December 31, 2012.

(4) Consumer loans accounted for under the fair value option represent residential mortgage loans at both September 30, 2013 and December 31, 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 103 and Note 17 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

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Table 28 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 non-real estate-secured loans (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 stand-by 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 28
Consumer Credit Quality

	Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Residential mortgage [1]	$13,328	$15,055	$17,960	$22,157
Home equity	4,176	4,282	—	—
U.S. credit card	n/a	n/a	1,049	1,437
Non-U.S. credit card	n/a	n/a	142	212
Direct/Indirect consumer	59	92	437	545
Other consumer	18	2	1	2
Total [2]	$17,581	$19,431	$19,589	$24,353
Consumer loans and leases as a percentage of outstanding consumer loans and leases [2]	3.27 %	3.52 %	3.64 %	4.41 %
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios [2]	4.17	4.46	0.39	0.50

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At September 30, 2013 and December 31, 2012, residential mortgage included $13.9 billion and $17.8 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 $4.1 billion and $4.4 billion of loans on which interest was still accruing.

(2) Balances exclude consumer loans accounted for under the fair value option. At September 30, 2013 and December 31, 2012, $465 million and $391 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

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Table 29 presents net charge-offs and related ratios for consumer loans and leases.

Table 29
Consumer Net Charge-offs and Related Ratios

	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	
(Dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Residential mortgage	$221	$720	$875	$2,382	0.35 %	1.10 %	0.46 %	1.20 %
Home equity	302	1,623	1,472	3,474	1.22	5.55	1.93	3.88
U.S. credit card	788	1,079	2,652	3,654	3.47	4.60	3.92	5.11
Non-U.S. credit card	89	124	305	462	3.32	3.70	3.80	4.50
Direct/Indirect consumer	62	161	272	568	0.30	0.78	0.44	0.89
Other consumer	65	63	168	168	13.81	9.53	12.74	8.62
Total	$1,527	$3,770	$5,744	$10,708	1.12	2.64	1.41	2.46

(1) Net charge-offs exclude write-offs in the PCI loan portfolios of $92 million and $947 million for home equity and $351 million and $648 million for residential mortgage for the three and nine months ended September 30, 2013 compared to $1.7 billion for home equity for both of the same periods in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

(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.

Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.60 percent and 0.80 percent for residential mortgage, 1.31 percent and 2.09 percent for home equity, and 1.43 percent and 1.80 percent for the total consumer portfolio for the three and nine months ended September 30, 2013, respectively. Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 1.90 percent and 2.07 percent for residential mortgage, 6.13 percent and 4.29 percent for home equity, and 3.35 percent and 3.12 percent for the total consumer portfolio for the three and nine months ended September 30, 2012, respectively. These are the only product classifications that include PCI and fully-insured loans for these periods.

Net charge-offs exclude write-offs in the PCI loan portfolios of $92 million and $947 million in home equity and $351 million and $648 million in residential mortgage for the three and nine months ended September 30, 2013, respectively. This compared to $1.7 billion in home equity for both of the same periods in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. Net charge-off ratios including the PCI write-offs were 1.59 percent and 3.17 percent for home equity and 0.89 percent and 0.79 percent for residential mortgage for the three and nine months ended September 30, 2013, respectively. The net charge-off ratios including the PCI write-offs were 11.38 percent and 5.78 percent for home equity for the same periods in 2012. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

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Table 30 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the Core portfolio and the Legacy Assets & Servicing portfolio within the home loans portfolio. For more information on Legacy Assets & Servicing, see CRES on page 37.

Table 30
Home Loans Portfolio

	Outstandings		Nonperforming		Net Charge-offs [1]			
					Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	September 30 2013	December 31 2012	September 30 2013	December 31 2012	2013	2012	2013	2012
Core portfolio								
Residential mortgage	$177,508	$ 170,116	$3,479	$ 3,193	$51	$135	$220	$420
Home equity	55,716	60,851	1,417	1,265	76	293	357	648
Total Core portfolio	233,224	230,967	4,896	4,458	127	428	577	1,068
Legacy Assets & Servicing portfolio								
Residential mortgage [2]	75,988	82,813	9,849	11,862	170	585	655	1,962
Home equity	40,937	47,289	2,759	3,017	226	1,330	1,115	2,826
Total Legacy Assets & Servicing portfolio	116,925	130,102	12,608	14,879	396	1,915	1,770	4,788
Home loans portfolio								
Residential mortgage	253,496	252,929	13,328	15,055	221	720	875	2,382
Home equity	96,653	108,140	4,176	4,282	302	1,623	1,472	3,474
Total home loans portfolio	$350,149	$ 361,069	$17,504	$ 19,337	$523	$2,343	$2,347	$5,856

