

BANK OF AMERICA CORP /DE/
Form 10-Q
May 02, 2016

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

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

For the Quarterly Period Ended March 31, 2016

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

For the transition period from _____ to _____

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State or other jurisdiction of incorporation or organization:

Delaware

IRS Employer Identification No.:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Non-accelerated filer

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

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

Yes No

On April 29, 2016, there were 10,271,915,653 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
 March 31, 2016
 Form 10-Q

INDEX	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Statement of Income</u>	110
<u>Consolidated Statement of Comprehensive Income</u>	111
<u>Consolidated Balance Sheet</u>	112
<u>Consolidated Statement of Changes in Shareholders' Equity</u>	114
<u>Consolidated Statement of Cash Flows</u>	115
<u>Notes to Consolidated Financial Statements</u>	116
<u>1 - Summary of Significant Accounting Principles</u>	116
<u>2 - Derivatives</u>	118
<u>3 - Securities</u>	130
<u>4 - Outstanding Loans and Leases</u>	136
<u>5 - Allowance for Credit Losses</u>	153
<u>6 - Securitizations and Other Variable Interest Entities</u>	155
<u>7 - Representations and Warranties Obligations and Corporate Guarantees</u>	162
<u>8 - Goodwill and Intangible Assets</u>	166
<u>9 - Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings</u>	168
<u>10 - Commitments and Contingencies</u>	171
<u>11 - Shareholders' Equity</u>	175
<u>12 - Accumulated Other Comprehensive Income (Loss)</u>	177
<u>13 - Earnings Per Common Share</u>	179
<u>14 - Fair Value Measurements</u>	180
<u>15 - Fair Value Option</u>	191
<u>16 - Fair Value of Financial Instruments</u>	193
<u>17 - Mortgage Servicing Rights</u>	194
<u>18 - Business Segment Information</u>	196
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	3
<u>Executive Summary</u>	4
<u>Recent Events</u>	6
<u>Financial Highlights</u>	7
<u>Balance Sheet Overview</u>	11
<u>Supplemental Financial Data</u>	14
<u>Business Segment Operations</u>	21
<u>Consumer Banking</u>	22
<u>Global Wealth & Investment Management</u>	26
<u>Global Banking</u>	30
<u>Global Markets</u>	33
<u>Legacy Assets & Servicing</u>	36
<u>All Other</u>	40
<u>Off-Balance Sheet Arrangements and Contractual Obligations</u>	42
<u>Managing Risk</u>	44
<u>Capital Management</u>	45

<u>Liquidity Risk</u>	<u>54</u>
<u>Credit Risk Management</u>	<u>60</u>
<u>Consumer Portfolio Credit Risk Management</u>	<u>60</u>
<u>Commercial Portfolio Credit Risk Management</u>	<u>75</u>

<u>Non-U.S. Portfolio</u>	<u>87</u>
<u>Provision for Credit Losses</u>	<u>89</u>
<u>Allowance for Credit Losses</u>	<u>89</u>
<u>Market Risk Management</u>	<u>94</u>
<u>Trading Risk Management</u>	<u>94</u>
<u>Interest Rate Risk Management for Non-trading Activities</u>	<u>99</u>
<u>Mortgage Banking Risk Management</u>	<u>102</u>
<u>Complex Accounting Estimates</u>	<u>103</u>
<u>Glossary</u>	<u>105</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>109</u>
<u>Item 4. Controls and Procedures</u>	<u>109</u>
<u>Part II. Other Information</u>	<u>199</u>
<u>Item 1. Legal Proceedings</u>	<u>199</u>
<u>Item 1A. Risk Factors</u>	<u>199</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>199</u>
<u>Item 6. Exhibits</u>	<u>200</u>
<u>Signature</u>	<u>201</u>
<u>Index to Exhibits</u>	<u>202</u>

Table of Contents

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 "anticipates," "targets," "expects," "hopes," "estimates," "intends," "plans," "goals," "believes," "continue" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." Forward-looking statements represent the Corporation's current expectations, plans or forecasts of its future results and revenues, and future business and economic conditions more generally, and other future matters. These statements are not guarantees of future results or performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

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

the Corporation's failure to remediate deficiencies identified by banking regulators in the Corporation's Recovery and Resolution plans; the impact of implementation and compliance with new and evolving U.S. and international regulations, including, but not limited to, recovery and resolution planning requirements, the Volcker Rule, and derivatives regulations; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks; 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.

Table of Contents

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At March 31, 2016, the Corporation had approximately \$2.2 trillion in assets and approximately 213,000 full-time equivalent employees.

As of March 31, 2016, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,700 retail financial centers, approximately 16,000 ATMs, and leading online and mobile banking platforms with approximately 33 million active users and approximately 20 million mobile users (www.bankofamerica.com). We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of nearly \$2.5 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes, serving corporations, governments, institutions and individuals around the world.

Table of Contents

First-Quarter 2016 Economic and Business Environment

The U.S. economy continued to expand in the first quarter of 2016, much as it had during the final quarter of 2015. Consumer spending rose but at a slower pace for a second consecutive quarter, while consumer confidence remained at levels near the highs of the economic recovery period that began in June 2009. Business spending continued to be constrained by the impact of sustained low oil prices. Residential construction advanced steadily, reflecting continued low mortgage rates and solid employment gains. The net export gap widened, negatively impacting domestic economic growth, as weakness in foreign economies and the strong U.S. Dollar for most of the first quarter decreased export demand.

Payroll gains continued, but at a slower pace than the preceding quarter. The unemployment rate also edged lower. Labor force participation scored solid gains, indicating that the stronger labor market is attracting new candidates, and average hourly earnings showed tentative signs of increasing. Prices for finished energy products such as gasoline continued to fall during the quarter, suppressing headline consumer inflation (which includes certain items that may be subject to frequent volatile price changes, such as food and energy). Core inflation gained slight momentum, matching its year-over-year maximum for the economic recovery period as measured by the Consumer Price Index, but remained well below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term annual target of two percent.

After its initial rate increase in December, the Federal Open Market Committee (FOMC) left its federal funds rate target unchanged, showing concern about very low inflation and weak economic conditions abroad. In January, the FOMC cited lower market-based measures of break-even inflation rates (rates that would leave an investor indifferent between holding a Treasury inflation-protected security and a Treasury security) and hinted at increased risk to the economy. In March, FOMC members' assessments of future federal funds rate levels fell appreciably. These signals indicated greater restraint in tightening monetary policy by the Federal Reserve. In response, Treasury yields fell during the quarter. Credit conditions tightened early in the quarter with widening corporate spreads and falling equities. However, both asset classes recovered late to remain relatively unchanged for the quarter.

International concerns remained a key factor in the Federal Reserve's resistance to raising rates. Internationally, other central banks generally increased monetary easing. Responding to sustained below-target inflation, the European Central Bank lowered its deposit rate further into negative territory and increased its volume of security purchases. The issues of the influx of refugees related to the war in Syria and the possibility that the United Kingdom could elect to leave the European Union remained sources of political uncertainty for the region. The Bank of Japan eased its monetary policy further, also introducing negative rates for the first time. Among emerging nations, Brazil faced a political crisis along with a deep recession and high inflation, while the Chinese economy continued to expand but at a somewhat slower pace.

Table of Contents

Recent Events

Resolution Plan

On April 13, 2016, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) provided firm-specific feedback to eight systemically important, domestic banking institutions on their 2015 resolution plans. For additional information, see the Corporation's Current Report on Form 8-K as filed on April 13, 2016.

Capital Management

During the three months ended March 31, 2016, we repurchased \$800 million of common stock in connection with our 2015 Comprehensive Capital Analysis and Review (CCAR) capital plan, which included a request to repurchase \$4.0 billion of common stock over five quarters beginning in the second quarter of 2015, and to maintain the quarterly common stock dividend at the current rate of \$0.05 per share. Additionally, on March 18, 2016, the Corporation announced that the Board of Directors (the Board) authorized additional repurchases of common stock up to \$800 million outside of the scope of the 2015 CCAR capital plan to offset the share count dilution resulting from equity incentive compensation awarded to retirement-eligible employees, to which the Federal Reserve did not object. In connection with the additional authorization, the Corporation repurchased \$200 million of common stock during the three months ended March 31, 2016. For additional information, see Capital Management on page 45.

Selected Financial Data

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

Table 1
Selected Financial Data

	Three Months Ended	
	March 31	
(Dollars in millions, except per share information)	2016	2015
Income statement		
Revenue, net of interest expense (FTE basis) ⁽¹⁾	\$19,727	\$21,129
Net income	2,680	3,097
Diluted earnings per common share	0.21	0.25
Dividends paid per common share	0.05	0.05
Performance ratios		
Return on average assets	0.50	% 0.59 %
Return on average tangible common shareholders' equity ⁽¹⁾	5.41	7.19
Efficiency ratio (FTE basis) ⁽¹⁾	75.11	74.91
	March 31	December 31
	2016	2015
Balance sheet		
Total loans and leases ⁽²⁾	\$901,113	\$896,983
Total assets	2,185,498	2,144,316
Total deposits	1,217,261	1,197,259
Total common shareholders' equity	238,434	233,932
Total shareholders' equity	262,776	256,205

(1)

Fully taxable-equivalent (FTE) basis, return on average tangible common 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 14.

- (2) Beginning in the first quarter of 2016, the Corporation classifies certain leases in other assets. Previously these leases were classified in loans and leases. Prior periods were reclassified to conform to current period presentation.

Table of Contents

Financial Highlights

Net income was \$2.7 billion, or \$0.21 per diluted share for the three months ended March 31, 2016 compared to \$3.1 billion, or \$0.25 for the same period in 2015. The results for the three months ended March 31, 2016 compared to the same period in 2015 were primarily driven by declines in net interest income on a fully taxable-equivalent (FTE) basis and noninterest income, and higher provision for credit losses, partially offset by lower noninterest expense. Included in net interest income on an FTE basis were negative market-related adjustments on debt securities of \$1.2 billion and \$484 million for the three months ended March 31, 2016 and 2015.

Total assets increased \$41.2 billion from December 31, 2015 to \$2.2 trillion at March 31, 2016 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity, higher cash and cash equivalents due to strong deposit inflows, and an increase in loans and leases driven by strong demand for commercial loans outpacing consumer loan sales and run-off. Total liabilities increased \$34.6 billion from December 31, 2015 to \$1.9 trillion at March 31, 2016 primarily driven by an increase in deposits, securities loaned or sold under agreements to repurchase and trading account liabilities, partially offset by a decline in all other liabilities driven by the Bank of New York Mellon (BNY Mellon) settlement payment. During the three months ended March 31, 2016, we returned \$2.0 billion in capital to shareholders through common and preferred stock dividends and common stock repurchases. For more information on the balance sheet, see Executive Summary – Balance Sheet Overview on page 11.

From a capital management perspective, during the three months ended March 31, 2016, we maintained our strong capital position with Common equity tier 1 capital of \$162.7 billion, risk-weighted assets of \$1,587 billion and a Common equity tier 1 capital ratio of 10.3 percent at March 31, 2016 as measured under the Basel 3 Advanced – Transition. The Corporation's fully phased-in supplementary leverage ratio (SLR) was 6.8 percent and 6.4 percent at March 31, 2016 and December 31, 2015, both above the 5.0 percent required minimum (including leverage buffer) effective January 1, 2018. Our Global Excess Liquidity Sources were \$525 billion with time-to-required funding at 36 months at March 31, 2016 compared to \$504 billion and 39 months at December 31, 2015. For additional information, see Capital Management on page 45 and Liquidity Risk on page 54.

Table 2
Summary Income Statement

(Dollars in millions)	Three Months Ended March 31	
	2016	2015
Net interest income (FTE basis) ⁽¹⁾	\$9,386	\$9,626
Noninterest income	10,341	11,503
Total revenue, net of interest expense (FTE basis) ⁽¹⁾	19,727	21,129
Provision for credit losses	997	765
Noninterest expense	14,816	15,827
Income before income taxes (FTE basis) ⁽¹⁾	3,914	4,537
Income tax expense (FTE basis) ⁽¹⁾	1,234	1,440
Net income	2,680	3,097
Preferred stock dividends	457	382
Net income applicable to common shareholders	\$2,223	\$2,715
Per common share information		
Earnings	\$0.21	\$0.26
Diluted earnings	0.21	0.25

FTE basis is a non-GAAP financial measure. Includes FTE adjustments of \$215 million for both the three months
(1) ended March 31, 2016 and 2015. For more information on this measure and for a corresponding reconciliation to
GAAP financial measures, see Supplemental Financial Data on page 14.

7

Table of Contents

Net Interest Income

Net interest income on an FTE basis decreased \$240 million to \$9.4 billion for the three months ended March 31, 2016 compared to the same period in 2015. The net interest yield on an FTE basis decreased 11 basis points (bps) to 2.05 percent for the same period. These declines were primarily driven by a negative change of \$707 million in market-related adjustments on debt securities and lower consumer loan balances, partially offset by growth in commercial loans, the impact of higher interest rates and increased debt securities compared to the three months ended March 31, 2015. Negative market-related adjustments on debt securities were \$1.2 billion and \$484 million for the three months ended March 31, 2016 and 2015. Negative market-related adjustments on debt securities were primarily due to the acceleration of premium amortization on debt securities as the decline in long-term interest rates shortened the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Noninterest Income

Table 3

Noninterest Income

(Dollars in millions)	Three Months Ended March 31	
	2016	2015
Card income	\$1,430	\$1,394
Service charges	1,837	1,764
Investment and brokerage services	3,182	3,378
Investment banking income	1,153	1,487
Trading account profits	1,662	2,247
Mortgage banking income	433	694
Gains on sales of debt securities	226	268
Other income	418	271
Total noninterest income	\$10,341	\$11,503

Noninterest income decreased \$1.2 billion to \$10.3 billion for the three months ended March 31, 2016 compared to the same period in 2015. The following highlights the significant changes.

- Investment and brokerage services income decreased \$196 million driven by lower market valuations and lower transactional revenue.

- Investment banking income decreased \$334 million driven by lower debt and equity issuance fees, as well as lower advisory fees due to declines in market fee pools.

- Trading account profits decreased \$585 million. Debit valuation adjustments (DVA) gains were \$184 million in the three months ended March 31, 2016 compared to losses of \$46 million in the same period in 2015.

- Excluding DVA, trading account profits decreased \$815 million driven by declines in credit-related products and equities due to challenging market conditions, and lower revenue in currencies which performed strongly in the same period in 2015. These decreases were partially offset by an improved performance in rates and client financing. For more information on trading account profits, see Global Markets on page 33.

Mortgage banking income decreased \$261 million primarily due to declines in core production revenue, mortgage servicing rights (MSR) net-of-hedge performance and servicing fees, partially offset by gains on the sales of loans.

Other income increased \$147 million primarily due to an improvement of \$325 million in DVA, partially offset by lower gains on asset sales. DVA losses were \$30 million in the three months ended March 31, 2016 compared to \$355 million in the same period in 2015.

Table of Contents

Provision for Credit Losses

Table 4
Credit Quality Data

(Dollars in millions)	Three Months Ended March 31	
	2016	2015
Provision for credit losses		
Consumer	\$402	\$619
Commercial	595	146
Total provision for credit losses	\$997	\$765
Net charge-offs ⁽¹⁾	\$1,068	\$1,194
Net charge-off ratio ⁽²⁾	0.48	% 0.56 %

⁽¹⁾ Net charge-offs exclude write-offs in the purchased credit-impaired loan portfolio.

⁽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.

The provision for credit losses increased \$232 million to \$997 million for the three months ended March 31, 2016 compared to the same period in 2015. The provision for credit losses in the consumer portfolio decreased \$217 million compared to the same period in 2015 due to a continued improvement in portfolio trends. The provision for credit losses for the commercial portfolio increased \$449 million in the three months ended March 31, 2016 compared to the same period in 2015 driven by an increase in energy sector reserves primarily due to increased allowance coverage for the higher risk sub-sectors. For more information on our energy sector exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83. The decrease in net charge-offs for the three months ended March 31, 2016 was primarily due to credit quality improvement in the consumer portfolio, partially offset by higher energy-related net charge-offs in the commercial portfolio.

For the remainder of 2016, we currently expect that provision expense should approximate net charge-offs. For more information on the provision for credit losses, see Provision for Credit Losses on page 89.

Noninterest Expense

Table 5
Noninterest Expense

(Dollars in millions)	Three Months Ended March 31	
	2016	2015
Personnel	\$8,852	\$9,614
Occupancy	1,028	1,027
Equipment	463	512
Marketing	419	440
Professional fees	425	421
Amortization of intangibles	187	213
Data processing	838	852
Telecommunications	173	171
Other general operating	2,431	2,577
Total noninterest expense	\$14,816	\$15,827

Noninterest expense decreased \$1.0 billion to \$14.8 billion for the three months ended March 31, 2016 compared to the same period in 2015. Personnel expense decreased \$762 million as we continue to manage headcount and achieve cost savings. Continued expense management in LAS, as well as the expiration of fully-amortized wealth advisor retention awards, more than offset the increases in client-facing professionals. Included in personnel expense were annual retirement-eligible incentive costs of \$850 million for the three months ended March 31, 2016 compared to \$1.0 billion for the same period in 2015. Other general operating expense decreased \$146 million primarily due to lower foreclosed properties expense.

Table of Contents

Income Tax Expense

Table 6

Income Tax Expense

(Dollars in millions)	Three Months Ended March 31			
	2016	2015		
Income before income taxes	\$3,699	\$4,322		
Income tax expense	1,019	1,225		
Effective tax rate	27.5	%	28.3	%

The effective tax rates for the three months ended March 31, 2016 and 2015 were driven by the impact of our recurring tax preference benefits. We expect an effective tax rate closer to 30 percent for the remainder of 2016, absent unusual items.

