BANK OF AMERICA CORP /DE/
Form 10-Q
July 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2015
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 ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

| Large accelerated filer ü | Accelerated filer | Non-accelerated filer (do not check if a smaller reporting company) | Smaller reporting company |
|---|---|---|---|

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

On July 28, 2015, there were 10,468,545,156 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation
June 30, 2015
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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "hopes," "estimates," "intends," "plans," "goal," "believes," "continue," "suggests" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the 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, and under Item 1A. Risk Factors of the Corporation's 2014 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 ACE ruling or to assert other claims seeking to avoid the impact of the ACE ruling; the possibility that the Corporation could face related 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 final court approval of negotiated settlements is not obtained, including the possibility that all of the conditions necessary to obtain final approval of the BNY Mellon Settlement do not occur; 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 losses for litigation exposures; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; 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, currency exchange rates and economic conditions; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; 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, but not limited to, any G-SIB surcharge; the possibility that in connection with our effort to exit our Advanced approaches parallel run, our internal analytical models (including the internal models methodology) will either not be approved by U.S. banking regulators, or will be approved with significant modifications, which could, for example, increase our risk-weighted assets and, as a result, negatively impact our capital ratios under the Advanced approaches; the possible impact of Federal Reserve actions on the Corporation's capital 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; the impact of recent proposed U.K. tax law changes,

including a reduction to the U.K. corporate tax rate, and the creation of a bank surcharge tax, which together, if enacted, will result in a tax charge upon enactment and higher tax expense going forward, as well as a reduction in the bank levy; 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.

The Corporation's Annual Report on Form 10-K for the year ended December 31, 2014 as supplemented by a Current Report on Form 8-K filed on April 29, 2015 to reflect reclassified business segment information is referred to herein as the 2014 Annual Report on Form 10-K. These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K.

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## Executive Summary

### Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through 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. Effective January 1, 2015, we aligned the segments with how we are managing the businesses in 2015. For more information on this realignment, see Note 18 – Business Segment Information to the Consolidated Financial Statements. Prior periods have been reclassified to conform to the current period presentation. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At June 30, 2015, the Corporation had approximately $2.1 trillion in assets and approximately 216,700 full-time equivalent employees.

As of June 30, 2015, 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 48 million consumer and small business relationships with approximately 4,800 financial centers, 16,000 ATMs, nationwide call centers, and leading online and mobile banking platforms (www.bankofamerica.com). We offer industry-leading support to approximately three million small business owners. Our wealth management and trust businesses, with client balances of $2.5 trillion, provide tailored solutions to meet client needs through a full set of 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.

### Second-Quarter 2015 Economic and Business Environment

In the U.S., economic growth rebounded in the second quarter of 2015, as the first-quarter adverse impacts of severe winter weather and other temporary factors receded. Capital spending grew slowly, while nonresidential construction picked up. In addition, led by a surge in vehicle sales, retail spending increased, partially supported by solid employment gains and lower energy costs. Housing indicators also improved during the second quarter. The U.S. Dollar stabilized but the impact of its recent strengthening contributed to continued export weakness during the quarter.

Payroll gains increased modestly following a first-quarter slowdown, while wage gains remained historically low. The unemployment rate continued to fall, ending the quarter at 5.3 percent. A limited rebound in energy costs drove inflation during the quarter; however, core inflation (excluding food and energy) remained well below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term annual target of two percent.

While the Federal Reserve has continued to indicate that it would likely be appropriate to raise the target range for the federal funds rate, we believe the Federal Reserve is unlikely to actually raise the target until late in the third quarter at the earliest. Furthermore, the Federal Open Market Committee has indicated that it expects a more gradual firming of monetary policy once tightening is underway. Longer-term U.S. Treasury yields moved higher during the quarter while equities remained relatively unchanged.

Internationally, economic growth continued in the eurozone, where certain nations benefited from quantitative easing and a weaker Euro. In addition, last year's energy cost declines have continued to support solid domestic demand growth in Japan, while Russia and Brazil remain in recession. Heightened concern about China surrounded its substantial equity market declines, which persisted even with direct government intervention. Lower commodity prices have also pressured Latin American economies. Puerto Rico's debt problems remain a concern, although it avoided default at the end of the quarter and is currently preparing a new fiscal plan. As the quarter ended, attention was directed toward Greece; however, financial markets remained stable through the end of the quarter, and subsequently reacted positively to news of a potential settlement and bailout in exchange for austerity measures. Despite heightened economic uncertainty surrounding Greece, we do not currently anticipate widespread contagion from a potential Greek default or eurozone exit.