	Allowance for loan and lease losses		Provision for loan and lease losses			
			Three Months Ended September 30		Nine Months Ended September 30	
	September 30 2013	December 31 2012	2013	2012	2013	2012
Core portfolio						
Residential mortgage	$757	$ 829	$(3)	$56	$141	$363
Home equity	1,066	1,286	(9)	27	138	141
Total Core portfolio	1,823	2,115	(12)	83	279	504
Legacy Assets & Servicing portfolio						
Residential mortgage	4,138	6,259	(600)	247	(788)	1,611
Home equity	4,552	6,559	(308)	287	100	946
Total Legacy Assets & Servicing portfolio	8,690	12,818	(908)	534	(688)	2,557
Home loans portfolio						
Residential mortgage	4,895	7,088	(603)	303	(647)	1,974
Home equity	5,618	7,845	(317)	314	238	1,087
Total home loans portfolio	$10,513	$ 14,933	$(920)	$617	$(409)	$3,061

(1) Net charge-offs exclude write-offs in the PCI loan portfolios of $92 million and $947 million for home equity and $351 million and $648 million for residential mortgage for the three and nine months ended September 30, 2013, which are included in the Legacy Assets & Servicing portfolio, compared to $1.7 billion for home equity for both of the same periods in 2012. Write-offs in the PCI loan portfolio decrease the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

(2) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $2.2 billion and $1.0 billion of residential mortgage loans accounted for under the fair value option at September 30, 2013 and December 31, 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 103 and Note 17 – Fair Value Option to the Consolidated Financial Statements.

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 98.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 47 percent of consumer loans and leases at September 30, 2013. Approximately 18 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages that are originated for the home purchase and refinancing needs of our wealth management clients. The remaining portion of the portfolio is primarily in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, loans repurchased in connection with the FNMA Settlement, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, increased $567 million during the nine months ended September 30, 2013 as new origination volume retained on our balance sheet, loans repurchased as part of the FNMA Settlement and transfers from the held-for-sale portfolio in connection with the decision to retain the loans were partially offset by paydowns and charge-offs.

At September 30, 2013 and December 31, 2012, the residential mortgage portfolio included $88.9 billion and $90.9 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 stand-by agreements with FNMA and FHLMC. At September 30, 2013 and December 31, 2012, $61.3 billion and $66.6 billion had FHA insurance with the remainder protected by long-term stand-by agreements. All of these loans are individually insured and therefore the Corporation does not record a significant allowance for credit losses with respect to these loans.

At September 30, 2013 and December 31, 2012, $23.7 billion and $25.5 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

In addition to the long-term stand-by agreements with FNMA and FHLMC, we have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles as described in Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements. At September 30, 2013 and December 31, 2012, the synthetic securitization vehicles referenced principal balances of $13.5 billion and $17.6 billion of residential mortgage loans and provided loss protection up to $376 million and $500 million. At September 30, 2013 and December 31, 2012, the Corporation had a receivable of $206 million and $305 million from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles. Adjusting for the benefit of the credit protection from the synthetic securitizations, the residential mortgage net charge-off ratio, excluding the PCI and fully-insured loan portfolios, for the three and nine months ended September 30, 2013 would have been reduced by one bp and three bps compared to eight bps for both of the same periods in 2012.

The long-term stand-by agreements with FNMA and FHLMC and to a lesser extent the synthetic securitizations together reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At September 30, 2013 and December 31, 2012, these programs had the cumulative effect of reducing our risk-weighted assets by $8.2 billion and $7.2 billion, increasing our Tier 1 capital ratio by eight bps and increasing our

Tier 1 common capital ratio by seven bps.

Table 31 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, fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the table below (in the "Reported Basis" columns) accruing balances past due and nonperforming loans do not include the PCI loan portfolio even though the customer may be contractually past due. We believe the presentation of information adjusted to exclude these loan portfolios is more representative of the credit risk in the residential mortgage loan portfolio. 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 98.

Table 31
Residential Mortgage – Key Credit Statistics

	Reported Basis [1]		Excluding Purchased Credit-impaired and Fully-insured Loans	
(Dollars in millions)	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Outstandings	$253,496	$252,929	$144,558	$144,624
Accruing past due 30 days or more	24,239	28,815	2,442	3,117
Accruing past due 90 days or more	17,960	22,157	—	—
Nonperforming loans	13,328	15,055	13,328	15,055
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	15 %	15 %	8 %	10 %
Refreshed LTV greater than 100	17	28	13	20
Refreshed FICO below 620	22	23	12	14
2006 and 2007 vintages [2]	22	25	29	34

	Reported Basis				Excluding Purchased Credit-impaired and Fully-insured Loans			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012	2013	2012	2013	2012
Net charge-off ratio [3]	0.35 %	1.10 %	0.46 %	1.20 %	0.60 %	1.90 %	0.80 %	2.07 %

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $2.2 billion and $1.0 billion of residential mortgage loans accounted for under the fair value option at September 30, 2013 and December 31, 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 103 and Note 17 – Fair Value Option to the Consolidated Financial Statements.