The U.K. Chancellor's Budget 2016 was announced on March 16, 2016 and proposes to further reduce the U.K. corporate income tax rate by one percent to 17 percent effective April 1, 2020. This reduction would favorably affect income tax expense on future U.K. earnings but also would require us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rate. Accordingly, upon enactment, we would expect to record a charge to income tax expense of approximately \$350 million. In addition, for banking companies, the portion of U.K. taxable income that can be reduced by net operating loss carryforwards would be further restricted from 50 percent to 25 percent retroactive to April 1, 2016.

Table of Contents

Balance Sheet Overview

Table 7

Selected Balance Sheet Data

(Dollars in millions)	March 31 2016	December 31 2015	% Change
Assets			
Cash and cash equivalents	\$ 179,610	\$ 159,353	13 %
Federal funds sold and securities borrowed or purchased under agreements to resell	221,129	192,482	15
Trading account assets	178,987	176,527	1
Debt securities	400,311	407,005	(2)
Loans and leases	901,113	896,983	<1
Allowance for loan and lease losses	(12,069)	(12,234)	(1)
All other assets	316,417	324,200	(2)
Total assets	\$2,185,498	\$2,144,316	2
Liabilities			
Deposits	\$ 1,217,261	\$ 1,197,259	2 %
Federal funds purchased and securities loaned or sold under agreements to repurchase	188,960	174,291	8
Trading account liabilities	74,003	66,963	11
Short-term borrowings	30,881	28,098	10
Long-term debt	232,849	236,764	(2)
All other liabilities	178,768	184,736	(3)
Total liabilities	1,922,722	1,888,111	2
Shareholders' equity	262,776	256,205	3
Total liabilities and shareholders' equity	\$2,185,498	\$2,144,316	2

Assets

At March 31, 2016, total assets were approximately \$2.2 trillion, up \$41.2 billion from December 31, 2015. The increase in assets was primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity, higher cash and cash equivalents due to strong deposit inflows, and an increase in loans and leases driven by strong demand for commercial loans outpacing consumer loan sales and run-off.

Liabilities and Shareholders' Equity

At March 31, 2016, total liabilities were approximately \$1.9 trillion, up \$34.6 billion from December 31, 2015, primarily driven by an increase in deposits, securities loaned or sold under agreements to repurchase and trading account liabilities, partially offset by a decline in all other liabilities driven by the BNY Mellon settlement payment.

Shareholders' equity of \$262.8 billion at March 31, 2016 increased \$6.6 billion from December 31, 2015 driven by an increase in accumulated other comprehensive income (OCI) due to a positive net change in the fair value of available-for-sale (AFS) debt securities as a result of lower interest rates, earnings and preferred stock issuances, partially offset by returns of capital to shareholders of \$2.0 billion through common and preferred stock dividends and common stock repurchases.

Table of ContentsTable 8
Selected Quarterly Financial Data

(In millions, except per share information)	2016	2015 Quarters				
	Quarter	Fourth	Third	Second	First	
	First					
Income statement						
Net interest income	\$9,171	\$9,756	\$9,471	\$10,461	\$9,411	
Noninterest income	10,341	9,911	11,042	11,495	11,503	
Total revenue, net of interest expense	19,512	19,667	20,513	21,956	20,914	
Provision for credit losses	997	810	806	780	765	
Noninterest expense	14,816	14,010	13,940	13,958	15,827	
Income before income taxes	3,699	4,847	5,767	7,218	4,322	
Income tax expense	1,019	1,511	1,446	2,084	1,225	
Net income	2,680	3,336	4,321	5,134	3,097	
Net income applicable to common shareholders	2,223	3,006	3,880	4,804	2,715	
Average common shares issued and outstanding	10,340	10,399	10,444	10,488	10,519	
Average diluted common shares issued and outstanding	11,100	11,153	11,197	11,238	11,267	
Performance ratios						
Return on average assets	0.50	% 0.61	% 0.79	% 0.96	% 0.59	%
Four quarter trailing return on average assets ⁽¹⁾	0.71	0.74	0.73	0.52	0.38	
Return on average common shareholders' equity	3.77	5.08	6.65	8.42	4.88	
Return on average tangible common shareholders' equity ⁽²⁾	5.41	7.32	9.65	12.31	7.19	
Return on average tangible shareholders' equity ⁽²⁾	5.72	7.15	9.43	11.51	7.24	
Total ending equity to total ending assets	12.02	11.95	11.89	11.71	11.67	
Total average equity to total average assets	11.98	11.79	11.71	11.67	11.49	
Dividend payout	23.23	17.27	13.43	10.90	19.38	
Per common share data						
Earnings	\$0.21	\$0.29	\$0.37	\$0.46	\$0.26	
Diluted earnings	0.21	0.28	0.35	0.43	0.25	
Dividends paid	0.05	0.05	0.05	0.05	0.05	
Book value	23.12	22.54	22.41	21.91	21.66	
Tangible book value ⁽²⁾	16.17	15.62	15.50	15.02	14.79	
Market price per share of common stock						
Closing	\$13.52	\$16.83	\$15.58	\$17.02	\$15.39	
High closing	16.43	17.95	18.45	17.67	17.90	
Low closing	11.16	15.38	15.26	15.41	15.15	
Market capitalization	\$139,427	\$174,700	\$162,457	\$178,231	\$161,909	

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

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

(2) 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 14.

(3) For more information on the impact of the purchased credit-impaired loan portfolio (PCI) on asset quality, see Consumer Portfolio Credit Risk Management on page 60.

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

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

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 73 and corresponding Table 40, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 82 and corresponding Table 49.

- (6) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in Consumer Banking, PCI loans and the non-U.S. credit card portfolio in All Other.
Net charge-offs exclude \$105 million, \$82 million, \$148 million, \$290 million and \$288 million of write-offs in
- (7) the PCI loan portfolio in the first quarter of 2016 and in the fourth, third, second and first quarters of 2015, respectively. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.
Risk-based capital ratios reported under Basel 3 Advanced - Transition beginning in the fourth quarter of 2015.
- (8) Prior to the fourth quarter of 2015, we were required to report risk-based capital ratios under Basel 3 Standardized - Transition only. For additional information, see Capital Management on page 45.

Table of ContentsTable 8
Selected Quarterly Financial Data (continued)

(Dollars in millions)	2016	2015 Quarters				
	Quarter First	Fourth	Third	Second	First	
Average balance sheet						
Total loans and leases	\$892,984	\$886,156	\$877,429	\$876,178	\$867,169	
Total assets	2,173,618	2,180,472	2,168,993	2,151,966	2,138,574	
Total deposits	1,198,455	1,186,051	1,159,231	1,146,789	1,130,726	
Long-term debt	233,654	237,384	240,520	242,230	240,127	
Common shareholders' equity	237,123	234,851	231,620	228,780	225,357	
Total shareholders' equity	260,317	257,125	253,893	251,054	245,744	
Asset quality ⁽³⁾						
Allowance for credit losses ⁽⁴⁾	\$12,696	\$12,880	\$13,318	\$13,656	\$14,213	
Nonperforming loans, leases and foreclosed properties ⁽⁵⁾	9,281	9,836	10,336	11,565	12,101	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ⁽⁵⁾	1.35	% 1.37	% 1.45	% 1.50	% 1.58	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ⁽⁵⁾	136	130	129	122	122	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio ⁽⁵⁾	129	122	120	111	110	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ⁽⁶⁾	\$4,138	\$4,518	\$4,682	\$5,050	\$5,492	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ^(5, 6)	90	% 82	% 81	% 75	% 73	%
Net charge-offs ⁽⁷⁾	\$1,068	\$1,144	\$932	\$1,068	\$1,194	
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(5, 7)	0.48	% 0.52	% 0.43	% 0.49	% 0.56	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio ⁽⁵⁾	0.49	0.53	0.43	0.50	0.58	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding ⁽⁵⁾	0.53	0.55	0.49	0.63	0.70	
Nonperforming loans and leases as a percentage of total loans and leases outstanding ⁽⁵⁾	0.99	1.05	1.12	1.23	1.30	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties ⁽⁵⁾	1.04	1.10	1.18	1.32	1.40	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽⁷⁾	2.81	2.70	3.42	3.05	2.82	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.67	2.52	3.18	2.79	2.55	

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Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.56	2.52	2.95	2.40	2.28	
Capital ratios at period end						
Risk-based capital: ⁽⁸⁾						
Common equity tier 1 capital	10.3	% 10.2	% 11.6	% 11.2	% 11.1	%
Tier 1 capital	11.5	11.3	12.9	12.5	12.3	
Total capital	13.4	13.2	15.8	15.5	15.3	
Tier 1 leverage	8.7	8.6	8.5	8.5	8.4	
Tangible equity ⁽²⁾	9.0	8.9	8.8	8.6	8.6	
Tangible common equity ⁽²⁾	7.9	7.8	7.8	7.6	7.5	
For footnotes see page 12.						

Table of Contents

Supplemental Financial Data

We view net interest income and related ratios and analyses on an FTE basis, which when presented on a consolidated basis, are non-GAAP financial measures. We believe managing the business with net interest income on an 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 an FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds.

We 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 use both return on average tangible common shareholders' equity and return on average tangible shareholders' equity as key measures to support our overall growth goals. These ratios are as follows:

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

Return on average tangible shareholders' equity measures our earnings contribution as a percentage of adjusted average total shareholders' equity. The tangible equity ratio represents adjusted ending shareholders' equity divided by total assets less goodwill and 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 Table 8.

We evaluate our business segment results based on measures that utilize average allocated capital. Return on average allocated capital is calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital. Allocated capital and the related return both represent non-GAAP financial measures.

Table 9 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 9

Supplemental Financial Data

(Dollars in millions)	Three Months Ended March 31	
	2016	2015
Fully taxable-equivalent basis data		
Net interest income	\$9,386	\$9,626
Total revenue, net of interest expense	19,727	21,129

Net interest yield	2.05	%	2.16	%
Efficiency ratio	75.11		74.91	

Tables 10, 11 and 12 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 of Contents

Table 10

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	Three Months Ended March 31					
	2016			2015		
	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis
Net interest income	\$9,171	\$ 215	\$ 9,386	\$9,411	\$ 215	\$ 9,626
Total revenue, net of interest expense	19,512	215	19,727	20,914	215	21,129
Income tax expense	1,019	215	1,234	1,225	215	1,440

Table 11

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

(Dollars in millions)	Period-end		Average Three Months Ended March 31	
	March 31 2016	December 31 2015	2016	2015
Common shareholders' equity	\$238,434	\$233,932	\$237,123	\$225,357
Goodwill	(69,761)	(69,761)	(69,761)	(69,776)
Intangible assets (excluding MSRs)	(3,578)	(3,768)	(3,687)	(4,518)
Related deferred tax liabilities	1,667	1,716	1,707	1,959
Tangible common shareholders' equity	\$166,762	\$162,119	\$165,382	\$153,022
Shareholders' equity	\$262,776	\$256,205	\$260,317	\$245,744
Goodwill	(69,761)	(69,761)	(69,761)	(69,776)
Intangible assets (excluding MSRs)	(3,578)	(3,768)	(3,687)	(4,518)
Related deferred tax liabilities	1,667	1,716	1,707	1,959
Tangible shareholders' equity	\$191,104	\$184,392	\$188,576	\$173,409
Total assets	\$2,185,498	\$2,144,316		
Goodwill	(69,761)	(69,761)		
Intangible assets (excluding MSRs)	(3,578)	(3,768)		
Related deferred tax liabilities	1,667	1,716		
Tangible Assets	\$2,113,826	\$2,072,503		

Table of Contents

Table 12

Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures

(1)

(Dollars in millions)	Three Months Ended March 31	
	2016	2015
Consumer Banking		
Reported net income	\$1,785	\$1,461
Adjustment related to intangibles ⁽²⁾	1	1
Adjusted net income	\$1,786	\$1,462
Average allocated equity ⁽³⁾	\$60,261	\$59,295
Adjustment related to goodwill and a percentage of intangibles	(30,261)	(30,295)
Average allocated capital	\$30,000	\$29,000
Deposits		
Reported net income	\$814	\$536
Adjustment related to intangibles ⁽²⁾	—	—
Adjusted net income	\$814	\$536
Average allocated equity ⁽³⁾	\$30,417	\$30,424
Adjustment related to goodwill and a percentage of intangibles	(18,417)	(18,424)
Average allocated capital	\$12,000	\$12,000
Consumer Lending		
Reported net income	\$971	\$925
Adjustment related to intangibles ⁽²⁾	1	1
Adjusted net income	\$972	\$926
Average allocated equity ⁽³⁾	\$29,844	\$28,870
Adjustment related to goodwill and a percentage of intangibles	(11,844)	(11,870)
Average allocated capital	\$18,000	\$17,000
Global Wealth & Investment Management		
Reported net income	\$740	\$652
Adjustment related to intangibles ⁽²⁾	3	3
Adjusted net income	\$743	\$655
Average allocated equity ⁽³⁾	\$23,098	\$22,168
Adjustment related to goodwill and a percentage of intangibles	(10,098)	(10,168)
Average allocated capital	\$13,000	\$12,000
Global Banking		
Reported net income	\$1,066	\$1,367
Adjustment related to intangibles ⁽²⁾	—	—
Adjusted net income	\$1,066	\$1,367
Average allocated equity ⁽³⁾	\$60,937	\$58,877

Adjustment related to goodwill and a percentage of intangibles	(23,937)	(23,877)
Average allocated capital	\$37,000	\$35,000

Global Markets

Reported net income	\$984	\$677
Adjustment related to intangibles ⁽²⁾	2	2
Adjusted net income	\$986	\$679

Average allocated equity ⁽³⁾	\$42,332	\$40,416
Adjustment related to goodwill and a percentage of intangibles	(5,332)	(5,416)
Average allocated capital	\$37,000	\$35,000

⁽¹⁾ There are no adjustments to reported net income (loss) or average allocated equity for LAS.

⁽²⁾ Represents cost of funds, earnings credits and certain expenses related to intangibles.

Average allocated equity is comprised of average allocated capital plus capital for the portion of goodwill and

⁽³⁾ intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 21.

Table of Contents

Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on an FTE basis and excluding the impact of trading-related activities. 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 an FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 13 provides additional clarity in assessing our results.

Table 13

Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	Three Months Ended March 31			
	2016		2015	
Net interest income (FTE basis)				
As reported	\$9,386		\$9,626	
Impact of trading-related net interest income	(1,059)	(883)
Net interest income excluding trading-related net interest income (FTE basis) ⁽¹⁾	\$8,327		\$8,743	
Average earning assets				
As reported	\$1,844,650		\$1,799,175	
Impact of trading-related earning assets	(397,732)	(415,193)
Average earning assets excluding trading-related earning assets ⁽¹⁾	\$1,446,918		\$1,383,982	
Net interest yield contribution (FTE basis) ⁽²⁾				
As reported	2.05	%	2.16	%
Impact of trading-related activities	0.27		0.40	
Net interest yield on earning assets excluding trading-related activities (FTE basis) ⁽¹⁾	2.32	%	2.56	%

⁽¹⁾ Represents a non-GAAP financial measure.

⁽²⁾ Calculated on an annualized basis.

For the three months ended March 31, 2016, net interest income excluding trading-related net interest income decreased \$416 million to \$8.3 billion compared to the same period in 2015. The decrease was primarily driven by a negative change of \$707 million in market-related adjustments on debt securities and lower consumer loan balances, partially offset by growth in commercial loans, the impact of higher interest rates and an increase in debt securities compared to the three months ended March 31, 2015. Market-related adjustments on debt securities resulted in an expense of \$1.2 billion for the three months ended March 31, 2016 compared to an expense of \$484 million for the same period in 2015. Negative market-related adjustments on debt securities were primarily due to the acceleration of premium amortization on debt securities as the decline in long-term interest rates shortened the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income. For more information on market-related adjustments, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. For more information on the impact of interest rates, see Interest Rate Risk Management for Non-trading Activities on page 99.

Average earning assets excluding trading-related earning assets for the three months ended March 31, 2016 increased \$62.9 billion to \$1,446.9 billion compared to the same period in 2015. The increase was primarily in commercial loans, securities borrowed or purchased under agreements to resell, debt securities and cash held at central banks, partially offset by a decline in consumer loans.

For the three months ended March 31, 2016, net interest yield on earning assets excluding trading-related activities decreased 24 bps to 2.32 percent compared to the same period in 2015 due to the same factors as described above.