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Recent Events

New York Court Decision on Statute of Limitations

On June 11, 2015, the New York Court of Appeals, New York's highest appellate court, issued its opinion in ACE Securities Corp. v. DB Structured Products, Inc. (ACE). The Court of Appeals held that, under New York law, a claim for breach of contractual representations and warranties begins to run at the time the representations and warranties are made, and rejected the argument that the six-year statute of limitations does not begin to run until the time repurchase is refused. The Court of Appeals also held that compliance with the contractual notice and cure period was a pre-condition to filing suit, and claims that did not comply with such contractual requirements prior to the expiration of the statute of limitations were invalid. While no entity affiliated with the Corporation was a party to this litigation, the vast majority of the private-label residential mortgage-backed securities (RMBS) trusts to which entities affiliated with the Corporation sold loans and made representations and warranties are governed by New York law. The ACE decision resulted in a reduction in our unresolved repurchase claims, a benefit in the provision for representations and warranties and a decrease to both our accrued liability and estimated range of possible loss for representations and warranties exposures. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Capital Management

In the second quarter of 2015, we repurchased $775 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. Based on the conditional non-objection we received from the Federal Reserve on our 2015 CCAR submission, we are required to resubmit our CCAR capital plan by September 30, 2015 and address certain weaknesses identified in the capital planning process. We have responded to the Federal Reserve with action plans to review and make improvements to our CCAR process to better align with regulatory expectations. We are currently in the process of executing on this plan. For additional information, see Capital Management on page 58.

Global Systemically Important Bank Surcharge

In July 2015, the Federal Reserve finalized a regulation requiring global systemically important bank holding companies (G-SIBs) to hold additional capital. The final rule established the criteria for identifying a G-SIB and the methods used to calculate a risk-based capital surcharge (G-SIB surcharge), which is calibrated to each G-SIB's overall systemic risk. The G-SIB surcharge must be satisfied with Common equity tier 1 capital and will be phased in beginning on January 1, 2016, becoming fully effective on January 1, 2019. Under certain assumptions, we estimate that our G-SIB surcharge will increase our risk-based capital ratio requirements by 3.0 percent. For additional information, see Capital Management – Regulatory Developments on page 67.

Management Team Changes

On July 22, 2015, we announced certain changes to the Corporation's executive management team. For additional information, see the Corporation's Form 8-K filed on July 23, 2015.

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Selected Financial Data

Table 1 provides selected consolidated financial data for the three and six months ended June 30, 2015 and 2014, and at June 30, 2015 and December 31, 2014.

Table 1
Selected Financial Data

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions, except per share information) | 2015 | 2014 | 2015 | 2014 |
| Income statement | | | | |
| Revenue, net of interest expense (FTE basis) [1] | $22,345 | $21,960 | $43,766 | $44,727 |
| Net income | 5,320 | 2,291 | 8,677 | 2,015 |
| Diluted earnings per common share | 0.45 | 0.19 | 0.72 | 0.14 |
| Dividends paid per common share | 0.05 | 0.01 | 0.10 | 0.02 |
| Performance ratios | | | | |
| Return on average assets | 0.99 % | 0.42 % | 0.82 % | 0.19 % |
| Return on average tangible common shareholders' equity [1] | 12.78 | 5.47 | 10.38 | 2.05 |
| Efficiency ratio (FTE basis) [1] | 61.84 | 84.43 | 67.43 | 91.17 |
| Asset quality | | | | |
| Allowance for loan and lease losses at period end | | | $13,068 | $15,811 |
| Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [2] | | | 1.49 % | 1.75 % |
| Nonperforming loans, leases and foreclosed properties at period end [2] | | | $11,565 | $15,300 |
| Net charge-offs [3] | $1,068 | $1,073 | 2,262 | 2,461 |
| Annualized net charge-offs as a percentage of average loans and leases outstanding [2, 3] | 0.49 % | 0.48 % | 0.53 % | 0.55 % |
| Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [2] | 0.50 | 0.49 | 0.54 | 0.56 |
| Annualized net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [2] | 0.62 | 0.55 | 0.66 | 0.67 |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [3] | 3.05 | 3.67 | 2.86 | 3.19 |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the purchased credit-impaired loan portfolio | 2.79 | 3.25 | 2.62 | 2.82 |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and purchased credit-impaired write-offs | 2.40 | 3.20 | 2.28 | 2.60 |

| | June 30 2015 | December 31 2014 |
|---|---|---|
| Balance sheet | | |
| Total loans and leases | $886,449 | $881,391 |
| Total assets | 2,149,034 | 2,104,534 |
| Total deposits | 1,149,560 | 1,118,936 |

| | | | | |
|---|---|---|---|---|
| Total common shareholders' equity | 229,386 | | 224,162 | |
| Total shareholders' equity | 251,659 | | 243,471 | |
| Capital ratios under Basel 3 Standardized – Transition | | | | |
| Common equity tier 1 capital | 11.2 | % | 12.3 | % |
| Tier 1 capital | 12.5 | | 13.4 | |
| Total capital | 15.5 | | 16.5 | |
| Tier 1 leverage | 8.5 | | 8.2 | |

(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 17.