(2) These vintages of loans account for 55 percent and 61 percent of nonperforming residential mortgage loans at September 30, 2013 and December 31, 2012, and 60 percent and 64 percent of residential mortgage net charge-offs for the three and nine months ended September 30, 2013, and 69 percent and 71 percent for the three and nine months ended September 30, 2012.

(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.

Nonperforming residential mortgage loans decreased $1.7 billion during the nine months ended September 30, 2013 as paydowns, returns to performing status, charge-offs and transfers to foreclosed properties outpaced new inflows. Also impacting the decrease during the nine months ended September 30, 2013 were sales of nonperforming residential mortgage loans of $799 million and $326 million of loans that had been transferred to held-for-sale. At September 30, 2013, borrowers were current on contractual payments with respect to $4.2 billion, or 31 percent of nonperforming residential mortgage loans, and $6.9 billion, or 52 percent of nonperforming residential mortgage 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 past due 30 days or more decreased $675 million during the nine months ended September 30, 2013.

Net charge-offs decreased $499 million to $221 million for the three months ended September 30, 2013, or 0.60 percent of total average residential mortgage loans, compared to $720 million, or 1.90 percent for the same period in 2012. Net charge-offs decreased $1.5 billion to $875 million for the nine months ended September 30, 2013, or 0.80 percent of total average residential mortgage loans, compared to $2.4 billion, or 2.07 percent for the same period in 2012. These decreases in net charge-offs for the three- and nine-month periods were primarily 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.

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Loans in the residential mortgage portfolio with certain characteristics have greater risk of loss than others. These characteristics include loans with a high refreshed loan-to-value (LTV), loans originated at the peak of home prices in 2006 and 2007, interest-only loans and loans to borrowers located in California and Florida where we have concentrations and where significant declines in home prices have been experienced. Although the disclosures in this section address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. The residential mortgage loans with all of these higher risk characteristics comprised two percent and four percent of the residential mortgage portfolio at September 30, 2013 and December 31, 2012, and accounted for six percent and 13 percent of the residential mortgage net charge-offs during the three and nine months ended September 30, 2013 compared to 21 percent for both of the same periods in 2012.

Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed LTV represented eight percent and 10 percent of the residential mortgage portfolio at September 30, 2013 and December 31, 2012. Loans with a refreshed LTV greater than 100 percent represented 13 percent and 20 percent of the residential mortgage loan portfolio at September 30, 2013 and December 31, 2012. Of the loans with a refreshed LTV greater than 100 percent, 93 percent and 92 percent were performing at September 30, 2013 and December 31, 2012. 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, somewhat mitigated by recent appreciation. Loans to borrowers with refreshed FICO scores below 620 represented 12 percent and 14 percent of the residential mortgage portfolio at September 30, 2013 and December 31, 2012.

Of the $144.6 billion in total residential mortgage loans outstanding at both September 30, 2013 and December 31, 2012, as shown in Table 32, 40 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $16.0 billion, or 28 percent at September 30, 2013. 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, 2013, $325 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 $2.4 billion, or two percent of accruing past due 30 days or more for the entire residential mortgage portfolio. In addition, at September 30, 2013, $2.8 billion, or 17 percent of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming compared to $13.3 billion, or nine percent of nonperforming loans for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to ten years and more than 90 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

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Table 32 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 12 percent of outstandings at both September 30, 2013 and December 31, 2012. Loans within this MSA comprised only one percent and four percent of charge-offs for the three and nine months ended September 30, 2013 and nine percent of net charge-offs for both of the same periods in 2012. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 10 percent of outstandings at both September 30, 2013 and December 31, 2012. Loans within this MSA comprised 12 percent and nine percent of net charge-offs for the three and nine months ended September 30, 2013 and five percent of net charge-offs for both of the same periods in 2012.