Table of Contents

Table 14

Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	First Quarter 2016			Fourth Quarter 2015		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$ 138,574	\$ 155	0.45 %	\$ 148,102	\$ 108	0.29 %
Time deposits placed and other short-term investments	9,156	32	1.41	10,120	41	1.61
Federal funds sold and securities borrowed or purchased under agreements to resell	209,183	276	0.53	207,585	214	0.41
Trading account assets	136,306	1,212	3.57	134,797	1,141	3.37
Debt securities ⁽¹⁾	399,809	1,224	1.23	399,423	2,541	2.55
Loans and leases ⁽²⁾ :						
Residential mortgage	186,980	1,629	3.49	189,650	1,644	3.47
Home equity	75,328	711	3.79	77,109	715	3.69
U.S. credit card	87,163	2,021	9.32	88,623	2,045	9.15
Non-U.S. credit card	9,822	253	10.36	10,155	258	10.07
Direct/Indirect consumer ⁽³⁾	89,342	550	2.48	87,858	530	2.40
Other consumer ⁽⁴⁾	2,138	16	3.03	2,039	11	2.09
Total consumer	450,773	5,180	4.61	455,434	5,203	4.55
U.S. commercial	270,511	1,936	2.88	261,727	1,790	2.72
Commercial real estate ⁽⁵⁾	57,271	434	3.05	56,126	408	2.89
Commercial lease financing	21,077	182	3.46	20,422	155	3.03
Non-U.S. commercial	93,352	585	2.52	92,447	530	2.27
Total commercial	442,211	3,137	2.85	430,722	2,883	2.66
Total loans and leases	892,984	8,317	3.74	886,156	8,086	3.63
Other earning assets	58,638	694	4.76	61,070	748	4.87
Total earning assets ⁽⁶⁾	1,844,650	11,910	2.59	1,847,253	12,879	2.77
Cash and due from banks	28,844			29,503		
Other assets, less allowance for loan and lease losses	300,124			303,716		
Total assets	\$ 2,173,618			\$ 2,180,472		

Yields on debt securities excluding the impact of market-related adjustments was 2.45 percent in the first quarter of 2016, and 2.47 percent, 2.50 percent, 2.48 percent and 2.54 percent in the fourth, third, second and first quarters of ⁽¹⁾ 2015, respectively. Yields on debt securities excluding the impact of market-related adjustments are a non-GAAP financial measure. The Corporation believes the use of this non-GAAP financial measure provides additional clarity in assessing its results.

Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is ⁽²⁾ 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.

⁽³⁾ Includes non-U.S. consumer loans of \$3.8 billion in the first quarter of 2016, and \$4.0 billion for each of the quarters of 2015.

⁽⁴⁾ Includes consumer finance loans of \$551 million in the first quarter of 2016, and \$578 million, \$605 million, \$632 million and \$661 million in the fourth, third, second and first quarters of 2015, respectively; consumer leases of \$1.4 billion in the first quarter of 2016, and \$1.3 billion, \$1.2 billion, \$1.1 billion and \$1.0 billion in the fourth, third, second and first quarters of 2015, respectively; and consumer overdrafts of \$161 million in the first quarter of 2016, and \$174 million, \$177 million, \$131 million and \$141 million in the fourth, third, second and first quarters of 2015, respectively.

(5) Includes U.S. commercial real estate loans of \$53.8 billion in the first quarter of 2016, and \$52.8 billion, \$49.8 billion, \$47.6 billion and \$45.6 billion in the fourth, third, second and first quarters of 2015, respectively; and non-U.S. commercial real estate loans of \$3.4 billion in the first quarter of 2016, and \$3.3 billion, \$3.8 billion, \$2.8 billion and \$2.7 billion in the fourth, third, second and first quarters of 2015, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$35 million in the first quarter of 2016, and \$32 million, \$8 million, \$8 million and \$11 million in the fourth, third, second and first quarters of 2015, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$565 million in the first quarter of 2016, and \$681 million, \$590 million, \$509 million and \$582 million in the fourth, third, second and first quarters of 2015, respectively. For additional information, see Interest Rate Risk Management for Non-trading Activities on page 99.

(7) The yield on long-term debt excluding the \$612 million adjustment on certain trust preferred securities was 2.15 percent for the fourth quarter of 2015. For more information, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. The yield on long-term debt excluding the adjustment is a non-GAAP financial measure.

Table of Contents

Table 14

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

(Dollars in millions)	Third Quarter 2015			Second Quarter 2015			First Quarter 2015		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Earning assets									
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$145,174	\$ 96	0.26 %	\$125,762	\$ 81	0.26 %	\$126,189	\$ 84	0.27 %
Time deposits placed and other short-term investments	11,503	38	1.32	8,183	34	1.64	8,379	33	1.61
Federal funds sold and securities borrowed or purchased under agreements to resell	210,127	275	0.52	214,326	268	0.50	213,931	231	0.44
Trading account assets	140,484	1,170	3.31	137,137	1,114	3.25	138,946	1,122	3.26
Debt securities ⁽¹⁾	394,420	1,853	1.88	386,357	3,082	3.21	383,120	1,898	2.01
Loans and leases ⁽²⁾ :									
Residential mortgage	193,791	1,690	3.49	207,356	1,782	3.44	215,030	1,851	3.45
Home equity	79,715	730	3.64	82,640	769	3.73	84,915	770	3.66
U.S. credit card	88,201	2,033	9.15	87,460	1,980	9.08	88,695	2,027	9.27
Non-U.S. credit card	10,244	267	10.34	10,012	264	10.56	10,002	262	10.64
Direct/Indirect consumer ⁽³⁾	85,975	515	2.38	83,698	504	2.42	80,713	491	2.47
Other consumer ⁽⁴⁾	1,980	15	3.01	1,885	15	3.14	1,847	15	3.29
Total consumer	459,906	5,250	4.54	473,051	5,314	4.50	481,202	5,416	4.54
U.S. commercial	251,908	1,744	2.75	244,540	1,704	2.80	234,907	1,645	2.84
Commercial real estate ⁽⁵⁾	53,605	384	2.84	50,478	382	3.03	48,234	347	2.92
Commercial lease financing	20,013	153	3.07	19,486	149	3.05	19,271	171	3.55
Non-U.S. commercial	91,997	514	2.22	88,623	479	2.17	83,555	485	2.35
Total commercial	417,523	2,795	2.66	403,127	2,714	2.70	385,967	2,648	2.78
Total loans and leases	877,429	8,045	3.65	876,178	8,028	3.67	867,169	8,064	3.76
Other earning assets	62,847	716	4.52	62,712	721	4.60	61,441	706	4.66
Total earning assets ⁽⁶⁾	1,841,984	12,193	2.63	1,810,655	13,328	2.95	1,799,175	12,138	2.72
Cash and due from banks	27,730			30,751			27,695		
Other assets, less allowance for loan and lease losses	299,279			310,560			311,704		
Total assets	\$2,168,993			\$2,151,966			\$2,138,574		

For footnotes see page 18.

Table of Contents

Table 14

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

(Dollars in millions)	First Quarter 2016			Fourth Quarter 2015		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$47,845	\$ 1	0.01 %	\$46,094	\$ 1	0.01 %
NOW and money market deposit accounts	577,779	71	0.05	558,441	68	0.05
Consumer CDs and IRAs	49,617	35	0.28	51,107	37	0.29
Negotiable CDs, public funds and other deposits	31,739	29	0.37	30,546	25	0.32
Total U.S. interest-bearing deposits	706,980	136	0.08	686,188	131	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,123	9	0.84	3,997	7	0.69
Governments and official institutions	1,472	2	0.53	1,687	2	0.37
Time, savings and other	56,943	78	0.55	55,965	71	0.51
Total non-U.S. interest-bearing deposits	62,538	89	0.57	61,649	80	0.52
Total interest-bearing deposits	769,518	225	0.12	747,837	211	0.11
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	221,990	614	1.11	231,650	519	0.89
Trading account liabilities	72,299	292	1.63	73,139	272	1.48
Long-term debt ⁽⁷⁾	233,654	1,393	2.39	237,384	1,895	3.18
Total interest-bearing liabilities ⁽⁶⁾	1,297,461	2,524	0.78	1,290,010	2,897	0.89
Noninterest-bearing sources:						
Noninterest-bearing deposits	428,937			438,214		
Other liabilities	186,903			195,123		
Shareholders' equity	260,317			257,125		
Total liabilities and shareholders' equity	\$2,173,618			\$2,180,472		
Net interest spread			1.81 %			1.88 %
Impact of noninterest-bearing sources			0.24			0.27
Net interest income/yield on earning assets		\$ 9,386	2.05 %		\$ 9,982	2.15 %
For footnotes see page 18.						

Table of Contents

Table 14

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

(Dollars in millions)	Third Quarter 2015			Second Quarter 2015			First Quarter 2015		
	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	\$46,297	\$ 2	0.02 %	\$47,381	\$ 2	0.02 %	\$46,224	\$ 2	0.02 %
NOW and money market deposit accounts	545,741	67	0.05	536,201	71	0.05	531,827	67	0.05
Consumer CDs and IRAs	53,174	38	0.29	55,832	42	0.30	58,704	45	0.31
Negotiable CDs, public funds and other deposits	30,631	26	0.33	29,904	22	0.30	28,796	22	0.31
Total U.S. interest-bearing deposits	675,843	133	0.08	669,318	137	0.08	665,551	136	0.08
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	4,196	7	0.71	5,162	9	0.67	4,544	8	0.74
Governments and official institutions	1,654	1	0.33	1,239	1	0.38	1,382	1	0.21
Time, savings and other	53,793	73	0.53	55,030	69	0.51	54,276	75	0.55
Total non-U.S. interest-bearing deposits	59,643	81	0.54	61,431	79	0.52	60,202	84	0.56
Total interest-bearing deposits	735,486	214	0.12	730,749	216	0.12	725,753	220	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	257,323	597	0.92	252,088	686	1.09	244,134	585	0.97
Trading account liabilities	77,443	342	1.75	77,772	335	1.73	78,787	394	2.03
Long-term debt ⁽⁷⁾	240,520	1,343	2.22	242,230	1,407	2.33	240,127	1,313	2.20
Total interest-bearing liabilities ⁽⁶⁾	1,310,772	2,496	0.76	1,302,839	2,644	0.81	1,288,801	2,512	0.79
Noninterest-bearing sources:									
Noninterest-bearing deposits	423,745			416,040			404,973		
Other liabilities	180,583			182,033			199,056		
Shareholders' equity	253,893			251,054			245,744		
Total liabilities and shareholders' equity	\$2,168,993			\$2,151,966			\$2,138,574		
Net interest spread			1.87 %			2.14 %			1.93 %
Impact of noninterest-bearing sources			0.23			0.23			0.23
Net interest income/yield on earning assets		\$ 9,697	2.10 %		\$ 10,684	2.37 %		\$ 9,626	2.16 %

For footnotes see page 18.

Business Segment Operations

Segment Description and Basis of Presentation

We report our results of operations through the following five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), with the remaining operations recorded in All Other.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-based capital models. The Corporation's internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see *Managing Risk* on page 44. The capital allocated to the business segments is referred to as allocated capital, which represents a non-GAAP financial measure. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For additional information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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

Table of Contents

Consumer Banking

	Three Months Ended March 31						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change
Net interest income (FTE basis)	\$2,659	\$ 2,297	\$2,526	\$ 2,575	\$5,185	\$ 4,872	6 %
Noninterest income:							
Card income	3	3	1,208	1,165	1,211	1,168	4
Service charges	997	966	—	—	997	966	3
Mortgage banking income	—	—	122	288	122	288	(58)
All other income	116	102	17	10	133	112	19
Total noninterest income	1,116	1,071	1,347	1,463	2,463	2,534	(3)
Total revenue, net of interest expense (FTE basis)	3,775	3,368	3,873	4,038	7,648	7,406	3
Provision for credit losses	48	63	512	653	560	716	(22)
Noninterest expense	2,440	2,452	1,826	1,915	4,266	4,367	(2)
Income before income taxes (FTE basis)	1,287	853	1,535	1,470	2,822	2,323	21
Income tax expense (FTE basis)	473	317	564	545	1,037	862	20
Net income	\$814	\$ 536	\$971	\$ 925	\$1,785	\$ 1,461	22
Net interest yield (FTE basis)	1.85 %	1.74 %	4.84 %	5.34 %	3.47 %	3.54 %	
Return on average allocated capital	27	18	22	22	24	20	
Efficiency ratio (FTE basis)	64.63	72.80	47.16	47.43	55.78	58.97	

Balance Sheet

	Three Months Ended March 31						
	Average		Average		Average		
	2016	2015	2016	2015	2016	2015	% Change
Total loans and leases	\$5,963	\$ 5,879	\$208,858	\$ 193,702	\$214,821	\$ 199,581	8 %
Total earning assets ⁽¹⁾	576,770	535,412	210,044	195,548	601,048	558,713	8
Total assets ⁽¹⁾	603,565	562,195	219,196	204,632	636,995	594,580	7
Total deposits	571,461	530,291	n/m	n/m	572,660	531,365	8
Allocated capital	12,000	12,000	18,000	17,000	30,000	29,000	3
Period end	March 31	December 31	March 31	December 31	March 31	December 31	% Change
	2016	2015	2016	2015	2016	2015	
Total loans and leases	\$6,010	\$ 5,927	\$211,610	\$ 208,478	\$217,620	\$ 214,405	1 %
Total earning assets ⁽¹⁾	596,196	576,241	212,718	209,858	620,286	599,491	3
Total assets ⁽¹⁾	622,922	603,580	222,321	219,307	656,615	636,279	3
Total deposits	590,829	571,467	n/m	n/m	592,118	572,738	3

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

n/m = not meaningful

Consumer Banking, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 33 states and the District of Columbia. The franchise network includes approximately 4,700 financial centers, 16,000 ATMs, nationwide call centers, and online and mobile platforms.

Consumer Banking Results

Net income for Consumer Banking increased \$324 million to \$1.8 billion for the three months ended March 31, 2016 compared to the same period in 2015 primarily driven by higher net interest income, lower provision for credit losses and lower noninterest expense, partially offset by lower noninterest income. Net interest income increased \$313 million to \$5.2 billion due to the beneficial impact of an increase in investable assets as a result of higher deposits, partially offset by lower credit card balances. Noninterest income decreased \$71 million to \$2.5 billion due to lower mortgage banking income and the impact on revenue of certain divestitures, partially offset by higher card income and higher service charges.

Table of Contents

The provision for credit losses decreased \$156 million to \$560 million primarily driven by continued improvement in credit quality. Noninterest expense decreased \$101 million to \$4.3 billion primarily driven by lower operating expense.

The return on average allocated capital was 24 percent, up from 20 percent, reflecting higher net income. For more information on capital allocations, see Business Segment Operations on page 21.

Deposits

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

Deposits includes the net impact of migrating customers and their related deposit and brokerage asset balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 26.

Net income for Deposits increased \$278 million to \$814 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by higher revenue. Net interest income increased \$362 million to \$2.7 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits. Noninterest income increased \$45 million to \$1.1 billion primarily driven by higher service charges due to increased activity.

The provision for credit losses decreased \$15 million to \$48 million driven by continued improvement in credit quality. Noninterest expense decreased \$12 million to \$2.4 billion due to lower operating expense, partially offset by higher personnel expense.

Average deposits increased \$41.2 billion to \$571.5 billion driven by a continuing customer shift to more liquid products in the low rate environment. Growth in checking, traditional savings and money market savings of \$49.5 billion was partially offset by a decline in time deposits of \$8.4 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by one bp to four bps.

Key Statistics – Deposits

	Three Months Ended		
	March 31		
	2016	2015	%
Total deposit spreads (excludes noninterest costs)	1.66	1.62	%
Period end			
Client brokerage assets (in millions)	\$ 126,921	\$ 118,492	
Online banking active accounts (units in thousands)	32,647	31,523	
Mobile banking active users (units in thousands)	19,595	17,092	
Financial centers	4,689	4,835	

ATMs

16,003

15,903

Client brokerage assets increased \$8.4 billion driven by strong account flows, partially offset by lower market valuations. Mobile banking active users increased 2.5 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined 146 driven by changes in customer preferences to self-service options and as we continue to optimize our consumer banking network and improve our cost-to-serve.

23

Table of Contents

Consumer Lending

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

Consumer Lending includes the net impact of migrating customers and their related loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM on page 26.

Net income for Consumer Lending increased \$46 million to \$971 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by lower provision for credit losses and lower noninterest expense, partially offset by a decline in revenue. Net interest income decreased \$49 million to \$2.5 billion primarily driven by lower average credit card balances and higher funding costs, partially offset by an increase in consumer auto lending balances. Noninterest income decreased \$116 million to \$1.3 billion due to lower mortgage banking income and the impact on revenue of certain divestitures, partially offset by higher card income.

The provision for credit losses decreased \$141 million to \$512 million driven by continued improvement in credit quality. Noninterest expense decreased \$89 million to \$1.8 billion primarily driven by lower personnel and fraud expenses due to the benefit of the Europay, MasterCard and Visa (EMV) chip implementation.

Average loans increased \$15.2 billion to \$208.9 billion primarily driven by increases in residential mortgages and consumer vehicle loans, partially offset by lower home equity loans and continued run-off of non-core portfolios.

Key Statistics – Consumer Lending

(Dollars in millions)	Three Months Ended	
	March 31	
	2016	2015
Total U.S. credit card ⁽¹⁾		
Gross interest yield	9.32	% 9.27 %
Risk-adjusted margin	9.05	9.02
New accounts (in thousands)	1,208	1,161
Purchase volumes	\$51,154	\$50,178
Debit card purchase volumes	\$69,147	\$66,898

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

During the three months ended March 31, 2016, the total U.S. credit card risk-adjusted margin remained relatively unchanged compared to the same period in 2015. Total U.S. credit card purchase volumes increased \$1.0 billion to \$51.2 billion and debit card purchase volumes increased \$2.2 billion to \$69.1 billion, reflecting higher levels of consumer spending.

Table of Contents

Mortgage Banking Income

Mortgage banking income is earned primarily in Consumer Banking and LAS. Mortgage banking income in Consumer Lending consists mainly of core production income, which is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Consumer Lending:		
Core production revenue	\$137	\$300
Representations and warranties provision	2	6
Other consumer mortgage banking income ⁽¹⁾	(17)	(18)
Total Consumer Lending mortgage banking income	122	288
LAS mortgage banking income ⁽²⁾	372	461
Eliminations ⁽³⁾	(61)	(55)
Total consolidated mortgage banking income	\$433	\$694

(1) Primarily intercompany charges for loan servicing activities provided by LAS.