(2) 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 95 and corresponding Table 50, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 105 and corresponding Table 59.

(3) Net charge-offs exclude $290 million and $578 million of write-offs in the purchased credit-impaired loan portfolio for the three and six months ended June 30, 2015 compared to $160 million and $551 million for the same periods in 2014. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

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Financial Highlights

Net income was $5.3 billion, or $0.45 per diluted share, and $8.7 billion, or $0.72 per diluted share for the three and six months ended June 30, 2015 compared to $2.3 billion, or $0.19, and $2.0 billion, or $0.14 for the same periods in 2014. The results for the three and six months ended June 30, 2015 compared to the prior-year periods were primarily driven by decreases of $3.8 billion and $9.5 billion in litigation expense, as well as decreases in certain other noninterest expense categories, partially offset by lower noninterest income and higher provision for credit losses. Net interest income on a fully taxable-equivalent (FTE) basis increased in the three-month period largely due to positive market-related adjustments on debt securities.

Consumer Banking average deposits increased six percent for the six months ended June 30, 2015 compared to the same period in 2014, and total corporate mortgage and home equity loan production was $36.1 billion compared to $24.5 billion for the same period in 2014. GWIM client balances were a record $2.5 trillion at June 30, 2015, an increase of $53 billion from June 30, 2014 including record assets under management (AUM) balances of $930 billion at June 30, 2015. Global Banking period-end loans increased seven percent at June 30, 2015 compared to June 30, 2014, and Bank of America Merrill Lynch maintained a leadership position with total firmwide investment banking fees (excluding self-led deals) of $3.0 billion for the six months ended June 30, 2015. Global Markets equities sales and trading revenue improved primarily driven by increased client activity in the Asia-Pacific region; while fixed-income, currencies and commodities (FICC) was down within the credit-related businesses due to lower trading volumes, partially offset by improvement in rates, currencies and commodities products as increased volatility led to higher client activity. The number of 60 plus days delinquent first-lien mortgage loans serviced by LAS declined to 132 thousand loans at June 30, 2015 from 263 thousand loans at June 30, 2014, and noninterest expense, excluding litigation, decreased due to lower default-related staffing and other default-related servicing expenses.

Total assets increased $44.5 billion from December 31, 2014 to $2.1 trillion at June 30, 2015 primarily due to higher cash and cash equivalents as a result of strong deposit inflows driven by growth in customer and client activity, as well as continued commercial loan growth. During the six months ended June 30, 2015, we returned $1.8 billion in capital to common shareholders through common stock repurchases and dividends. For more information on the increase in total assets and other significant balance sheet items, see Executive Summary – Balance Sheet Overview on page 12. During the first half of 2015, we maintained our strong capital position with Common equity tier 1 capital of $158.3 billion and a Common equity tier 1 capital ratio of 11.2 percent at June 30, 2015 compared to $155.4 billion and 12.3 percent at December 31, 2014 as measured under Basel 3 Standardized – Transition. The Corporation's supplementary leverage ratio was 6.3 percent and 5.9 percent at June 30, 2015 and December 31, 2014, both above the 5.0 percent required minimum. Our Global Excess Liquidity Sources were $484 billion with time-to-required funding at 40 months at June 30, 2015 compared to $439 billion and 39 months at December 31, 2014. For additional information, see Capital Management on page 58 and Liquidity Risk on page 70.