Table 32
Residential Mortgage State Concentrations

	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2]			
					Three Months Ended September 30		Nine Months Ended September 30	
	September 30 2013	December 31 2012	September 30 2013	December 31 2012				
(Dollars in millions)					2013	2012	2013	2012
California	$48,481	$ 48,671	$3,862	$ 4,580	$10	$285	$167	$876
New York [3]	11,818	11,290	895	972	12	18	42	59
Florida [3]	11,067	11,100	1,570	1,773	20	74	89	279
Texas	6,893	6,928	455	498	6	11	20	40
Virginia	4,894	5,096	405	410	8	13	22	41
Other U.S./Non-U.S.	61,405	61,539	6,141	6,822	165	319	535	1,087
Residential mortgage loans [4]	$144,558	$ 144,624	$13,328	$ 15,055	$221	$720	$875	$2,382
Fully-insured loan portfolio	88,874	90,854						
Purchased credit-impaired residential mortgage loan portfolio	20,064	17,451						
Total residential mortgage loan portfolio	$253,496	$ 252,929						

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $2.2 billion and $1.0 billion of residential mortgage loans accounted for under the fair value option at September 30, 2013 and December 31, 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 103 and Note 17 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $351 million and $648 million of write-offs in the residential mortgage PCI loan portfolio for the three and nine months ended September 30, 2013 compared to none for the same periods in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

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

(4) Amount excludes the PCI residential mortgage and fully-insured loan portfolios.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was $11.1 billion and $11.3 billion at September 30, 2013 and December 31, 2012, or eight percent of the residential mortgage loan balances. The CRA portfolio included $2.1 billion and $2.5 billion of nonperforming loans at September 30,

2013 and December 31, 2012 representing 16 percent of total nonperforming residential mortgage loans. Net charge-offs related to the CRA portfolio were $68 million and $167 million for the three months ended September 30, 2013 and 2012, or 31 percent and 23 percent of total net charge-offs for the residential mortgage portfolio. Net charge-offs related to the CRA portfolio were $216 million and $487 million for the nine months ended September 30, 2013 and 2012, or 25 percent and 20 percent of total net charge-offs for the residential mortgage portfolio.

Home Equity

The home equity portfolio makes up 18 percent of the consumer portfolio and is comprised of HELOCs, home equity loans and reverse mortgages. At September 30, 2013, our HELOC portfolio had an outstanding balance of $82.3 billion, or 85 percent of the total home equity portfolio. HELOCs generally have an initial draw period of 10 years. During the initial draw period, the borrowers 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, 2013, our home equity loan portfolio had an outstanding balance of $12.8 billion, or 13 percent of the total home equity portfolio. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and 51 percent of these loans have 25- to 30-year terms.

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At September 30, 2013, our reverse mortgage portfolio had an outstanding balance of $1.5 billion, or two percent of the total home equity portfolio. We no longer originate these products.

At September 30, 2013, approximately 86 percent of the home equity portfolio was included in CRES while the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio decreased $11.5 billion during the nine months ended September 30, 2013 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at September 30, 2013 and December 31, 2012, $23.5 billion and $24.7 billion, or 24 percent and 23 percent, were in first-lien positions (26 percent and 25 percent excluding the PCI home equity portfolio at September 30, 2013 and December 31, 2012). At September 30, 2013, 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 $19.7 billion, or 22 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $56.7 billion at September 30, 2013 compared to $60.9 billion at December 31, 2012. This decrease was primarily due to customers choosing to close accounts as well as line management initiatives on deteriorating accounts, which more than offset new production. The HELOC utilization rate was 59 percent at September 30, 2013 compared to 60 percent at December 31, 2012.

Table 33 presents certain home equity portfolio key credit statistics on both a reported basis as well as excluding the PCI loan portfolio. Additionally, in the table below (in the "Reported Basis" columns) accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio even though the customer may be contractually past due. We believe the presentation of information adjusted to exclude the impact of the PCI loan portfolio is more representative of the credit risk in this portfolio.

Table 33
Home Equity – Key Credit Statistics

	Reported Basis		Excluding Purchased Credit-impaired Loans	
(Dollars in millions)	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Outstandings	$96,653	$108,140	$89,549	$99,473
Accruing past due 30 days or more [1]	817	1,099	817	1,099
Nonperforming loans [1]	4,176	4,282	4,176	4,282
Percent of portfolio				
Refreshed combined LTV greater than 90 but less than or equal to 100	10 %	10 %	10 %	10 %
Refreshed combined LTV greater than 100	26	31	23	29
Refreshed FICO below 620	8	9	8	8
2006 and 2007 vintages [2]	48	48	45	46

	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	
	2013	2012	2013	2012	2013	2012	2013	2012
Net charge-off ratio [3]	1.22 %	5.55 %	1.93 %	3.88 %	1.31 %	6.13 %	2.09 %	4.29 %

(1) Accruing past due 30 days or more included $159 million and $321 million and nonperforming loans included $493 million and $824 million of loans where we serviced the underlying first-lien at September 30, 2013 and

December 31, 2012.