(2) Amounts for LAS are included in this Consumer Banking table to show the components of consolidated mortgage banking income.

Includes the effect of transfers of mortgage loans from Consumer Banking to the asset and liability management

(3) (ALM) portfolio included in All Other, intercompany charges for loan servicing and net gains or losses on intercompany trades related to mortgage servicing rights risk management.

Core production revenue for the three months ended March 31, 2016 decreased \$163 million to \$137 million compared to the same period in 2015 due to a decrease in production volume to be sold, resulting from a decision to retain certain residential mortgage loans in Consumer Banking.

Key Statistics

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Loan production ⁽¹⁾ :		
Total ⁽²⁾ :		
First mortgage	\$12,623	\$13,713
Home equity	3,805	3,217
Consumer Banking:		
First mortgage	\$9,078	\$9,854
Home equity	3,515	3,017

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

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

First mortgage loan originations in Consumer Banking and for the total Corporation decreased \$776 million and \$1.1 billion for the three months ended March 31, 2016 compared to the same period in 2015 driven by lower refinance activity.

Home equity production for the total Corporation was \$3.8 billion for the three months ended March 31, 2016 compared to \$3.2 billion for the same period in 2015, with the increase due to a higher demand in the market based on improving housing trends, as well as improved financial center engagement with customers and more competitive pricing.

Table of Contents

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended March 31		
	2016	2015	% Change
Net interest income (FTE basis)	\$1,489	\$ 1,351	10 %
Noninterest income:			
Investment and brokerage services	2,536	2,723	(7)
All other income	420	443	(5)
Total noninterest income	2,956	3,166	(7)
Total revenue, net of interest expense (FTE basis)	4,445	4,517	(2)
Provision for credit losses	25	23	9
Noninterest expense	3,250	3,458	(6)
Income before income taxes (FTE basis)	1,170	1,036	13
Income tax expense (FTE basis)	430	384	12
Net income	\$740	\$ 652	13
Net interest yield (FTE basis)	2.14	% 2.13	%
Return on average allocated capital	23	22	
Efficiency ratio (FTE basis)	73.12	76.56	

Balance Sheet

Average	Three Months Ended March 31		
	2016	2015	% Change
Total loans and leases	\$137,868	\$ 126,129	9 %
Total earning assets	279,471	257,625	8
Total assets	295,576	275,130	7
Total deposits	260,482	243,561	7
Allocated capital	13,000	12,000	8
Period end	March 31	December 31	%
	2016	2015	Change
Total loans and leases	\$138,418	\$ 137,847	<1%
Total earning assets	279,980	279,465	<1
Total assets	296,062	296,139	<(1)
Total deposits	260,565	260,893	<(1)

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

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

U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted to high net worth and ultra high net worth clients, as well as customized solutions to

meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.

Table of Contents

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

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

Net income for GWIM increased \$88 million to \$740 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by a decrease in noninterest expense, partially offset by a decrease in revenue. Net interest income increased \$138 million to \$1.5 billion driven by an increase in deposits and loan growth. Noninterest income, which primarily includes investment and brokerage services income, decreased \$210 million to \$3.0 billion driven by lower market valuations and lower transactional activity. Noninterest expense decreased \$208 million to \$3.3 billion primarily due to the expiration of certain advisor retention awards, as well as lower revenue-related incentives.

Return on average allocated capital was 23 percent, up from 22 percent, due to an increase in net income. For more information on capital allocated to the business segments, see Business Segment Operations on page 21.

Table of Contents

Key Indicators and Metrics

(Dollars in millions, except as noted)	Three Months Ended March 31	
	2016	2015
Revenue by Business		
Merrill Lynch Global Wealth Management	\$3,647	\$3,748
U.S. Trust	773	751
Other ⁽¹⁾	25	18
Total revenue, net of interest expense (FTE basis)	\$4,445	\$4,517
Client Balances by Business, at period end		
Merrill Lynch Global Wealth Management	\$1,996,872	\$2,043,447
U.S. Trust	390,262	391,105
Other ⁽¹⁾	77,751	75,295
Total client balances	\$2,464,885	\$2,509,847
Client Balances by Type, at period end		
Long-term assets under management	\$812,916	\$841,966
Liquidity assets under management	77,747	75,291
Assets under management	890,663	917,257
Brokerage assets	1,056,752	1,076,277
Assets in custody	115,537	141,273
Deposits	260,565	244,080
Loans and leases ⁽²⁾	141,368	130,960
Total client balances	\$2,464,885	\$2,509,847
Assets Under Management Rollforward		
Assets under management, beginning balance	\$900,863	\$902,872
Net long-term client flows	(599) 14,654
Net liquidity client flows	(3,820) (1,493
Market valuation/other	(5,781) 1,224
Total assets under management, ending balance	\$890,663	\$917,257
Associates, at period end ^(3, 4)		
Number of financial advisors	16,672	16,163
Total wealth advisors, including financial advisors	18,111	17,593
Total client-facing professionals, including financial advisors and wealth advisors	20,569	20,110
Merrill Lynch Global Wealth Management Metric ⁽⁴⁾		
Financial advisor productivity ⁽⁵⁾ (in thousands)	\$983	\$1,041
U.S. Trust Metric, at period end ⁽⁴⁾		
Client-facing professionals	2,184	2,176

(1) Includes the results of BofA Global Capital Management, the cash management division of Bank of America, and certain administrative items.

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

(3) Includes financial advisors in the Consumer Banking segment of 2,259 and 1,978 at March 31, 2016 and 2015.

(4) Headcount computation is based upon full-time equivalents.

Financial advisor productivity is defined as annualized Merrill Lynch Global Wealth Management total revenue,

(5) excluding the allocation of certain ALM activities, divided by the total number of financial advisors (excluding financial advisors in the Consumer Banking segment).

Client balances decreased \$45 billion, or two percent, to nearly \$2.5 trillion driven by market declines, partially offset by client balance flows.

The number of wealth advisors increased three percent, due to continued investment in the advisor development programs, improved competitive recruiting and near historically low advisor attrition levels.

Table of Contents

Revenue from MLGWM of \$3.6 billion decreased three percent driven by a decline in noninterest income, partially offset by an increase in net interest income. Noninterest income decreased driven by lower market valuations and lower transactional activity. Net interest income increased driven by growth in deposits and loans.

Revenue from U.S. Trust of \$773 million increased three percent driven by an increase in net interest income, partially offset by a decrease in noninterest income. Net interest income increased driven by growth in deposits and loans. Noninterest income decreased driven by lower market valuations.

Net Migration Summary

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

Net Migration Summary ⁽¹⁾

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Total deposits, net – to (from) GWIM	\$(391)	\$(483)
Total loans, net – to (from) GWIM	9	(26)
Total brokerage, net – to (from) GWIM	(240)	(582)

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

Table of ContentsGlobal
Banking

(Dollars in millions)	Three Months Ended March 31		
	2016	2015	% Change
Net interest income (FTE basis)	\$2,489	\$2,215	12 %
Noninterest income:			
Service charges	745	710	5
Investment banking fees	636	852	(25)
All other income	528	625	(16)
Total noninterest income	1,909	2,187	(13)
Total revenue, net of interest expense (FTE basis)	4,398	4,402	<(1)
Provision for credit losses	553	96	n/m
Noninterest expense	2,159	2,132	1
Income before income taxes (FTE basis)	1,686	2,174	(22)
Income tax expense (FTE basis)	620	807	(23)
Net income	\$1,066	\$1,367	(22)
Net interest yield (FTE basis)	2.97	% 2.88	%
Return on average allocated capital	12	16	
Efficiency ratio (FTE basis)	49.09	48.45	

Balance Sheet

Average	Three Months Ended March 31		
	2016	2015	% Change
Total loans and leases	\$324,552	\$284,298	14 %
Total earning assets	337,296	311,724	8
Total assets	387,661	361,771	7
Total deposits	297,134	286,434	4
Allocated capital	37,000	35,000	6
Period end	March 31	December 31	%
	2016	2015	Change
Total loans and leases	\$329,543	\$319,658	3 %
Total earning assets	341,294	330,737	3
Total assets	390,643	382,053	2
Total deposits	298,072	296,162	1

n/m = not meaningful

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

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

Net income for Global Banking decreased \$301 million to \$1.1 billion for the three months ended March 31, 2016 compared to the same period in 2015 primarily driven by higher provision for credit losses and lower noninterest income, partially offset by higher net interest income.

Table of Contents

Revenue of \$4.4 billion remained relatively unchanged for the three months ended March 31, 2016 compared to the same period in 2015. Net interest income increased \$274 million to \$2.5 billion driven by the impact of loan and deposit growth. Noninterest income decreased \$278 million to \$1.9 billion primarily due to lower investment banking fees and negative fair value adjustments on loans accounted for under the fair value option and loan hedges, partially offset by growth in treasury services and card income.

The provision for credit losses increased \$457 million to \$553 million driven by increases in energy-related reserves. For more information on our energy exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83. Noninterest expense of \$2.2 billion remained relatively unchanged as investments in client-facing professionals in Commercial and Business Banking and higher severance costs were offset by lower revenue-related expenses.

The return on average allocated capital was 12 percent, down from 16 percent, due to increased capital allocations and lower net income. For more information on capital allocated to the business segments, see Business Segment Operations on page 21.

Global Corporate, Global Commercial and Business Banking

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

Global Corporate, Global Commercial and Business Banking

(Dollars in millions)	Three Months Ended March 31							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Business Lending	\$1,013	\$1,021	\$1,005	\$910	\$97	\$89	\$2,115	\$2,020
Global Transaction Services	713	656	695	647	185	165	1,593	1,468
Total revenue, net of interest expense	\$1,726	\$1,677	\$1,700	\$1,557	\$282	\$254	\$3,708	\$3,488
Balance Sheet								
Average								
Total loans and leases	\$146,810	\$126,090	\$160,519	\$141,304	\$17,196	\$16,900	\$324,525	\$284,294
Total deposits	137,637	133,876	125,321	120,630	34,182	31,930	297,140	286,436
Period end								
Total loans and leases	\$150,280	\$129,257	\$161,874	\$144,185	\$17,274	\$17,008	\$329,428	\$290,450
Total deposits	139,691	136,435	124,010	121,149	34,376	32,843	298,077	290,427

Business Lending revenue increased \$95 million for the three months ended March 31, 2016 compared to the same period in 2015 due to the impact of loan growth, partially offset by negative fair value adjustments on loans accounted for under the fair value option and loan hedges.

Global Transaction Services revenue increased \$125 million for the three months ended March 31, 2016 compared to the same period in 2015 primarily due to higher net interest income driven by the beneficial impact of an increase in investable assets as a result of higher deposits, and growth in treasury services and card income.

Average loans and leases increased 14 percent for the three months ended March 31, 2016 compared to the same period in 2015 driven by growth in the commercial and industrial, commercial real estate and leasing portfolios. Average deposits increased four percent for the three months ended March 31, 2016 compared to the same period in 2015 due to continued portfolio growth with new and existing clients.

Table of Contents

Global Investment Banking

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

Investment Banking Fees

(Dollars in millions)	Three Months Ended March 31			
	Global Banking		Total Corporation	
	2016	2015	2016	2015
Products				
Advisory	\$305	\$387	\$346	\$428
Debt issuance	265	335	669	781
Equity issuance	66	130	188	345
Gross investment banking fees	636	852	1,203	1,554
Self-led deals	(11)	(22)	(50)	(67)
Total investment banking fees	\$625	\$830	\$1,153	\$1,487

Total Corporation investment banking fees of \$1.2 billion, excluding self-led deals, included within Global Banking and Global Markets, decreased 22 percent for the three months ended March 31, 2016 compared to the same period in 2015 driven by lower fees across all products due to a significant decline in overall market fee pools.

Table of Contents

Global Markets

(Dollars in millions)	Three Months Ended March 31		
	2016	2015	% Change
Net interest income (FTE basis)	\$1,189	\$ 981	21 %
Noninterest income:			
Investment and brokerage services	568	573	(1)
Investment banking fees	494	630	(22)
Trading account profits	1,592	2,131	(25)
All other income (loss)	108	(124)	n/m
Total noninterest income	2,762	3,210	(14)
Total revenue, net of interest expense (FTE basis)	3,951	4,191	(6)
Provision for credit losses	9	21	(57)
Noninterest expense	2,432	3,140	(23)
Income before income taxes (FTE basis)	1,510	1,030	47
Income tax expense (FTE basis)	526	353	49
Net income	\$984	\$ 677	45
Return on average allocated capital	11	% 8	%
Efficiency ratio (FTE basis)	61.56	74.92	

Balance Sheet

Average	Three Months Ended March 31		
	2016	2015	% Change
Trading-related assets:			
Trading account securities	\$187,930	\$ 193,491	(3)%
Reverse repurchases	85,501	115,309	(26)
Securities borrowed	80,807	78,713	3
Derivative assets	53,514	56,417	(5)
Total trading-related assets ⁽¹⁾	407,752	443,930	(8)
Total loans and leases	69,283	56,601	22
Total earning assets ⁽¹⁾	419,144	433,061	(3)
Total assets	582,226	596,806	(2)
Total deposits	36,173	39,587	(9)
Allocated capital	37,000	35,000	6
Period end	March 31	December 31	%
	2016	2015	Change
Total trading-related assets ⁽¹⁾	\$408,309	\$ 373,950	9 %
Total loans and leases	73,446	73,208	<1
Total earning assets ⁽¹⁾	423,118	385,157	10
Total assets	582,048	549,952	6
Total deposits	34,486	37,256	(7)

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

n/m = not meaningful

Table of Contents

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

Net income for Global Markets increased \$307 million to \$984 million for the three months ended March 31, 2016 compared to the same period in 2015. Net DVA gains were \$154 million in the three months ended March 31, 2016 compared to losses of \$401 million in the same period in 2015. Excluding net DVA, net income decreased \$37 million to \$889 million primarily driven by lower sales and trading revenue and lower investment banking fees, partially offset by decreased noninterest expense. Sales and trading revenue, excluding net DVA, decreased \$603 million primarily driven by a weaker trading environment. Noninterest expense decreased \$708 million to \$2.4 billion largely due to lower litigation expense and, to a lesser extent, lower revenue-related incentive compensation and support costs.

Average earning assets decreased \$13.9 billion to \$419.1 billion largely driven by a decrease in match book financing activity due to a reduction in client demand and continuing balance sheet optimization efforts across Global Markets. Period-end trading-related assets increased \$34.4 billion from December 31, 2015 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity.

The return on average allocated capital was 11 percent, up from eight percent, reflecting an increase in net income, partially offset by an increase in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 21.

Table of Contents

Sales and Trading Revenue

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

Sales and Trading Revenue ^(1, 2)

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Sales and trading revenue		
Fixed-income, currencies and commodities	\$2,404	\$2,352
Equities	1,037	1,137
Total sales and trading revenue	\$3,441	\$3,489

Sales and trading revenue, excluding net DVA ⁽³⁾

Fixed-income, currencies and commodities	\$2,264	\$2,744
Equities	1,023	1,146
Total sales and trading revenue, excluding net DVA ⁽³⁾	\$3,287	\$3,890

Includes FTE adjustments of \$44 million and \$48 million for the three months ended March 31, 2016 and 2015.

(1) For more information on sales and trading revenue, see Note 2 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of \$160 million and \$75 million for the three months ended March 31, 2016 and 2015.

FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net

(3) DVA gains were \$140 million for the three months ended March 31, 2016 compared to net DVA losses of \$392 million for the same period in 2015. Equities net DVA gains were \$14 million for the three months ended March 31, 2016 compared to net DVA losses of \$9 million for the same period in 2015.

Fixed-income, currencies and commodities (FICC) revenue, excluding net DVA, decreased \$480 million to \$2.3 billion reflecting a weak trading environment for credit-related products and lower revenue in currencies compared with a strong year-ago quarter, partially offset by improved performance in rates and client financing. Equities revenue, excluding net DVA, decreased \$123 million to \$1.0 billion primarily driven by weaker trading performance in a challenging market environment in the first half of the quarter with market-wide volatility impacting our inventory positions and restraining client activity in certain markets.

Table of Contents

Legacy Assets & Servicing

(Dollars in millions)	Three Months Ended March 31		
	2016	2015	% Change
Net interest income (FTE basis)	\$314	\$ 428	(27)%
Noninterest income:			
Mortgage banking income	372	461	(19)
All other income (loss)	(7)	25	n/m
Total noninterest income	365	486	(25)
Total revenue, net of interest expense (FTE basis)	679	914	(26)
Provision for credit losses	(118)	91	n/m
Noninterest expense	860	1,200	(28)
Loss before income taxes (FTE basis)	(63)	(377)	(83)
Income tax benefit (FTE basis)	(23)	(140)	(84)
Net loss	\$(40)	\$(237)	(83)
Net interest yield (FTE basis)	3.82	% 4.19	%

Balance Sheet

Average	Three Months Ended March 31		
	2016	2015	% Change
Total loans and leases	\$25,878	\$ 32,411	(20)%
Total earning assets	33,080	41,468	(20)
Total assets	41,821	52,713	(21)
Allocated capital	23,000	24,000	(4)
Period end	March 31	December 31	%
Total loans and leases	2016	2015	Change
Total earning assets	\$25,115	\$ 26,521	(5)%
Total assets	30,560	37,783	(19)
Total assets	38,928	47,292	(18)

n/m = not meaningful

LAS is responsible for our mortgage servicing activities related to residential first mortgage and home equity loans serviced for others and loans held by the Corporation, including loans that have been designated as the LAS Portfolios. The LAS 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 37. In addition, LAS is responsible for managing certain legacy exposures related to mortgage origination, sales and servicing activities (e.g., litigation, representations and warranties). LAS also includes the financial results of the home equity portfolio selected as part of the Legacy Owned Portfolio and the results of MSR activities, including net hedge results.