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Table 2
Summary Income Statement

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Net interest income (FTE basis) [(1)] | $10,716 | $10,226 | $20,386 | $20,512 |
| Noninterest income | 11,629 | 11,734 | 23,380 | 24,215 |
| Total revenue, net of interest expense (FTE basis) [(1)] | 22,345 | 21,960 | 43,766 | 44,727 |
| Provision for credit losses | 780 | 411 | 1,545 | 1,420 |
| Noninterest expense | 13,818 | 18,541 | 29,513 | 40,779 |
| Income before income taxes (FTE basis) [(1)] | 7,747 | 3,008 | 12,708 | 2,528 |
| Income tax expense (FTE basis) [(1)] | 2,427 | 717 | 4,031 | 513 |
| Net income | 5,320 | 2,291 | 8,677 | 2,015 |
| Preferred stock dividends | 330 | 256 | 712 | 494 |
| Net income applicable to common shareholders | $4,990 | $2,035 | $7,965 | $1,521 |
| | | | | |
| Per common share information | | | | |
| Earnings | $0.48 | $0.19 | $0.76 | $0.14 |
| Diluted earnings | 0.45 | 0.19 | 0.72 | 0.14 |

| Capital ratios under Basel 3 Standardized – Transition [(2)] | June 30 2015 | December 31 2014 |
|---|---|---|
| Common equity tier 1 capital | 11.2 % | 12.3 % |
| Tier 1 capital | 12.5 | 13.4 |
| Total capital | 15.5 | 16.5 |
| Tier 1 leverage | 8.5 | 8.2 |

(1) FTE basis is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

(2) For more information on capital management and the related capital ratios, see Capital Management on page 58.

Net Interest Income

Net interest income on an FTE basis increased $490 million to $10.7 billion, and decreased $126 million to $20.4 billion for the three and six months ended June 30, 2015 compared to the same periods in 2014. The net interest yield on an FTE basis increased 15 basis points (bps) to 2.37 percent, and increased one bp to 2.27 percent for the three and six months ended June 30, 2015 compared to the same periods in 2014. The increase for the three months ended June 30, 2015 compared to the same period in 2014 was driven by an $844 million improvement in market-related adjustments on debt securities, lower long-term debt balances and commercial loan growth, partially offset by lower loan yields and consumer loan balances. Market-related adjustments on debt securities resulted in a benefit of $669 million for the three months ended June 30, 2015 compared to an expense of $175 million for the same period in 2014. The improvement in market-related adjustments on debt securities was primarily due to the increase in long-term interest rates which extended the estimated lives of mortgage-related debt securities resulting in a reinstatement of previously amortized purchase premium and a corresponding increase to interest income. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income.

The decrease for the six months ended June 30, 2015 was driven by lower loan yields and consumer loan balances, and lower net interest income from the asset and liability management (ALM) portfolio, partially offset by a $633 million improvement in market-related adjustments on debt securities, lower long-term debt balances and commercial loan growth. Market-related adjustments on debt securities resulted in a benefit of $185 million for the six months

ended June 30, 2015 compared to an expense of $448 million for the same period in 2014. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K.



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Noninterest Income

Table 3

Noninterest Income

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Card income | $1,477 | $1,441 | $2,871 | $2,834 |
| Service charges | 1,857 | 1,866 | 3,621 | 3,692 |
| Investment and brokerage services | 3,387 | 3,291 | 6,765 | 6,560 |
| Investment banking income | 1,526 | 1,631 | 3,013 | 3,173 |
| Equity investment income | 88 | 357 | 115 | 1,141 |
| Trading account profits | 1,647 | 1,832 | 3,894 | 4,299 |
| Mortgage banking income | 1,001 | 527 | 1,695 | 939 |
| Gains on sales of debt securities | 168 | 382 | 436 | 759 |
| Other income | 478 | 407 | 970 | 818 |
| Total noninterest income | $11,629 | $11,734 | $23,380 | $24,215 |

Noninterest income decreased $105 million to $11.6 billion, and $835 million to $23.4 billion for the three and six months ended June 30, 2015 compared to the same periods in 2014. The following highlights the significant changes.

- Investment and brokerage services income increased $96 million and $205 million primarily driven by increased asset management fees due to the impact of long-term AUM flows and higher market levels, partially offset by lower transactional revenue.

- Investment banking income decreased $105 million for the three months ended June 30, 2015 compared to the same period in 2014 due to lower equity issuance fees as the prior-year period included record equity issuance fees. Investment banking income decreased $160 million for the six months ended June 30, 2015 compared to the same period in 2014 driven by lower debt and equity issuance fees, partially offset by higher advisory fees.

- Equity investment income decreased $269 million and $1.0 billion as the prior-year periods included gains from an initial public offering (IPO) of an equity investment in Global Markets. The decline for the six-month period was also driven by a gain on the sale of a portion of an equity investment in the prior year.

- Trading account profits decreased $185 million and $405 million due to declines in credit-related businesses due to lower trading volumes, partially offset by increased client activity in equities and improvement in rates, currencies and commodities products within FICC. For more information on trading account profits, see Global Markets on page 43.