(2) These vintages of loans have higher refreshed combined LTV ratios and accounted for 50 percent and 51 percent of nonperforming home equity loans at September 30, 2013 and December 31, 2012, and accounted for 67 percent and 62 percent of net charge-offs for the three and nine months ended September 30, 2013, and 55 percent and 60 percent for the three and nine months ended September 30, 2012.

(3) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

The following discussion presents the home equity portfolio excluding the PCI loan portfolio.

Nonperforming outstanding balances in the home equity portfolio decreased $106 million during the nine months ended September 30, 2013 due to charge-offs and returns to performing status outpacing new inflows.

At September 30, 2013, on $2.0 billion, or 49 percent of nonperforming home equity loans, the borrowers were current on contractual payments. At September 30, 2013, $1.4 billion, or 33 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. Outstanding balances accruing past due 30 days or more decreased $282 million during the nine months ended September 30, 2013.

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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. At September 30, 2013, we estimate that $2.2 billion of current and $348 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 $544 million of these combined amounts, with the remaining $2.0 billion serviced by third parties. Of the $2.6 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 $1.3 billion had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $1.3 billion to $302 million, or 1.31 percent of the total average home equity portfolio for the three months ended September 30, 2013 compared to $1.6 billion, or 6.13 percent for the same period in 2012. Net charge-offs decreased $2.0 billion to $1.5 billion, or 2.09 percent of the total average home equity portfolio for the nine months ended September 30, 2013 compared to $3.5 billion, or 4.29 percent for the same period in 2012. These decreases in net charge-offs for the three- and nine-month periods were primarily driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy. Also, the prior-year period included charge-offs associated with the National Mortgage Settlement and loans discharged in Chapter 7 bankruptcy due to the implementation of regulatory guidance in 2012. Net charge-off ratios for the current-year periods were also impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines. For more information on the implementation of regulatory guidance in 2012 and the National Mortgage Settlement, see Consumer Portfolio Credit Risk Management on page 80 of the MD&A of the Corporation's 2012 Annual Report on Form 10-K.

There are certain characteristics of the home equity portfolio that have contributed to higher losses including those loans with a high refreshed combined loan-to-value (CLTV), loans that were originated at the peak of home prices in 2006 and 2007, and loans in geographic areas that have experienced the most significant declines in home prices. Although we have seen some recent home price appreciation, home price declines since 2006 coupled with the fact that most home equity outstandings are secured by second-lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first-lien position. Although the disclosures in this section address each of these risk characteristics separately, there is significant overlap in outstanding balances with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Outstanding balances in the home equity portfolio with all of these higher risk characteristics comprised six percent and eight percent of the total home equity portfolio at September 30, 2013 and December 31, 2012, and accounted for 21 percent of the home equity net charge-offs for both the three and nine months ended September 30, 2013 compared to 25 percent for both of the same periods in 2012.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed CLTVs comprised 10 percent of the home equity portfolio at both September 30, 2013 and December 31, 2012. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 23 percent and 29 percent of the home equity portfolio at September 30, 2013 and December 31, 2012. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans 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. Home price deterioration since 2006, somewhat mitigated by recent appreciation, has contributed to an increase in CLTV ratios. 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, 2013. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented eight percent of the home equity portfolio at both September 30, 2013 and December 31, 2012.

Of the $89.5 billion and $99.5 billion in total home equity portfolio outstandings at September 30, 2013 and December 31, 2012, 75 percent and 74 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was $2.3 billion, or three percent of total HELOCs at September 30, 2013. 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, 2013, $69 million, or three percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $733 million, or one percent of outstanding accruing past due 30 days or more for the entire HELOC portfolio. In addition, at September 30, 2013, $201 million, or nine percent of outstanding HELOCs that had entered the amortization period were nonperforming compared to $3.7 billion, or four percent of outstandings that were nonperforming for the entire HELOC portfolio. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 85 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

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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, 2013, approximately 63 percent of these customers did not pay any principal on their HELOCs.

Table 34 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 12 percent and 11 percent of the outstanding home equity portfolio at September 30, 2013 and December 31, 2012. Loans within this MSA comprised seven percent and nine percent of net charge-offs for the three and nine months ended September 30, 2013 and eight percent of net charge-offs for both of the same periods in 2012. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both September 30, 2013 and December 31, 2012. Loans within this MSA comprised eight percent and nine percent of net charge-offs for the three and nine months ended September 30, 2013 and 11 percent for both of the same periods in 2012.