LAS includes certain revenues and expenses on loans serviced for others, including owned loans serviced for Consumer Banking, GWIM and All Other.

The net loss for LAS decreased \$197 million to \$40 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by lower noninterest expense and lower provision for credit losses, partially offset by a decrease in total revenue. Revenue decreased \$235 million due to lower net interest income and mortgage banking income. Net interest income decreased \$114 million primarily driven by the impact of lower loan balances. Mortgage banking income decreased \$89 million primarily due to lower servicing fees due to a smaller servicing portfolio and lower MSR net-of-hedge performance, partially offset by gains on sales of loans and lower representations and warranties provision. The provision for credit losses decreased \$209 million to a benefit of \$118 million, primarily driven by continued portfolio improvement. Noninterest expense decreased \$340 million to \$860 million due to lower default-related staffing and other default-related servicing expenses. Litigation expense was \$131 million and \$179 million for the three months ended March 31, 2016 and 2015.

Table of Contents

Servicing

LAS is responsible for all of our in-house 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 25 percent and 26 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at March 31, 2016 and 2015. In addition, LAS is responsible for contracting with and overseeing vendors who subservice loans on our behalf.

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

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 purchased credit-impaired (PCI) loan portfolio, 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. Home equity loans in this portfolio are held on the balance sheet of LAS, and residential mortgage loans in this portfolio are included as part 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 \$4.3 billion during the three months ended March 31, 2016 to \$67.4 billion, of which \$25.1 billion was held on the LAS balance sheet and the remainder was included in All Other. The decrease was largely due to payoffs and paydowns, as well as loan sales.

Legacy Serviced Portfolio

The Legacy Serviced Portfolio includes loans serviced by LAS in both the Legacy Owned Portfolio and those loans serviced for outside investors that met the criteria as described above. The table below summarizes the balances of the residential mortgage loans included in the Legacy Serviced Portfolio (the Legacy Residential Mortgage Serviced Portfolio) representing 23 percent and 24 percent of the total residential mortgage serviced portfolio of \$479 billion and \$588 billion, as measured by unpaid principal balance, at March 31, 2016 and 2015. The decline in the Legacy Residential Mortgage Serviced Portfolio was due to paydowns and payoffs, and MSR and loan sales.

Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio ⁽¹⁾

	March 31	
(Dollars in billions)	2016	2015
Unpaid principal balance		

Residential mortgage loans

Total	\$111	\$141
60 days or more past due	11	21

Number of loans serviced (in thousands)

Residential mortgage loans

Total	607	764
60 days or more past due	61	109

(1) Excludes \$26 billion and \$32 billion of home equity loans and home equity lines of credit (HELOCs) at March 31, 2016 and 2015.

Table of Contents

Non-Legacy Portfolio

As previously discussed, LAS 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 77 percent and 76 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at March 31, 2016 and 2015. The decline in the Non-Legacy Residential Mortgage Serviced Portfolio was primarily due to paydowns and payoffs, partially offset by new originations.

Non-Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio ⁽¹⁾

	March 31	
(Dollars in billions)	2016	2015
Unpaid principal balance Residential mortgage loans		
Total	\$368	\$447
60 days or more past due	4	8

Number of loans serviced (in thousands)

Residential mortgage loans		
Total	2,321	2,868
60 days or more past due	27	44

⁽¹⁾ Excludes \$46 billion and \$49 billion of home equity loans and HELOCs at March 31, 2016 and 2015.

LAS Mortgage Banking Income

LAS mortgage banking income includes income earned in connection with servicing activities and MSR valuation adjustments, net of results from risk management activities used to hedge certain market risks of the MSRs. The costs associated with our servicing activities are included in noninterest expense. LAS mortgage banking income also includes the cost of legacy representations and warranties exposures and revenue from the sales of loans that had returned to performing status. The table below summarizes LAS mortgage banking income.

LAS Mortgage Banking Income

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Servicing income:		
Servicing fees	\$330	\$430
Amortization of expected cash flows ⁽¹⁾	(171)	(198)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks ⁽²⁾	126	250
Total net servicing income	285	482
Representations and warranties provision	(44)	(90)
Other mortgage banking income ⁽³⁾	131	69
Total LAS mortgage banking income	\$372	\$461

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

During the three months ended March 31, 2016, LAS mortgage banking income decreased \$89 million to \$372 million compared to the same period in 2015, primarily driven by lower servicing fees due to a smaller servicing portfolio and lower MSR net-of-hedge performance, partially offset by gains on sales of loans and a lower representations and warranties provision. For the three months ended March 31, 2016, servicing fees declined 23 percent to \$330 million as the size of the servicing portfolio continued to decline driven by loan prepayment activity, which exceeded the servicing added from new originations in our retail channels. The \$46 million decrease in the provision for representations and warranties for the three months ended March 31, 2016 compared to the same period in 2015 was due to a lower level of exposure emerging in the at-risk portfolio.

Table of Contents

Key Statistics

(Dollars in millions, except as noted)	March 31	December 31
	2016	2015
Mortgage serviced portfolio (in billions) ^(1, 2)	\$551	\$ 565
Mortgage loans serviced for investors (in billions) ⁽¹⁾	368	378
Mortgage servicing rights:		
Balance ⁽³⁾	2,152	2,680
Capitalized mortgage servicing rights (% of loans serviced for investors)	58 bps	71 bps

The servicing portfolio and mortgage loans serviced for investors represent the unpaid principal balance of loans.

(1) At March 31, 2016 and December 31, 2015, the balance excludes \$18 billion and \$16 billion of non-U.S. consumer mortgage loans serviced for investors.

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

(3) At March 31, 2016 and December 31, 2015, excludes \$479 million and \$407 million of certain non-U.S. residential mortgage MSR balances that are recorded in Global Markets.

Mortgage Servicing Rights

At March 31, 2016, the balance of consumer MSRs managed within LAS, which excludes \$479 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was \$2.2 billion compared to \$2.7 billion at December 31, 2015. The decrease was primarily driven by the impact of lower interest rates, higher expected prepayments and the recognition of modeled cash flows, partially offset by new MSRs recorded in connection with loan sales. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Table of Contents

All Other

(Dollars in millions)	Three Months Ended March 31		
	2016	2015	% Change
Net interest income (FTE basis)	\$(1,280)	\$(221)	n/m
Noninterest income:			
Card income	44	68	(35)%
Gains on sales of debt securities	226	263	(14)
All other loss	(384)	(411)	(7)
Total noninterest income	(114)	(80)	43
Total revenue, net of interest expense (FTE basis)	(1,394)	(301)	n/m
Provision for credit losses	(32)	(182)	(82)
Noninterest expense	1,849	1,530	21
Loss before income taxes (FTE basis)	(3,211)	(1,649)	95
Income tax benefit (FTE basis)	(1,356)	(826)	64
Net loss	\$(1,855)	\$(823)	125

Balance Sheet

Average	Three Months Ended March 31		
	2016	2015	% Change
Loans and leases:			
Residential mortgage	\$104,395	\$151,305	(31)%
Non-U.S. credit card	9,822	10,002	(2)
Other	6,365	6,842	(7)
Total loans and leases	120,582	168,149	(28)
Total assets ⁽¹⁾	229,339	257,574	(11)
Total deposits	23,964	19,518	23
Period end	March 31 2016	December 31 2015	% Change
Loans and leases:			
Residential mortgage	\$100,524	\$109,030	(8)%
Non-U.S. credit card	9,977	9,975	<1
Other	6,470	6,339	2
Total loans and leases	116,971	125,344	(7)
Total equity investments	4,205	4,297	(2)
Total assets ⁽¹⁾	221,202	232,601	(5)
Total deposits	23,885	22,919	4

In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, ⁽¹⁾ we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were \$517.9 billion and \$502.2 billion for the three months ended March 31, 2016 and 2015, and \$531.6 billion and \$519.1 billion at March 31, 2016 and December 31, 2015.

n/m = not meaningful

Table of Contents

All Other consists of asset and liability management (ALM) activities, equity investments, the international consumer card business, liquidating businesses, residual expense allocations and other. ALM activities encompass certain residential mortgages, debt securities, interest rate and foreign currency risk management activities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. Certain residential mortgage loans that are managed by LAS are held in All Other. For more information on our ALM activities, see Note 18 – Business Segment Information to the Consolidated Financial Statements. Equity investments include our merchant services joint venture as well as Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other alternative investments. For more information on our merchant services joint venture, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

The net loss for All Other increased \$1.0 billion to \$1.9 billion for the three months ended March 31, 2016 compared to the same period in 2015 due to lower net interest income, a decrease in the benefit in the provision for credit losses, higher noninterest expense and lower gains on sales of loans. Net interest income decreased \$1.1 billion primarily driven by a larger impact from negative market-related adjustments on debt securities. Negative market-related adjustments on debt securities were \$1.2 billion compared to a negative \$484 million in the prior-year period. Gains on the sales of loans, including nonperforming and other delinquent loans, net of hedges, were \$157 million compared to gains of \$217 million in the prior-year period.

The benefit in the provision for credit losses decreased \$150 million to a benefit of \$32 million primarily driven by a slower pace of credit quality improvement.

Noninterest expense increased \$319 million to \$1.8 billion reflecting an increase in litigation expense and higher personnel costs. Annual retirement-eligible incentive costs of \$850 million and \$1.0 billion were recorded on a consolidated basis for the three months ended March 31, 2016 and 2015. These costs are initially recorded in All Other and allocated to the business segments ratably over the year. The income tax benefit was \$1.4 billion compared to a benefit of \$826 million, driven by the change in the pretax loss. In addition, both periods included income tax benefit adjustments to eliminate the FTE treatment in noninterest income of certain tax credits recorded in Global Banking.

Table of Contents

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For more information on obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 46 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K, as well as Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Representations and Warranties

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

We have vigorously contested any request for repurchase where we have concluded that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve legacy mortgage-related issues, we have reached settlements, certain of which have been for significant amounts, in lieu of a loan-by-loan review process, including with the GSEs, four monoline insurers and BNY Mellon, as trustee for certain securitization trusts.

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

Unresolved Repurchase Claims

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

At March 31, 2016, we had \$18.3 billion of unresolved repurchase claims, predominantly related to subprime and pay option first-lien loans, and home equity loans, compared to \$18.4 billion at December 31, 2015. The notional amount of unresolved repurchase claims at both March 31, 2016 and December 31, 2015 included \$3.5 billion of claims

related to loans in specific private-label securitization groups or tranches where we own substantially all of the outstanding securities. At both March 31, 2016 and December 31, 2015, for loans originated from 2004 through 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others was \$16.7 billion. At March 31, 2016 and December 31, 2015, the notional amount of unresolved repurchase claims submitted by the GSEs for loans originated prior to 2009 was \$13 million and \$14 million. During the three months ended March 31, 2016 and 2015, we continued to have limited loan-level representations and warranties repurchase claims experience with the monoline insurers due to bulk settlements in prior years and ongoing litigation with a single monoline insurer. For more information on unresolved repurchase claims, see Off-Balance Sheet Arrangements and Contractual Obligations – Unresolved Repurchase Claims on page 47 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Table of Contents

Liability for Representations and Warranties and Corporate Guarantees

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income in the Consolidated Statement of Income. At March 31, 2016 and December 31, 2015, the liability for representations and warranties was \$2.8 billion and \$11.3 billion. The reduction in the liability was the result of an \$8.5 billion cash payment in February 2016 to BNY Mellon as part of the settlement with BNY Mellon. The representations and warranties provision was \$42 million for the three months ended March 31, 2016 compared to \$84 million for the same period in 2015.

Our liability for representations and warranties is necessarily dependent on, and limited by, a number of factors including for private-label securitizations, the implied repurchase experience based on the settlement with BNY Mellon, as well as certain other assumptions and judgmental factors. Where relevant, we also consider more recent experience, such as claim activity, notification of potential indemnification obligations, our experience with various counterparties, the New York Court of Appeals' ACE Securities Corp. v. DB Structured Products, Inc. (ACE) decision, other recent court decisions related to the statute of limitations, and other facts and circumstances, such as bulk settlements, as we believe appropriate. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if future experiences are different from historical experience or our understandings, interpretations or assumptions. For more information on the settlement with BNY Mellon, and the ACE decision and its impact on unresolved repurchase claims, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to \$2 billion over existing accruals at March 31, 2016. We treat claims that are time-barred as resolved and do not consider such claims in the estimated range of possible loss. The estimated range of possible loss reflects principally exposures related to loans in private-label securitization trusts. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

For more information on the methodology used to estimate the representations and warranties liability, the corresponding estimated range of possible loss and the types of losses not considered in such estimates, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K and, for more information related to the sensitivity of the assumptions used to estimate our liability for representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability on page 104 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Department of Justice Settlement

For a description of the settlement with the U.S. Department of Justice (DoJ), see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Other Mortgage-related Matters

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

Table of Contents

Managing Risk

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

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

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

For additional information on our risk management activities, including our Risk Framework, see pages 49 through 100 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K. For information on our strategic, compliance, operational and reputational risk management, see page 53 and pages 99 through 100 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Table of Contents

Capital Management

The Corporation manages its capital position to ensure capital is more than adequate to support its business activities and to maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain safety and soundness at all times, even under adverse scenarios, take advantage of organic growth opportunities, ensure obligations to creditors and counterparties are met, maintain ready access to financial markets, continue to serve as a credit intermediary, remain a source of strength for our subsidiaries, and satisfy current and future regulatory capital requirements. Capital management is integrated into our risk and governance processes, as capital is a key consideration in the development of our strategic plan, risk appetite and risk limits.

We conduct an Internal Capital Adequacy Assessment Process (ICAAP) on a periodic basis. The ICAAP is a forward-looking assessment of our projected capital needs and resources, incorporating earnings, balance sheet and risk forecasts under baseline and adverse economic and market conditions. We utilize periodic stress tests to assess the potential impacts to our balance sheet, earnings, regulatory capital and liquidity under a variety of stress scenarios. We perform qualitative risk assessments to identify and assess material risks not adequately captured in our forecasts or stress tests. We assess the potential capital impacts of proposed changes to regulatory capital requirements. Management evaluates ICAAP results and provides documented quarterly assessments of the adequacy of our capital guidelines and capital position to the Board or its committees.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. For additional information, see Business Segment Operations on page 21.

CCAR and Capital Planning

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

As of March 31, 2016, in connection with our 2015 CCAR capital plan, which included a request to repurchase \$4.0 billion of common stock over five quarters beginning in the second quarter of 2015, we have repurchased approximately \$3.2 billion of common stock. On March 18, 2016, we announced that the Board authorized additional repurchases of common stock up to \$800 million outside of the scope of the 2015 CCAR capital plan to offset share count dilution resulting from equity incentive compensation awarded to retirement-eligible employees, to which the Federal Reserve did not object. As of March 31, 2016, we have repurchased \$200 million of common stock in connection with this additional authorization. The timing and amount of common stock repurchases will be subject to various factors, including the Corporation's capital position, liquidity, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The common stock repurchases may be effected through open market purchases or privately negotiated transactions, including repurchase plans that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. As a "well-capitalized" BHC, we may notify the Federal Reserve of our intention to make additional capital distributions not to exceed one percent of Tier 1 capital and which were not contemplated in our capital plan, subject to the Federal Reserve's non-objection.

In April 2016, we submitted our 2016 CCAR capital plan and related supervisory stress tests. The Federal Reserve has announced that it will release summary results, including supervisory projections of capital ratios, losses and revenues under stress scenarios, and publish the results of stress tests conducted under the supervisory adverse and supervisory severely adverse scenarios by June 30, 2016.

Regulatory Capital

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

Basel 3 Overview

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

Table of Contents

the PCA framework. For additional information, see Capital Management – Standardized Approach and Capital Management – Advanced Approaches on page 47.

Regulatory Capital Composition

Basel 3 requires certain deductions from and adjustments to capital, which are primarily those related to goodwill, intangibles, MSRs, deferred tax assets and defined benefit pension assets. Also, any assets that are a direct deduction from the computation of capital are excluded from risk-weighted assets and adjusted average total assets. Basel 3 also provides for the inclusion in capital of net unrealized gains and losses on debt and certain marketable equity securities recorded in accumulated OCI. These changes are impacted by, among other factors, fluctuations in interest rates, earnings performance and corporate actions. Under Basel 3 regulatory capital transition provisions, changes to the composition of regulatory capital are generally recognized in 20 percent annual increments, and will be fully recognized as of January 1, 2018.

Table 15 summarizes how certain regulatory capital deductions and adjustments have been or will be transitioned from 2014 through 2018 for Common equity tier 1 and Tier 1 capital.

Table 15

Summary of Certain Basel 3 Regulatory Capital Transition Provisions

Beginning on January 1 of each year	2014	2015	2016	2017	2018
Common equity tier 1 capital					
Percent of total amount deducted from Common equity tier 1 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 unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value; direct and indirect investments in our own Common equity tier 1 capital instruments; certain amounts exceeding the threshold by 10 percent individually and 15 percent in aggregate					
Percent of total amount used to adjust Common equity tier 1 capital includes ⁽¹⁾ :	80%	60%	40%	20%	0%
Net unrealized gains (losses) on 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 unrealized cumulative 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 (e.g., 60 percent of net unrealized gains (losses) on debt and certain marketable equity securities recorded in accumulated OCI will be included in 2016).

Additionally, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and transitioned from Tier 2 capital beginning in 2016 with the full exclusion in 2022. As of March 31, 2016, our qualifying Trust Securities were \$3.4 billion, approximately 21 bps of the Total capital ratio.

Minimum Capital Requirements

Minimum capital requirements and related buffers are being phased in from January 1, 2014 through January 1, 2019. Effective January 1, 2015, the PCA framework was also amended to reflect the requirements of Basel 3. The PCA 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 organizations, which included BANA at March 31, 2016.

On January 1, 2016, we became subject to a capital conservation buffer, a countercyclical capital buffer and a global systemically important bank (G-SIB) surcharge which will be phased in over a three-year period ending January 1, 2019. Once fully phased in, the Corporation's risk-based capital ratio requirements will include a capital conservation buffer greater than 2.5 percent, plus any applicable countercyclical capital buffer and G-SIB surcharge in order to avoid certain restrictions on capital distributions and discretionary bonus payments. The buffers and surcharge must be composed solely of Common equity tier 1 capital. Under the phase-in provisions, in 2016 we must maintain a capital conservation buffer greater than 0.625 percent plus a G-SIB surcharge of 0.75 percent. The countercyclical capital buffer is currently set at zero. U.S. banking regulators must jointly decide on any increase in the countercyclical capital buffer, after which time institutions will have up to one year for implementation. The G-SIB surcharge is calculated on an annual basis and determined by using the higher of two scores based on distinct systemic indicator-based methodologies. Method 1 is consistent with the approach prescribed by the Basel Committee on Banking Supervision (Basel Committee) and uses indicators for size, complexity, cross-

Table of Contents

jurisdictional activity, inter-connectedness and substitutability/financial institution infrastructure to determine a score relative to the global banking industry. Method 2 replaces the substitutability/financial institution infrastructure indicator with a measure of short-term wholesale funding and then determines the overall score by applying a fixed multiplier for each of the other systemic indicators. Once fully phased in, we estimate that our G-SIB surcharge will be 3.0 percent under method 2 and 1.5 percent under method 1. The G-SIB surcharge may differ from this estimate over time.

Standardized Approach

Total risk-weighted assets under the Basel 3 Standardized approach consist of credit risk and market risk measures. Credit risk-weighted assets are measured by applying fixed risk weights to on- and off-balance sheet exposures (excluding securitizations), determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development country risk code and maturity, among others. Off-balance sheet exposures primarily include financial guarantees, unfunded lending commitments, letters of credit and potential future derivative exposures. Market risk applies to covered positions which include trading assets and liabilities, foreign exchange exposures and commodity exposures. Market risk capital is modeled for general market risk and specific risk for products where specific risk regulatory approval has been granted; in the absence of specific risk model approval, standard specific risk charges apply. For securitization exposures, risk-weighted assets are determined using the Simplified Supervisory Formula Approach (SSFA). 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.

Advanced Approaches

In addition to the credit risk and market risk measures, Basel 3 Advanced approaches include measures of operational risk and risks related to the credit valuation adjustment (CVA) for over-the-counter (OTC) derivative exposures. The Advanced approaches rely on internal analytical models to measure risk weights for credit risk exposures and allow the use of models to estimate the exposure at default (EAD) for certain exposure types. Market risk capital measurements are consistent with the Standardized approach, except for securitization exposures. For both trading and non-trading securitization exposures, institutions are permitted to use the Supervisory Formula Approach (SFA) and would use the SSFA if the SFA is unavailable for a particular exposure. Non-securitization credit risk exposures are measured using internal ratings-based models to determine the applicable risk weight by estimating the probability of default, loss given default (LGD) and, in certain instances, EAD. The internal analytical models primarily rely on internal historical default and loss experience. Operational risk is measured using internal analytical models which rely on both internal and external operational loss experience and data. The calculations require management to make estimates, assumptions and interpretations, including with respect to the probability of future events based on historical experience. Actual results could differ from those estimates and assumptions. Under the Federal Reserve's reservation of authority, they may require us to hold an amount of capital greater than otherwise required under the capital rules if they determine that our risk-based capital requirement using our internal analytical models is not commensurate with our credit, market, operational or other risks.

Supplementary Leverage Ratio

Basel 3 also requires Advanced approaches institutions to disclose a SLR. The numerator of the SLR is quarter-end Basel 3 Tier 1 capital reflective of Basel 3 numerator transition provisions. The denominator is total leverage exposure based on the daily average of the sum of on-balance sheet exposures less permitted Tier 1 deductions, as well as the simple average of certain off-balance sheet exposures, as of the end of each month in a quarter. Off-balance sheet exposures primarily include undrawn lending commitments, letters of credit, potential future derivative exposures and repo-style transactions. Total leverage exposure includes the effective notional principal amount of credit derivatives

and similar instruments through which credit protection is sold. The credit conversion factors (CCFs) applied to certain off-balance sheet exposures conform to the graduated CCF utilized under the Basel 3 Standardized approach, but are subject to a minimum 10 percent CCF. Effective January 1, 2018, the Corporation will be required to maintain a minimum SLR of 3.0 percent, plus a leverage buffer of 2.0 percent, in order to avoid certain restrictions on capital distributions and discretionary bonuses. Insured depository institution subsidiaries of BHCs, including BANA, will be required to maintain a minimum 6.0 percent SLR to be considered "well capitalized" under the PCA framework.

Table of Contents

Capital Composition and Ratios

Table 16 presents Bank of America Corporation's transition and fully phased-in capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at March 31, 2016 and December 31, 2015. As of March 31, 2016 and December 31, 2015, the Corporation meets the definition of "well capitalized" under current regulatory requirements.

Table 16

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

(Dollars in millions)	March 31, 2016			Fully Phased-in				
	Transition		Regulatory Minimum ^(2,3)	Standardized		Regulatory Minimum ⁽⁵⁾		
	Standardized Approach	Advanced Approaches		Approach	Approaches ⁽⁴⁾			
Risk-based capital metrics:								
Common equity tier 1 capital	\$ 162,732	\$ 162,732		\$ 157,509	\$ 157,509			
Tier 1 capital	182,550	182,550		181,393	181,393			
Total capital ⁽⁶⁾	223,020	213,434		218,414	208,828			
Risk-weighted assets (in billions)	1,406	1,587		1,426	1,557			
Common equity tier 1 capital ratio	11.6	% 10.3	% 5.875	% 11.0	% 10.1	% 10.0	%	
Tier 1 capital ratio	13.0	11.5	7.375	12.7	11.6	11.5		
Total capital ratio	15.9	13.4	9.375	15.3	13.4	13.5		
Leverage-based metrics:								
Adjusted quarterly average assets (in billions) ⁽⁷⁾	\$ 2,095	\$ 2,095		\$ 2,095	\$ 2,095			
Tier 1 leverage ratio	8.7	% 8.7	% 4.0	8.7	% 8.7	% 4.0		
SLR leverage exposure (in billions)		\$ 2,687			\$ 2,686			
SLR		6.8	% n/a		6.8	% 5.0		
December 31, 2015								
Risk-based capital metrics:								
Common equity tier 1 capital	\$ 163,026	\$ 163,026		\$ 154,084	\$ 154,084			
Tier 1 capital	180,778	180,778		175,814	175,814			
Total capital ⁽⁶⁾	220,676	210,912		211,167	201,403			
Risk-weighted assets (in billions)	1,403	1,602		1,427	1,575			
Common equity tier 1 capital ratio	11.6	% 10.2	% 4.5	% 10.8	% 9.8	% 10.0	%	
Tier 1 capital ratio	12.9	11.3	6.0	12.3	11.2	11.5		
Total capital ratio	15.7	13.2	8.0	14.8	12.8	13.5		
Leverage-based metrics:								
Adjusted quarterly average assets (in billions) ⁽⁷⁾	\$ 2,103	\$ 2,103		\$ 2,102	\$ 2,102			
Tier 1 leverage ratio	8.6	% 8.6	% 4.0	8.4	% 8.4	% 4.0		
SLR leverage exposure (in billions)		\$ 2,728			\$ 2,727			
SLR		6.6	% n/a		6.4	% 5.0		

(1)

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

- (2) The March 31, 2016 amount includes a transition capital conservation buffer of 0.625 percent and a transition G-SIB surcharge of 0.75 percent. The 2016 countercyclical capital buffer is zero.
 - (3) To be "well capitalized" under the current U.S. banking regulatory agency definitions, we must maintain a higher Total capital ratio of 10 percent.
Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal
 - (4) analytical models, including approval of the internal models methodology (IMM). As of March 31, 2016, we did not have regulatory approval for the IMM model.
Fully phased-in regulatory capital minimums assume a capital conservation buffer of 2.5 percent and estimated
 - (5) G-SIB surcharge of 3.0 percent. The estimated fully phased-in countercyclical capital buffer is zero. We will be subject to fully phased-in regulatory minimums on January 1, 2019. The fully phased-in SLR minimum assumes a leverage buffer of 2.0 percent and is applicable on January 1, 2018.
 - (6) Total capital under the Advanced approaches differs from the Standardized approach due to differences in the amount permitted in Tier 2 capital related to the qualifying allowance for credit losses.
 - (7) Reflects adjusted average total assets for the three months ended March 31, 2016 and December 31, 2015.
- n/a = not applicable

Table of Contents

Common equity tier 1 capital under Basel 3 Advanced – Transition was \$162.7 billion at March 31, 2016, a decrease of \$294 million compared to December 31, 2015 driven by dividends, common stock repurchases and the impact of certain transition provisions under Basel 3 rules, partially offset by earnings and an increase in accumulated OCI. For more information on Basel 3 transition provisions, see Table 15. During the three months ended March 31, 2016, Total capital increased \$2.5 billion primarily driven by issuances of preferred stock and subordinated debt.

Risk-weighted assets decreased \$15 billion during the three months ended March 31, 2016 to \$1,587 billion primarily due to lower exposures and improved credit quality on retail products, as well as lower deferred tax assets due to timing differences.

Table 17 presents the capital composition as measured under Basel 3 – Transition at March 31, 2016 and December 31, 2015.

Table 17

Capital Composition under Basel 3 – Transition⁽¹⁾

(Dollars in millions)	March 31 2016	December 31 2015
Total common shareholders' equity	\$238,434	\$ 233,932
Goodwill	(69,214)	(69,215)
Deferred tax assets arising from net operating loss and tax credit carryforwards	(5,645)	(3,434)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,178	1,774
Net unrealized (gains) losses on debt and equity securities and net (gains) losses on derivatives recorded in accumulated OCI, net-of-tax	(8)	1,220
Intangibles, other than mortgage servicing rights and goodwill	(1,475)	(1,039)
DVA related to liabilities and derivatives	115	204
Other	(653)	(416)
Common equity tier 1 capital	162,732	163,026
Qualifying preferred stock, net of issuance cost	24,341	22,273
Deferred tax assets arising from net operating loss and tax credit carryforwards	(3,764)	(5,151)
Trust preferred securities	—	1,430
Defined benefit pension fund assets	(381)	(568)
DVA related to liabilities and derivatives under transition	76	307
Other	(454)	(539)
Total Tier 1 capital	182,550	180,778
Long-term debt qualifying as Tier 2 capital	24,385	22,579
Eligible credit reserves included in Tier 2 capital	3,110	3,116
Nonqualifying capital instruments subject to phase out from Tier 2 capital	3,409	4,448
Other	(20)	(9)
Total Basel 3 capital	\$213,434	\$ 210,912

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

Table 18 presents the components of our risk-weighted assets as measured under Basel 3 – Transition at March 31, 2016 and December 31, 2015.

Table 18

Risk-weighted assets under Basel 3 – Transition

March 31, 2016 December 31, 2015

(Dollars in billions)	Standard Approach		Advanced Approaches	
	Standard Approach	Advanced Approaches	Standard Approach	Advanced Approaches
Credit risk	\$1,317	\$ 924	\$1,314	\$ 940
Market risk	89	86	89	86
Operational risk	n/a	500	n/a	500
Risks related to CVA	n/a	77	n/a	76
Total risk-weighted assets	\$1,406	\$ 1,587	\$1,403	\$ 1,602

n/a = not applicable

Table of Contents

Table 19 presents a reconciliation of regulatory capital in accordance with Basel 3 Standardized – Transition to the Basel 3 Standardized approach fully phased-in estimates and Basel 3 Advanced approaches fully phased-in estimates at March 31, 2016 and December 31, 2015.

Table 19

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

(Dollars in millions)	March 31 2016	December 31 2015
Common equity tier 1 capital (transition)	\$162,732	\$163,026
Deferred tax assets arising from net operating loss and tax credit carryforwards phased in during transition	(3,764)	(5,151)
Accumulated OCI phased in during transition	(117)	(1,917)
Intangibles phased in during transition	(983)	(1,559)
Defined benefit pension fund assets phased in during transition	(381)	(568)
DVA related to liabilities and derivatives phased in during transition	76	307
Other adjustments and deductions phased in during transition	(54)	(54)
Common equity tier 1 capital (fully phased-in)	157,509	154,084
Additional Tier 1 capital (transition)	19,818	17,752
Deferred tax assets arising from net operating loss and tax credit carryforwards phased out during transition	3,764	5,151
Trust preferred securities phased out during transition	—	(1,430)
Defined benefit pension fund assets phased out during transition	381	568
DVA related to liabilities and derivatives phased out during transition	(76)	(307)
Other transition adjustments to additional Tier 1 capital	(3)	(4)
Additional Tier 1 capital (fully phased-in)	23,884	21,730
Tier 1 capital (fully phased-in)	181,393	175,814
Tier 2 capital (transition)	30,884	30,134
Nonqualifying capital instruments phased out during transition	(3,409)	(4,448)
Changes in Tier 2 qualifying allowance for credit losses and others	9,546	9,667
Tier 2 capital (fully phased-in)	37,021	35,353
Basel 3 Standardized approach Total capital (fully phased-in)	218,414	211,167
Change in Tier 2 qualifying allowance for credit losses	(9,586)	(9,764)
Basel 3 Advanced approaches Total capital (fully phased-in)	\$208,828	\$201,403
Risk-weighted assets – As reported to Basel 3 (fully phased-in)		
Basel 3 Standardized approach risk-weighted assets as reported	\$1,405,748	\$1,403,293
Changes in risk-weighted assets from reported to fully phased-in	20,104	24,089
Basel 3 Standardized approach risk-weighted assets (fully phased-in)	\$1,425,852	\$1,427,382
Basel 3 Advanced approaches risk-weighted assets as reported	\$1,586,993	\$1,602,373
Changes in risk-weighted assets from reported to fully phased-in	(29,710)	(27,690)
Basel 3 Advanced approaches risk-weighted assets (fully phased-in) ⁽²⁾	\$1,557,283	\$1,574,683

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

Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal ⁽²⁾ analytical models, including approval of the internal models methodology (IMM). As of March 31, 2016, we did not have regulatory approval for the IMM model.

Table of Contents

Bank of America, N.A. Regulatory Capital

Table 20 presents transition regulatory information for BANA in accordance with Basel 3 Standardized and Advanced approaches as measured at March 31, 2016 and December 31, 2015.

Table 20

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

(Dollars in millions)	March 31, 2016						
	Standardized Approach			Advanced Approaches			
	Ratio	Amount	Minimum Required (1)	Ratio	Amount	Minimum Required (1)	
Common equity tier 1 capital	12.6%	\$149,537	6.5 %	13.7%	\$149,537	6.5 %	
Tier 1 capital	12.6	149,537	8.0	13.7	149,537	8.0	
Total capital	13.8	164,043	10.0	14.2	154,912	10.0	
Tier 1 leverage	9.5	149,537	5.0	9.5	149,537	5.0	
	December 31, 2015						
Common equity tier 1 capital	12.2%	\$144,869	6.5 %	13.1%	\$144,869	6.5 %	
Tier 1 capital	12.2	144,869	8.0	13.1	144,869	8.0	
Total capital	13.5	159,871	10.0	13.6	150,624	10.0	
Tier 1 leverage	9.2	144,869	5.0	9.2	144,869	5.0	

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

Regulatory Developments

Minimum Total Loss-Absorbing Capacity

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

Revisions to Approaches for Measuring Risk-weighted Assets

The Basel Committee has several open proposals to revise key methodologies for measuring risk-weighted assets. The proposals include a standardized approach for credit risk, standardized approach for operational risk, revisions to the securitization framework, revisions to the CVA risk framework and constraints on the use of internal models. In January 2016, the Basel Committee finalized its fundamental review of the trading book, which updates both modeled and standardized approaches for market risk measurement. A revised standardized model for counterparty credit risk has also previously been finalized. These revisions are to be coupled with a proposed capital floor framework to limit the extent to which banks can reduce risk-weighted asset levels through the use of internal models, both at the input parameter and aggregate risk-weighted asset level. The Basel Committee expects to finalize the outstanding proposals

by the end of 2016. Once the proposals are finalized, U.S. banking regulators may update the U.S. Basel 3 rules to incorporate the Basel Committee revisions.

Single-Counterparty Credit Limits

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

Table of Contents

Broker-dealer Regulatory Capital and Securities Regulation

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

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At March 31, 2016, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was \$11.5 billion and exceeded the minimum requirement of \$1.6 billion by \$9.9 billion. MLPCC's net capital of \$3.2 billion exceeded the minimum requirement of \$500 million by \$2.7 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of \$1.0 billion, net capital in excess of \$500 million and notify the Securities and Exchange Commission in the event its tentative net capital is less than \$5.0 billion. At March 31, 2016, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At March 31, 2016, MLI's capital resources were \$34.9 billion which exceeded the minimum requirement of \$17.3 billion.