For more information on representations and warranties related to our home equity portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 34
Home Equity State Concentrations

	Outstandings		Nonperforming		Net Charge-offs [1]			
					Three Months Ended September 30		Nine Months Ended September 30	
	September 30 2013	December 31 2012	September 30 2013	December 31 2012				
(Dollars in millions)					2013	2012	2013	2012
California	$25,766	$ 28,730	$1,081	$ 1,128	$102	$522	$431	$1,101
Florida [2]	10,859	11,899	667	706	57	199	263	486
New Jersey [2]	6,280	6,789	310	312	15	93	78	170
New York [2]	6,183	6,736	420	419	17	86	85	181
Massachusetts	3,974	4,381	144	140	9	41	34	76
Other U.S./Non-U.S.	36,487	40,938	1,554	1,577	102	682	581	1,460
Home equity loans [3]	$89,549	$ 99,473	$4,176	$ 4,282	$302	$1,623	$1,472	$3,474
Purchased credit-impaired home equity portfolio	7,104	8,667						
Total home equity loan portfolio	$96,653	$ 108,140						

(1) Net charge-offs exclude $92 million and $947 million of write-offs in the home equity PCI loan portfolio for the three and nine months ended September 30, 2013 compared to $1.7 billion for both of the same periods in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 98.

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

(3) Amount excludes the PCI home equity portfolio.

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. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. PCI loans are recorded at fair value upon acquisition and the applicable accounting guidance prohibits carrying over or recording a valuation allowance in the initial accounting.

PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Once a pool is assembled, it is treated as if it were one loan for purposes of applying the accounting guidance for PCI loans. An individual loan is removed from a PCI loan pool if it is sold, foreclosed, forgiven or the expectation of any future proceeds is remote. When a loan is removed from a PCI loan pool and the foreclosure or recovery value of the loan is less than the loan's carrying value, the difference is first applied against the PCI pool's nonaccretable difference. If the nonaccretable difference has been fully utilized, only then is the PCI pool's basis applicable to that loan written-off against its valuation reserve; however, the integrity of the pool is maintained and it continues to be accounted for as if it were one loan.

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In January 2013, in connection with the FNMA Settlement, we repurchased certain residential mortgage loans that had previously been sold to FNMA, which we have valued at less than the purchase price. As of September 30, 2013, loans repurchased in connection with the FNMA Settlement that we classified as PCI had an unpaid principal balance of $5.6 billion and a carrying value of $4.7 billion. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 35 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 35
Purchased Credit-impaired Loan Portfolio

	September 30, 2013					
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance	
Residential mortgage	$21,077	$20,064	$1,883	$18,181	86.26	%
Home equity	6,922	7,104	1,351	5,753	83.11	
Total purchased credit-impaired loan portfolio	$27,999	$27,168	$3,234	$23,934	85.48	
	December 31, 2012					
Residential mortgage	$18,069	$17,451	$3,108	$14,343	79.38	%
Home equity	8,434	8,667	2,428	6,239	73.97	
Total purchased credit-impaired loan portfolio	$26,503	$26,118	$5,536	$20,582	77.66	

The total PCI unpaid principal balance increased $1.5 billion, or six percent, during the nine months ended September 30, 2013 primarily due to the $5.6 billion of loans repurchased in connection with the FNMA Settlement. Excluding the $5.6 billion of loans repurchased, the total PCI unpaid principal balance decreased $4.1 billion primarily driven by liquidations, payoffs, paydowns and write-offs.

Of the unpaid principal balance of $28.0 billion at September 30, 2013, $6.1 billion was 180 days or more past due, including $5.9 billion of first-lien mortgages and $228 million of home equity loans. Of the $21.9 billion that was less than 180 days past due, $18.8 billion, or 86 percent of the total unpaid principal balance, was current based on the contractual terms while $2.0 billion, or nine percent, was in early stage delinquency.

During the three months ended September 30, 2013, we recorded a provision benefit of $248 million for the PCI loan portfolio including a provision benefit of $156 million for residential mortgage and a provision benefit of $92 million for home equity. This compared to a provision benefit of $166 million for the three months ended September 30, 2012. During the nine months ended September 30, 2013, we recorded a provision benefit of $707 million for the PCI loan portfolio including a provision benefit of $552 million for residential mortgage and a provision benefit of $155 million for home equity. This compared to total provision expense of $327 million for the nine months ended September 30, 2012. The provision benefit for the three and nine months ended September 30, 2013 was primarily driven by an improvement in our home price outlook.