Table of Contents

Common and Preferred Stock Dividends

For a summary of our declared quarterly cash dividends on common stock during the first quarter of 2016 and through May 2, 2016, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 21 is a summary of our cash dividend declarations on preferred stock during the first quarter of 2016 and through May 2, 2016. During the first quarter of 2016, we declared \$457 million of cash dividends on preferred stock. For more information on preferred stock, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 21

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	January 21, 2016	April 11, 2016	April 25, 2016	7.00	% \$1.75
		April 27, 2016	July 11, 2016	July 25, 2016	7.00	1.75
Series D ⁽²⁾	\$ 654	January 11, 2016	February 29, 2016	March 14, 2016	6.204	% \$0.38775
		April 15, 2016	May 31, 2016	June 14, 2016	6.204	0.38775
Series E ⁽²⁾	\$ 317	January 11, 2016	January 29, 2016	February 16, 2016	Floating	\$0.25556
		April 15, 2016	April 29, 2016	May 16, 2016	Floating	0.25000
Series F	\$ 141	January 11, 2016	February 29, 2016	March 15, 2016	Floating	\$1,011.11111
		April 15, 2016	May 31, 2016	June 15, 2016	Floating	1,022.22222
Series G	\$ 493	January 11, 2016	February 29, 2016	March 15, 2016	Adjustable	\$1,011.11111
		April 15, 2016	May 31, 2016	June 15, 2016	Adjustable	1,022.22222
Series I ⁽²⁾	\$ 365	January 11, 2016	March 15, 2016	April 1, 2016	6.625	% \$0.4140625
		April 15, 2016	June 15, 2016	July 1, 2016	6.625	0.4140625
Series K ^(3, 4)	\$ 1,544	January 11, 2016	January 15, 2016	February 1, 2016	Fixed-to-floating	\$40.00
Series L	\$ 3,080	March 18, 2016	April 1, 2016	May 2, 2016	7.25	% \$18.125
Series M ^(3, 4)	\$ 1,310	April 15, 2016	April 30, 2016	May 16, 2016	Fixed-to-floating	\$40.625
Series T	\$ 5,000	January 21, 2016	March 26, 2016	April 11, 2016	6.00	% \$1,500.00
		April 27, 2016	June 25, 2016	July 11, 2016	6.00	1,500.00
Series U ^(3, 4)	\$ 1,000	April 15, 2016	May 15, 2016	June 1, 2016	Fixed-to-floating	\$26.00
Series V ^(3, 4)	\$ 1,500	April 15, 2016	June 1, 2016	June 17, 2016	Fixed-to-floating	\$25.625
Series W ⁽²⁾	\$ 1,100	January 11, 2016	February 15, 2016	March 9, 2016	6.625	% \$0.4140625
		April 15, 2016	May 15, 2016	June 9, 2016	6.625	0.4140625
Series X ^(3, 4)	\$ 2,000	January 11, 2016	February 15, 2016	March 7, 2016	Fixed-to-floating	\$31.25
Series Y ⁽²⁾	\$ 1,100	March 18, 2016	April 1, 2016	April 27, 2016	6.50	% \$0.40625
Series Z ^(3, 4)	\$ 1,400	March 18, 2016	April 1, 2016	April 25, 2016	Fixed-to-floating	\$32.50
Series AA ^(3, 4)	\$ 1,900	January 11, 2016	March 1, 2016	March 17, 2016	Fixed-to-floating	\$30.50
Series CC ⁽²⁾	\$ 1,100	March 18, 2016	April 1, 2016	April 29, 2016	6.20	% \$0.3875

(1) Dividends are cumulative.

- (2) Dividends per depositary share, each representing a $1/1,000^{\text{th}}$ interest in a share of preferred stock.
- (3) Initially pays dividends semi-annually.
- (4) Dividends per depositary share, each representing a $1/25^{\text{th}}$ interest in a share of preferred stock.

Table of Contents

Table 21

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 ⁽⁵⁾	\$ 98	January 11, 2016 April 15, 2016	February 15, 2016 May 15, 2016	February 29, 2016 May 31, 2016	Floating Floating	\$0.18750 0.18750
Series 2 ⁽⁵⁾	\$ 299	January 11, 2016 April 15, 2016	February 15, 2016 May 15, 2016	February 29, 2016 May 31, 2016	Floating Floating	\$0.19167 0.18750
Series 3 ⁽⁵⁾	\$ 653	January 11, 2016 April 15, 2016	February 15, 2016 May 15, 2016	February 29, 2016 May 31, 2016	6.375 % 6.375	\$0.3984375 0.3984375
Series 4 ⁽⁵⁾	\$ 210	January 11, 2016 April 15, 2016	February 15, 2016 May 15, 2016	February 29, 2016 May 31, 2016	Floating Floating	\$0.25556 0.25000
Series 5 ⁽⁵⁾	\$ 422	January 11, 2016 April 15, 2016	February 1, 2016 May 1, 2016	February 22, 2016 May 23, 2016	Floating Floating	\$0.25556 0.25000

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

Liquidity Risk

Funding and Liquidity Risk Management

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

We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our contractual and contingent financial obligations as those obligations arise. We manage our liquidity position through line of business and asset-liability management activities, as well as through our legal entity funding strategy, on both a forward and current (including intraday) basis under both expected and stressed conditions. We believe that a centralized approach to funding and liquidity management within Corporate Treasury enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For more information regarding global funding and liquidity risk management, see Liquidity Risk – Funding and Liquidity Risk Management on page 60 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. Our liquidity buffer, or Global Excess Liquidity Sources (GELS), is comprised of assets that are readily available to the parent company and selected subsidiaries, including bank and broker-dealer subsidiaries, even during stressed market conditions. Our cash is primarily on deposit with the Federal Reserve and, to a lesser extent, central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed conditions, through repurchase agreements or outright sales. We hold

our GELS in legal entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities. Our GELS are substantially the same in composition to what qualifies as High Quality Liquid Assets (HQLA) under the final U.S. Liquidity Coverage Ratio (LCR) rules. For more information on the final rules, see Liquidity Risk – Basel 3 Liquidity Standards on page 56.

Table of Contents

Our GELS were \$525 billion and \$504 billion at March 31, 2016 and December 31, 2015 and were as shown in Table 22.

Table 22
Global Excess Liquidity Sources

(Dollars in billions)	March 31 2016	December 31 2015	Average for Three Months Ended March 31, 2016
Parent company	\$ 85	\$ 96	\$ 89
Bank subsidiaries	394	361	374
Other regulated entities	46	47	45
Total Global Excess Liquidity Sources	\$ 525	\$ 504	\$ 508

As shown in Table 22, parent company GELS totaled \$85 billion and \$96 billion at March 31, 2016 and December 31, 2015. The decrease in parent company liquidity was primarily due to the BNY Mellon settlement payment during the quarter. Typically, parent company excess liquidity is in the form of cash deposited with BANA.

GELS available to our bank subsidiaries totaled \$394 billion and \$361 billion at March 31, 2016 and December 31, 2015. The increase in bank subsidiaries' liquidity was primarily due to deposit inflows. GELS at bank subsidiaries exclude the cash deposited by the parent company. Our bank subsidiaries can also generate incremental liquidity by pledging a range of unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was \$259 billion and \$252 billion at March 31, 2016 and December 31, 2015. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined in guidelines from the FHLBs and the Federal Reserve and is subject to change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can generally be used only to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

GELS available to our other regulated entities, comprised primarily of broker-dealer subsidiaries, of \$46 billion at March 31, 2016 remained relatively unchanged compared to December 31, 2015. Our other regulated entities also held unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in an other regulated entity is primarily available to meet the obligations of that entity and transfers to the parent company or to any other subsidiary may be subject to prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 23 presents the composition of GELS at March 31, 2016 and December 31, 2015.

Table 23
Global Excess Liquidity Sources Composition

(Dollars in billions)	March 31 2016	December 31 2015
Cash on deposit	\$ 145	\$ 119
U.S. Treasury securities	34	38
U.S. agency securities and mortgage-backed securities	322	327
Non-U.S. government and supranational securities	24	20

Total Global Excess Liquidity Sources	\$ 525	\$ 504
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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, our bank subsidiaries and other regulated entities. 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 the parent company's liquidity sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our time-to-required funding was 36 months at March 31, 2016.

Table of Contents

We also utilize liquidity stress analysis to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. The liquidity stress testing process is an integral part of analyzing our potential contractual and contingent cash outflows beyond the 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; additional collateral that counterparties could call if our credit ratings were downgraded; collateral and margin requirements arising from market value changes; and potential liquidity required to maintain businesses and finance customer activities. Changes in certain market factors including, but not limited to, credit rating downgrades, could negatively impact potential contractual and contingent outflows and the related financial instruments, and in some cases these impacts could be material to our financial results.

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

Basel 3 Liquidity Standards

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

In 2014, U.S. banking regulators finalized 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. The LCR is calculated as the amount of a financial institution's unencumbered HQLA relative to the estimated net cash outflows the institution could encounter over a 30-day period of significant liquidity stress, expressed as a percentage. An initial minimum LCR of 80 percent was required as of January 2015, increased to 90 percent as of January 2016 and will increase to 100 percent in January 2017. These minimum requirements are applicable to the Corporation on a consolidated basis and to our insured depository institutions. As of March 31, 2016, we estimate that the consolidated Corporation was above the 2017 LCR requirements. The Corporation's LCR may fluctuate from period to period due to normal business flows from customer activity.

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

Diversified Funding Sources

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

The primary benefits of 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 \$1.22 trillion and \$1.20 trillion at March 31, 2016 and December 31, 2015. Deposits are primarily generated by our Consumer Banking, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLBs loans.

Table of Contents

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

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

During the three months ended March 31, 2016, we issued \$6.3 billion of long-term debt, consisting of \$4.3 billion for Bank of America Corporation and \$2.0 billion of other debt.

Table 24 presents the carrying value of aggregate annual contractual maturities of long-term debt as of March 31, 2016. During the three months ended March 31, 2016, we had total long-term debt maturities and purchases of \$14.4 billion consisting of \$5.0 billion for Bank of America Corporation, \$5.9 billion for Bank of America, N.A. and \$3.5 billion of other debt.

Table 24
Long-term Debt By Maturity

(Dollars in millions)	Remainder of						Total
	2016	2017	2018	2019	2020	Thereafter	
Bank of America Corporation							
Senior notes	\$ 13,401	\$ 18,511	\$ 20,306	\$ 17,084	\$ 11,678	\$ 42,497	\$ 123,477
Senior structured notes	2,973	3,145	2,367	1,431	969	7,400	18,285
Subordinated notes	4,830	5,012	2,816	1,485	3	21,144	35,290
Junior subordinated notes	—	—	—	—	—	5,841	5,841
Total Bank of America Corporation	21,204	26,668	25,489	20,000	12,650	76,882	182,893
Bank of America, N.A.							
Senior notes	3,049	3,646	5,812	—	—	21	12,528
Subordinated notes	1,053	3,423	—	1	—	1,792	6,269
Advances from Federal Home Loan Banks	1,501	9	10	15	12	121	1,668
Securitized and other Bank VIEs ⁽¹⁾	42	3,550	2,300	2,443	—	154	8,489
Other	3	2,705	117	87	53	20	2,985
Total Bank of America, N.A.	5,648	13,333	8,239	2,546	65	2,108	31,939
Other debt							
Senior notes	—	1	—	—	—	17	18
Structured liabilities	2,294	2,852	1,040	1,015	990	7,050	15,241
Nonbank VIEs ⁽¹⁾	464	241	28	15	—	1,620	2,368
Other	300	22	40	—	—	28	390
Total other debt	3,058	3,116	1,108	1,030	990	8,715	18,017

Total long-term debt \$ 29,910 \$43,117 \$34,836 \$23,576 \$13,705 \$ 87,705 \$232,849

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

Table of Contents

Table 25 presents our long-term debt by major currency at March 31, 2016 and December 31, 2015.

Table 25

Long-term Debt By Major Currency

(Dollars in millions)	March 31	December 31
	2016	2015
U.S. Dollar	\$184,708	\$ 190,381
Euro	31,288	29,797
British Pound	7,111	7,080
Japanese Yen	2,939	3,099
Australian Dollar	2,647	2,534
Canadian Dollar	1,509	1,428
Swiss Franc	902	872
Other	1,745	1,573
Total long-term debt	\$232,849	\$ 236,764

Total long-term debt decreased \$3.9 billion, or two percent, during the three months ended March 31, 2016 primarily due to maturities outpacing issuances, partially offset by changes in basis adjustments on debt in fair value hedge relationships and the impact of revaluation of non-U.S. Dollar debt. These impacts were substantially offset through derivative hedge transactions. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for investors. For more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see page 60 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Non-trading Activities on page 99.

We may also issue unsecured debt in the form of structured notes for client purposes. During the three months ended March 31, 2016, we issued \$1.9 billion of structured notes, a majority of which was issued by Bank of America Corporation. Structured notes are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivatives and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured note obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date.

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

Contingency Planning

We maintain contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity. These policies and plans are based on stress scenarios and include potential funding strategies and

communication and notification procedures that we would implement in the event we experienced stressed liquidity conditions. We periodically review and test the contingency funding plans to validate efficacy and assess readiness.

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

Table of Contents

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, and management maintains an active dialogue with the major rating agencies.

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, and they 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 relative positions in the markets in which we compete; our various risk exposures and risk management policies and activities; pending litigation and other contingencies or potential tail risks; our reputation; our liquidity position, diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; our corporate governance; the sovereign credit ratings of the U.S. government; current or future regulatory and legislative initiatives; and the agencies' views on whether the U.S. government would provide meaningful support to the Corporation or its subsidiaries in a crisis.

Table 26 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies. These ratings have not changed from those disclosed in the Corporation's 2015 Annual Report on Form 10-K. For more information on credit ratings, see Liquidity Risk – Credit Ratings on page 63 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Table 26

Senior Debt Ratings

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

International

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

NR = not rated

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.

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit rating 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 company'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 55.

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 2 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Table of Contents

Credit Risk Management

Overall credit quality remained strong in the first quarter of 2016. Consumer portfolios continued to improve driven by lower U.S. unemployment and improving home prices. Overall, commercial portfolios, outside of the energy sector, remained stable. Additionally, our proactive credit risk management activities positively impacted our credit portfolio as nonperforming loans and leases and delinquencies continued to improve. For additional information, see Executive Summary – First Quarter 2016 Economic and Business Environment on page 5.

We proactively refine our underwriting and credit risk management practices as well as credit standards to meet the changing economic environment. To 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.

We have non-U.S. exposure largely in Europe and Asia Pacific. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 87 and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Utilized energy exposure represents approximately two percent of total loans and leases, and we continue to proactively monitor energy and energy-related exposures as well as any ancillary impacts on our customers and clients. For more information on our exposures and related risks in the energy sector, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83 as well as Table 51.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 60, Commercial Portfolio Credit Risk Management on page 75, Non-U.S. Portfolio on page 87, Provision for Credit Losses on page 89, Allowance for Credit Losses on page 89, and Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

Consumer Portfolio Credit Risk Management

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

During the three months ended March 31, 2016, we completed more than 10,300 customer loan modifications with a total unpaid principal balance of approximately \$1.5 billion, including approximately 4,000 permanent modifications under the U.S. government's Making Home Affordable Program. Of the loan modifications completed during the three months ended March 31, 2016, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, more than half were in the Corporation's held-for-investment (HFI) portfolio. For modified loans on our balance sheet, these modification types are generally considered troubled debt restructurings (TDR). For more information on TDRs and portfolio impacts, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 73 and Note 4 –

Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

Improvement in the U.S. unemployment rate and home prices continued during the three months ended March 31, 2016 resulting in improved credit quality and lower credit losses across most major consumer portfolios compared to the same period in 2015. The 30 and 90 days or more past due balances declined across nearly all consumer loan portfolios during the three months ended March 31, 2016 as a result of improved delinquency trends.

Improved credit quality, continued loan balance run-off and sales across the consumer portfolio drove a \$627 million decrease in the consumer allowance for loan and lease losses during the three months ended March 31, 2016 to \$6.8 billion at March 31, 2016. For additional information, see Allowance for Credit Losses on page 89.

Table of Contents

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 2015 Annual Report on Form 10-K. For more information on representations and warranties related to our residential mortgage and home equity portfolios, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 42 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 27 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 27, PCI loans are also shown separately in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 27

Consumer Loans and Leases

(Dollars in millions)	Outstandings		Purchased Credit-impaired Loan Portfolio	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015
Residential mortgage ⁽¹⁾	\$ 184,440	\$ 187,911	\$ 11,603	\$ 12,066
Home equity	73,771	75,948	4,368	4,619
U.S. credit card	86,403	89,602	n/a	n/a
Non-U.S. credit card	9,977	9,975	n/a	n/a
Direct/Indirect consumer ⁽²⁾	90,609	88,795	n/a	n/a
Other consumer ⁽³⁾	2,176	2,067	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	447,376	454,298	15,971	16,685
Loans accounted for under the fair value option ⁽⁴⁾	1,946	1,871	n/a	n/a
Total consumer loans and leases	\$ 449,322	\$ 456,169	\$ 15,971	\$ 16,685

(1) Outstandings include pay option loans of \$2.2 billion and \$2.3 billion at March 31, 2016 and December 31, 2015. We no longer originate pay option loans.

(2) Outstandings include auto and specialty lending loans of \$45.4 billion and \$42.6 billion, unsecured consumer lending loans of \$774 million and \$886 million, U.S. securities-based lending loans of \$39.2 billion and \$39.8 billion, non-U.S. consumer loans of \$3.7 billion and \$3.9 billion, student loans of \$547 million and \$564 million and other consumer loans of \$1.0 billion and \$1.0 billion at March 31, 2016 and December 31, 2015.

(3) Outstandings include consumer finance loans of \$538 million and \$564 million, consumer leases of \$1.5 billion and \$1.4 billion and consumer overdrafts of \$154 million and \$146 million at March 31, 2016 and December 31, 2015.

(4)

Consumer loans accounted for under the fair value option include residential mortgage loans of \$1.6 billion and \$1.6 billion and home equity loans of \$348 million and \$250 million at March 31, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

Table of Contents

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 standby agreements with FNMA and FHLMC (collectively, the fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily from our repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due.

Table 28
Consumer Credit Quality

(Dollars in millions)	Nonperforming		Accruing Past Due 90 Days or More	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015
Residential mortgage ⁽¹⁾	\$3,976	\$ 4,803	\$6,334	\$ 7,150
Home equity	3,244	3,337	—	—
U.S. credit card	n/a	n/a	743	789
Non-U.S. credit card	n/a	n/a	77	76
Direct/Indirect consumer	26	24	31	39
Other consumer	1	1	2	3
Total ⁽²⁾	\$7,247	\$ 8,165	\$7,187	\$ 8,057
Consumer loans and leases as a percentage of outstanding consumer loans and leases ⁽²⁾	1.62	% 1.80	% 1.61	% 1.77
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios ⁽²⁾	1.82	2.04	0.21	0.23

Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At March 31, 2016 and December 31, 2015, residential mortgage included \$3.4 billion and \$4.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and \$2.9 billion and \$2.9 billion of loans on which interest was still accruing.

Balances exclude consumer loans accounted for under the fair value option. At March 31, 2016 and December 31, 2015, \$272 million and \$293 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

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

Table 29
Consumer Net Charge-offs and Related Ratios

(Dollars in millions)	Three Months Ended March 31			
	Net Charge-offs ⁽¹⁾		Net Charge-off Ratios ^(1, 2)	
	2016	2015	2016	2015

Residential mortgage	\$91	\$197	0.20%	0.37%
Home equity	112	172	0.60	0.82
U.S. credit card	587	621	2.71	2.84
Non-U.S. credit card	45	44	1.85	1.80
Direct/Indirect consumer	34	34	0.15	0.17
Other consumer	48	49	9.07	10.88
Total	\$917	\$1,117	0.82	0.95

- (1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.
- (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 0.26 percent and 0.59 percent for residential mortgage, 0.64 percent and 0.88 percent for home equity, and 0.93 percent and 1.14 percent for the total consumer portfolio for the three months ended March 31, 2016 and 2015, respectively. These are the only product classifications that include PCI and fully-insured loans for these periods.

Table of Contents

Net charge-offs, as shown in Tables 29 and 30, exclude write-offs in the PCI loan portfolio of \$39 million and \$188 million in residential mortgage and \$66 million and \$100 million in home equity for the three months ended March 31, 2016 and 2015. Net charge-off ratios including the PCI write-offs were 0.28 percent and 0.73 percent for residential mortgage and 0.95 percent and 1.30 percent for home equity for the three months ended March 31, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

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 consumer real estate portfolio. For more information on the Legacy Assets & Servicing portfolio, see LAS on page 36.

Table 30
Consumer Real Estate Portfolio ⁽¹⁾

	Outstandings		Nonperforming		Net Charge-offs ⁽²⁾ Three Months Ended	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015	March 31 2016	March 31 2015
(Dollars in millions)						
Core portfolio						
Residential mortgage	\$ 145,322	\$ 145,845	\$ 1,616	\$ 1,845	\$ 19	\$ 51
Home equity	47,473	48,264	1,310	1,354	45	51
Total Core portfolio	192,795	194,109	2,926	3,199	64	102
Legacy Assets & Servicing portfolio						
Residential mortgage	39,118	42,066	2,360	2,958	72	146
Home equity	26,298	27,684	1,934	1,983	67	121
Total Legacy Assets & Servicing portfolio	65,416	69,750	4,294	4,941	139	267
Consumer real estate portfolio						
Residential mortgage	184,440	187,911	3,976	4,803	91	197
Home equity	73,771	75,948	3,244	3,337	112	172
Total consumer real estate portfolio	\$ 258,211	\$ 263,859	\$ 7,220	\$ 8,140	\$ 203	\$ 369
			Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses Three Months Ended	
			March 31 2016	December 31 2015	March 31 2016	March 31 2015
Core portfolio						
Residential mortgage			\$ 382	\$ 418	\$(14)	\$ 5
Home equity			619	639	25	48
Total Core portfolio			1,001	1,057	11	53
Legacy Assets & Servicing portfolio						
Residential mortgage			930	1,082	(43)	(94)
Home equity			1,525	1,775	(118)	13
Total Legacy Assets & Servicing portfolio			2,455	2,857	(161)	(81)
Consumer real estate portfolio						

Residential mortgage	1,312	1,500	(57)	(89)
Home equity	2,144	2,414	(93)	61
Total consumer real estate portfolio	\$3,456	\$ 3,914	\$(150)	\$(28)

- Outstandings and nonperforming loans exclude loans accounted for under the fair value option. Consumer loans
- (1) accounted for under the fair value option include residential mortgage loans of \$1.6 billion and \$1.6 billion and home equity loans of \$348 million and \$250 million at March 31, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.
- (2) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

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

Table of Contents

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 70.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 41 percent of consumer loans and leases at March 31, 2016. Approximately 54 percent of the residential mortgage portfolio is in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties. Approximately 31 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages originated for the home purchase and refinancing needs of our wealth management clients and the remaining portion of the portfolio is primarily in Consumer Banking.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, decreased \$3.5 billion during the three months ended March 31, 2016 due to loan sales of \$3.9 billion and runoff, partially offset by the retention of new originations. Loan sales primarily included \$2.7 billion of loans in consolidated agency residential mortgage securitization vehicles and \$915 million of nonperforming and other delinquent loans.

At March 31, 2016 and December 31, 2015, the residential mortgage portfolio included \$32.8 billion and \$37.1 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term standby agreements that provide for the transfer of credit risk to FNMA and FHLMC. At March 31, 2016 and December 31, 2015, \$28.6 billion and \$33.4 billion had FHA insurance with the remainder protected by long-term standby agreements. At March 31, 2016 and December 31, 2015, \$9.7 billion and \$11.2 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

Table 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, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 70.

Table 31
Residential Mortgage – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired and Fully-insured Loans		
	March 31 2016	December 31 2015	March 31 2016	December 31 2015	
Outstandings	\$ 184,440	\$ 187,911	\$ 139,998	\$ 138,768	
Accruing past due 30 days or more	9,578	11,423	1,371	1,568	
Accruing past due 90 days or more	6,334	7,150	—	—	
Nonperforming loans	3,976	4,803	3,976	4,803	
Percent of portfolio					
Refreshed LTV greater than 90 but less than or equal to 100	7	% 7	% 4	% 5	%
Refreshed LTV greater than 100	7	8	4	4	

Refreshed FICO below 620	11	13	5	6
2006 and 2007 vintages ⁽²⁾	17	17	16	17
	Three Months Ended March 31			
	2016	2015	2016	2015
Net charge-off ratio ⁽³⁾	0.20	% 0.37	% 0.26	% 0.59

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

(2) These vintages of loans account for \$1.3 billion, or 34 percent, and \$1.6 billion, or 34 percent of nonperforming residential mortgage loans at March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, these vintages accounted for \$7 million, or eight percent, and \$47 million, or 24 percent of total residential mortgage net charge-offs.

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

Table of Contents

Nonperforming residential mortgage loans decreased \$827 million during the three months ended March 31, 2016 as outflows, including sales of \$734 million outpaced new inflows. Of the nonperforming residential mortgage loans at March 31, 2016, \$1.2 billion, or 31 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, \$1.9 billion, or 47 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 that were 30 days or more past due decreased \$197 million during the three months ended March 31, 2016.

Net charge-offs decreased \$106 million to \$91 million for the three months ended March 31, 2016, or 0.26 percent of total average residential mortgage loans, compared to net charge-offs of \$197 million, or 0.59 percent, for the same period in 2015. This decrease in net charge-offs was primarily driven by lower charge-offs related to the consumer relief portion of the settlement with the DoJ, partially offset by charge-offs of \$42 million related to nonperforming loan sales during the three months ended March 31, 2016 compared to recoveries of \$40 million for the same period in 2015. Excluding these items, net charge-offs declined driven by favorable portfolio trends and decreased write-downs on loans greater than 180 days past due, which were written down to the estimated fair value of the collateral, less costs to sell, due in part to improvement in home prices and the U.S. economy.

Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed loan-to-value (LTV) represented four percent and five percent of the residential mortgage portfolio at March 31, 2016 and December 31, 2015. Loans with a refreshed LTV greater than 100 percent represented four percent of the residential mortgage loan portfolio at both March 31, 2016 and December 31, 2015. Of the loans with a refreshed LTV greater than 100 percent, 98 percent were performing at both March 31, 2016 and December 31, 2015. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, partially offset by subsequent appreciation. Loans to borrowers with refreshed Fair Isaac Corporation (FICO) scores below 620 represented five percent and six percent of the residential mortgage portfolio at March 31, 2016 and December 31, 2015.

Of the \$140.0 billion in total residential mortgage loans outstanding at March 31, 2016, as shown in Table 32, 39 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was \$11.8 billion, or 21 percent, at March 31, 2016. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At March 31, 2016, \$203 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to \$1.4 billion, or one percent for the entire residential mortgage portfolio. In addition, at March 31, 2016, \$641 million, or five percent of outstanding interest-only residential mortgage loans that had entered the amortization period were nonperforming, of which \$299 million were contractually current, compared to \$4.0 billion, or three percent for the entire residential mortgage portfolio, of which \$1.2 billion were contractually current. Loans that have yet to enter the amortization period in our interest-only residential mortgage portfolio are primarily well-collateralized loans to our wealth management clients and have an interest-only period of three to ten years. More than 75 percent of these loans that have yet to enter the amortization period will not be required to make a fully-amortizing payment until 2019 or later.

Table of Contents

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 14 percent of outstandings at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed net recoveries of \$3 million and \$5 million within the residential mortgage portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstandings at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed net charge-offs of \$22 million and \$39 million within the residential mortgage portfolio.

Table 32
Residential Mortgage State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015	Three Months Ended March 31 2016 2015	
(Dollars in millions)						
California	\$50,505	\$ 48,865	\$779	\$ 977	\$(23)	\$(9)
New York ⁽³⁾	12,825	12,696	341	399	14	13
Florida ⁽³⁾	9,940	10,001	428	534	15	24
Texas	6,218	6,208	159	185	6	5
Massachusetts	4,814	4,799	95	118	3	3
Other U.S./Non-U.S.	55,696	56,199	2,174	2,590	76	161
Residential mortgage loans ⁽⁴⁾	\$139,998	\$ 138,768	\$3,976	\$ 4,803	\$91	\$197
Fully-insured loan portfolio	32,839	37,077				
Purchased credit-impaired residential mortgage loan portfolio ⁽⁵⁾	11,603	12,066				
Total residential mortgage loan portfolio	\$184,440	\$ 187,911				

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

Net charge-offs exclude \$39 million and \$188 million of write-offs in the residential mortgage PCI loan portfolio

(2) for the three months ended March 31, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

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

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

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

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 \$7.8 billion and \$8.0 billion at March 31, 2016 and December 31, 2015, or six percent of the residential mortgage portfolio for both periods. The CRA portfolio included \$453 million and \$552 million of nonperforming loans at March 31, 2016 and December 31, 2015, representing 11 percent of total nonperforming residential mortgage loans for both periods. Net charge-offs in the CRA portfolio were \$15 million and \$34 million for the three months ended March 31, 2016 and 2015, or 17 percent of total net charge-offs for the residential mortgage portfolio for both periods.

Home Equity

At March 31, 2016, the home equity portfolio made up 16 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At March 31, 2016, our HELOC portfolio had an outstanding balance of \$64.3 billion, or 87 percent of the total home equity portfolio compared to \$66.1 billion, or 87 percent, at December 31, 2015. HELOCs generally have an initial draw period of 10 years and the borrowers typically are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At March 31, 2016, our home equity loan portfolio had an outstanding balance of \$7.5 billion, or 10 percent of the total home equity portfolio compared to \$7.9 billion, or 10 percent, at December 31, 2015. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the \$7.5 billion at March 31, 2016, 54 percent have 25- to 30-year terms. At March 31, 2016 and December 31, 2015, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of \$2.0 billion, or three percent of the total home equity portfolio. We no longer originate reverse mortgages.

Table of Contents

At March 31, 2016, approximately 57 percent of the home equity portfolio was included in Consumer Banking, 33 percent was included in LAS and the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased \$2.2 billion during the three months ended March 31, 2016 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at March 31, 2016 and December 31, 2015, \$20.2 billion and \$20.3 billion, or 27 percent for both periods, were in first-lien positions (29 percent and 28 percent excluding the PCI home equity portfolio). At March 31, 2016, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled \$12.4 billion, or 18 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled \$49.9 billion at March 31, 2016 compared to \$50.3 billion at December 31, 2015. The decrease was primarily due to customers choosing to close accounts, as well as accounts reaching the end of their draw period, which automatically eliminates open line exposure. Both of these more than offset customer paydowns of principal balances and the impact of new production. The HELOC utilization rate was 56 percent at March 31, 2016 compared to 57 percent at December 31, 2015.

Table 33 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 70.

Table 33
Home Equity – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired Loans	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015
Outstandings	\$73,771	\$ 75,948	\$69,403	\$ 71,329
Accruing past due 30 days or more ⁽²⁾	555	613	555	613
Nonperforming loans ⁽²⁾	3,244	3,337	3,244	3,337
Percent of portfolio				
Refreshed CLTV greater than 90 but less than or equal to 100	6	% 6	% 6	% 6
Refreshed CLTV greater than 100	12	12	10	11
Refreshed FICO below 620	7	7	6	7
2006 and 2007 vintages ⁽³⁾	42	43	40	41
	Three Months Ended March 31			
	2016	2015	2016	2015
Net charge-off ratio ⁽⁴⁾	0.60	% 0.82	% 0.64	% 0.88

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

Accruing past due 30 days or more includes \$74 million and \$89 million and nonperforming loans include \$370 million and \$396 million of loans where we serviced the underlying first-lien at March 31, 2016 and December 31, 2015.

⁽³⁾ These vintages of loans have higher refreshed combined LTV ratios and accounted for 45 percent of nonperforming home equity loans at both March 31, 2016 and December 31, 2015, and 41 percent and 59 percent

of net charge-offs for the three months ended March 31, 2016 and 2015.

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

Nonperforming outstanding balances in the home equity portfolio decreased \$93 million during the three months ended March 31, 2016 as outflows, including sales of \$89 million, outpaced new inflows. Of the nonperforming home equity portfolio at March 31, 2016, \$1.5 billion, or 46 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, junior-lien loans where the underlying first-lien is 90 days or more past due, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, \$1.2 billion, or 36 percent of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans that were 30 days or more past due decreased \$58 million during the three months ended March 31, 2016.

Table of Contents

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. For certain loans, we utilize a third-party vendor to combine credit bureau and public record data to better link a junior-lien loan with the underlying first-lien mortgage. At March 31, 2016, we estimate that \$1.1 billion of current and \$147 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 \$167 million of these combined amounts, with the remaining \$1.1 billion serviced by third parties. Of the \$1.2 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 \$471 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased \$60 million to \$112 million for the three months ended March 31, 2016, or 0.64 percent of the total average home equity portfolio, compared to \$172 million, or 0.88 percent for the same period in 2015. The decrease in net charge-offs was primarily driven by charge-offs of \$45 million related to the consumer relief portion of the settlement with the DoJ in the prior-year period, and favorable portfolio trends due in part to improvement in home prices and the U.S. economy.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed combined loan-to-value (CLTV) comprised six percent of the home equity portfolio at both March 31, 2016 and December 31, 2015. Outstanding balances with a refreshed CLTV greater than 100 percent comprised 10 percent and 11 percent of the home equity portfolio at March 31, 2016 and December 31, 2015. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where our loan and available line of credit combined with any outstanding senior liens against the property are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 96 percent of the customers were current on their home equity loan and 92 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at March 31, 2016. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented six percent and seven percent of the home equity portfolio at March 31, 2016 and December 31, 2015.

Of the \$69.4 billion in total home equity portfolio outstandings at March 31, 2016, as shown in Table 34, 66 percent require interest-only payments, almost all of which were HELOCs that had not yet entered the amortization period. The outstanding balance of HELOCs that have entered the amortization period was \$10.8 billion, or 17 percent of total HELOCs at March 31, 2016. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At March 31, 2016, \$209 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to \$514 million, or one percent for the entire HELOC portfolio. In addition, at March 31, 2016, \$1.5 billion, or 14 percent of outstanding HELOCs that had entered the amortization period were nonperforming, of which \$681 million were contractually current, compared to \$3.0 billion, or five percent for the entire HELOC portfolio, of which \$1.3 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and 42 percent of these loans will enter the amortization period in 2016 and 2017 and will be required to make fully-amortizing payments. We communicate to contractually current customers more than a year prior to the end of their draw period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended March 31, 2016, approximately 48 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

Table of Contents

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 13 percent of the outstanding home equity portfolio at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed 13 percent and 11 percent of net charge-offs within the home equity portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed two percent and five percent of net charge-offs within the home equity portfolio.

Table 34
Home Equity State Concentrations

Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾	Net Charge-offs ⁽²⁾
March 31 2016	December 31 2015		