The PCI valuation allowance declined $2.3 billion during the nine months ended September 30, 2013 due to $947 million and $648 million of write-offs in the home equity and residential mortgage PCI loan portfolios, and a provision benefit of $707 million for the PCI loan portfolio. Write-offs during the nine months ended September 30, 2013 included certain home equity PCI loans that were ineligible for the National Mortgage Settlement, but had

similar characteristics as the eligible loans and the expectation of future cash proceeds was considered remote.

Additional information on the PCI residential mortgage and home equity portfolios is provided in the following sections.

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Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 74 percent of the total PCI loan portfolio at September 30, 2013. Those loans to borrowers with a refreshed FICO score below 620 represented 54 percent of the PCI residential mortgage loan portfolio at September 30, 2013. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 46 percent of the PCI residential mortgage loan portfolio and 61 percent based on the unpaid principal balance at September 30, 2013. Table 36 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 36
Outstanding Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

(Dollars in millions)	September 30 2013	December 31 2012
California	$ 8,886	$ 9,238
Florida [1]	1,922	1,797
Virginia	796	715
Maryland	770	417
Texas	460	192
Other U.S./Non-U.S.	7,230	5,092
Total	$ 20,064	$ 17,451

[1] In this state, foreclosure requires a court order following a legal proceeding (judicial state).

Pay option adjustable-rate mortgages (ARMs), which are included in the residential mortgage portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually, subject to resetting if minimum payments are made and deferred interest limits are reached. Annual payment adjustments are subject to a 7.5 percent maximum change. To ensure that contractual loan payments are adequate to repay a loan, the fully-amortizing loan payment amount is re-established after the initial five- or ten-year period and again every five years thereafter. These payment adjustments are not subject to the 7.5 percent limit and may be substantial due to changes in interest rates and the addition of unpaid interest to the loan balance. Payment advantage ARMs have interest rates that are fixed for an initial period of five years. Payments are subject to reset if the minimum payments are made and deferred interest limits are reached. If interest deferrals cause a loan's principal balance to reach a certain level within the first 10 years of the life of the loan, the payment is reset to the interest-only payment; then at the 10-year point, the fully-amortizing payment is required.

The difference between the frequency of changes in a loan's interest rates and payments along with a limitation on changes in the minimum monthly payments of 7.5 percent per year can result in payments that are not sufficient to pay all of the monthly interest charges (i.e., negative amortization). Unpaid interest is added to the loan balance until the loan balance increases to a specified limit, which can be no more than 115 percent of the original loan amount, at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

At September 30, 2013, the unpaid principal balance of pay option loans was $5.3 billion, with a carrying value of $5.2 billion, including $4.7 billion of loans that were credit-impaired upon acquisition, and accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $2.9 billion including $183 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, nine percent and 10 percent at September 30, 2013 and December 31, 2012 elected to make only the minimum payment on pay option ARMs. We believe the majority of borrowers are now making scheduled payments 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 including the PCI pay option loan portfolio and have taken into consideration in the evaluation several assumptions regarding this evaluation including prepayment and default rates. Of the loans in the pay option portfolio at September 30, 2013 that have not already experienced a payment reset, less than one percent are expected to reset before 2016, 22 percent are expected to reset in 2016 and nine percent are expected to reset thereafter. In addition, eight percent are expected to prepay and approximately 60 percent are expected to default prior to being reset, most of which were severely delinquent as of September 30, 2013.

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Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 26 percent of the total PCI loan portfolio at September 30, 2013. Those loans with a refreshed FICO score below 620 represented 18 percent of the PCI home equity portfolio at September 30, 2013. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 72 percent of the PCI home equity portfolio and 73 percent based on the unpaid principal balance at September 30, 2013. Table 37 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 37
Outstanding Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

(Dollars in millions)	September 30 2013	December 31 2012
California	$ 2,107	$ 2,629
Florida [1]	388	524
Virginia	332	383
Arizona	234	297
Colorado	215	264
Other U.S./Non-U.S.	3,828	4,570
Total	$ 7,104	$ 8,667

[1] In this state, foreclosure requires a court order following a legal proceeding (judicial state).

U.S. Credit Card

The U.S. credit card portfolio is managed in CBB. Outstandings in the U.S. credit card portfolio decreased $4.6 billion during the nine months ended September 30, 2013 due to a seasonal decline in retail transaction volume. For the three and nine months ended September 30, 2013, net charge-offs decreased $291 million to $788 million, and $1.0 billion to $2.7 billion compared to the same periods in 2012 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment, account management on higher risk accounts and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $636 million while loans 90 days or more past due and still accruing interest declined $388 million during the nine months ended September 30, 2013 as a result of the factors mentioned above that contributed to lower net charge-offs.

Table 38 presents certain key credit statistics for the consumer U.S. credit card portfolio.

Table 38
U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	September 30 2013	December 31 2012
Outstandings	$ 90,280	$ 94,835
Accruing past due 30 days or more	2,112	2,748
Accruing past due 90 days or more	1,049	1,437

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Net charge-offs	$ 788	$ 1,079	$ 2,652	$ 3,654
Net charge-off ratios [1]	3.47 %	4.60 %	3.92 %	5.11 %

[1] Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

Unused lines of credit for U.S. credit card totaled $320.9 billion at September 30, 2013 compared to $335.5 billion at December 31, 2012. The $14.6 billion decrease was driven by closure of inactive accounts and account management initiatives on higher risk accounts.

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Table 39 presents certain state concentrations for the U.S. credit card portfolio.

Table 39
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
	September 30 2013	December 31 2012	September 30 2013	December 31 2012	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)					2013	2012	2013	2012
California	$13,398	$ 14,101	$163	$ 235	$130	$196	$444	$666
Florida	7,119	7,469	104	149	85	115	283	405
Texas	6,247	6,448	69	92	50	68	168	228
New York	5,502	5,746	69	91	49	66	173	215
New Jersey	3,786	3,959	47	60	34	44	118	146
Other U.S.	54,228	57,112	597	810	440	590	1,466	1,994
Total U.S. credit card portfolio	$90,280	$ 94,835	$1,049	$ 1,437	$788	$1,079	$2,652	$3,654

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased $614 million during the nine months ended September 30, 2013 due to a seasonal decline in retail transaction volume. For the three and nine months ended September 30, 2013, net charge-offs decreased $35 million to $89 million, and $157 million to $305 million compared to the same periods in 2012 due primarily to improvement in delinquencies as a result of higher credit quality originations, and portfolio sales.

Unused lines of credit for non-U.S. credit card totaled $30.3 billion at September 30, 2013 compared to $32.2 billion at December 31, 2012. The $1.9 billion decrease was driven by closure of inactive accounts.

Table 40 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 40
Non-U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	September 30 2013	December 31 2012
Outstandings	$11,083	$11,697
Accruing past due 30 days or more	264	403
Accruing past due 90 days or more	142	212

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Net charge-offs	$89	$124	$305	$462
Net charge-off ratios [(1)]	3.32 %	3.70 %	3.80 %	4.50 %

[(1)] Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

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Direct/Indirect Consumer

At September 30, 2013, approximately 51 percent of the direct/indirect portfolio was included in CBB (consumer dealer financial services - automotive, marine, aircraft, recreational vehicle loans and consumer personal loans), 41 percent was included in GWIM (principally securities-based lending loans and other personal loans) and the remainder was primarily in All Other (the GWIM International Wealth Management (IWM) businesses based outside of the U.S. and student loans).

Outstanding loans and leases increased $830 million during the nine months ended September 30, 2013 as growth within the consumer dealer financial services auto portfolio and securities-based lending portfolio was largely offset by a loan sale within the securities-based lending portfolio in connection with the Corporation's agreement to sell the IWM businesses as well as lower outstandings in the unsecured consumer lending portfolio. For the three and nine months ended September 30, 2013, net charge-offs decreased $99 million to $62 million, and $296 million to $272 million, or 0.30 percent and 0.44 percent of total average direct/indirect loans compared to 0.78 percent and 0.89 percent for the same periods in 2012. These decreases were primarily driven by improvements in delinquencies and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings in this portfolio.

For the three and nine months ended September 30, 2013, net charge-offs in the unsecured consumer lending portfolio decreased $71 million to $37 million, and $238 million to $161 million, or 4.48 percent and 5.58 percent of total average unsecured consumer lending loans compared to 7.25 percent and 7.90 percent for the same periods in 2012. During the nine months ended September 30, 2013, direct/indirect loans that were past due 30 days or more and still accruing interest declined $330 million to $1.0 billion due to improvements in the unsecured consumer lending, dealer financial services and student lending portfolios.

Table 41 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 41
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended September 30		Nine Months Ended September 30	
	September 30 2013	December 31 2012	September 30 2013	December 31 2012				
(Dollars in millions)					2013	2012	2013	2012
California	$10,569	$ 10,793	$38	$ 53	$7	$21	$34	$77
Florida	7,650	7,363	28	37	8	17	31	61
Texas	7,622	7,239	31	41	6	13	26	46
New York	4,877	4,794	20	28	4	10	16	36
New Jersey	2,594	2,461	12	19	2	5	9	21
Other U.S./Non-U.S.	50,723	50,555	308	367	35	95	156	327
Total direct/indirect loan portfolio	$84,035	$ 83,205	$437					