- Mortgage banking income increased $474 million and $756 million primarily due to a benefit in the provision for representations and warranties, improved mortgage servicing rights (MSR) net-of-hedge performance and an increase in core production revenue, partially offset by a decline in servicing fees.

- Other income increased $71 million for the three months ended June 30, 2015 compared to the same period in 2014 due to gains associated with the sales of residential mortgage loans, higher net debit valuation adjustment (DVA) gains on structured liabilities and lower U.K. consumer payment protection insurance (PPI) costs. Other income increased $152 million for the six months ended June 30, 2015 compared to the same period in 2014 due to the same factors as described in the three-month discussion above, partially offset by lower net DVA gains on structured liabilities.

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Provision for Credit Losses

Table 4

Credit Quality Data

| (Dollars in millions) | Three Months Ended June 30 2015 | Three Months Ended June 30 2014 | Six Months Ended June 30 2015 | Six Months Ended June 30 2014 |
|---|---|---|---|---|
| Provision for credit losses | | | | |
| Consumer | $553 | $157 | $1,172 | $807 |
| Commercial | 227 | 254 | 373 | 613 |
| Total provision for credit losses | $780 | $411 | $1,545 | $1,420 |
| Net charge-offs [1] | $1,068 | $1,073 | $2,262 | $2,461 |
| Net charge-off ratio [2] | 0.49 % | 0.48 % | 0.53 % | 0.55 % |

(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 $369 million to $780 million, and $125 million to $1.5 billion for the three and six months ended June 30, 2015 compared to the same periods in 2014. The provision for credit losses was $288 million and $717 million lower than net charge-offs, resulting in a reduction in the allowance for credit losses. The provision for credit losses in the consumer portfolio increased from the prior-year periods as we continue to release reserves, but at a slower pace than prior-year periods and also due to a lower level of recoveries on nonperforming loan sales. This was partially offset by lower provision in the commercial portfolio, primarily in U.S. commercial. The decreases in net charge-offs were due to credit quality improvement across most major portfolios. We expect net charge-offs and the provision for credit losses to more closely align throughout the remainder of 2015. For more information on the provision for credit losses, see Provision for Credit Losses on page 112.

Noninterest Expense

Table 5

Noninterest Expense

| (Dollars in millions) | Three Months Ended June 30 2015 | Three Months Ended June 30 2014 | Six Months Ended June 30 2015 | Six Months Ended June 30 2014 |
|---|---|---|---|---|
| Personnel | $7,890 | $8,306 | $17,504 | $18,055 |
| Occupancy | 1,027 | 1,079 | 2,054 | 2,194 |
| Equipment | 500 | 534 | 1,012 | 1,080 |
| Marketing | 445 | 450 | 885 | 892 |
| Professional fees | 494 | 626 | 915 | 1,184 |
| Amortization of intangibles | 212 | 235 | 425 | 474 |
| Data processing | 715 | 761 | 1,567 | 1,594 |
| Telecommunications | 202 | 324 | 373 | 694 |
| Other general operating | 2,333 | 6,226 | 4,778 | 14,612 |
| Total noninterest expense | $13,818 | $18,541 | $29,513 | $40,779 |

Noninterest expense decreased $4.7 billion to $13.8 billion, and $11.3 billion to $29.5 billion for the three and six months ended June 30, 2015 compared to the same periods in 2014. The following highlights the significant changes.

- Personnel expense decreased $416 million and $551 million as we continue to streamline processes and achieve cost savings.

- Professional fees decreased $132 million and $269 million due to lower default-related servicing expenses and legal fees.

- Telecommunications expense decreased $122 million and $321 million due to efficiencies gained as we have simplified our operating model, including in-sourcing certain functions.

- Other general operating expense decreased $3.9 billion and $9.8 billion primarily due to decreases in litigation expense which were primarily related to previously disclosed legacy mortgage-related matters in the prior-year periods.

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Income Tax Expense

Table 6

Income Tax Expense

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Income before income taxes | $7,519 | $2,795 | $12,261 | $2,114 |
| Income tax expense | 2,199 | 504 | 3,584 | 99 |
| Effective tax rate | 29.2 % | 18.0 % | 29.2 % | 4.7 % |

The effective tax rates increased for the three and six months ended June 30, 2015 compared to the same periods in 2014 as the impact of recurring tax preference benefits had less of an impact on the effective tax rate in 2015 than in 2014. Also reflected in the effective tax rate for the six months ended June 30, 2014 was the impact of certain accruals estimated to be nondeductible, largely offset by discrete tax benefits, principally from the resolution of certain tax matters. We expect an effective tax rate of approximately 30 percent, absent any unusual items, such as any impact of U.K. proposed tax law changes described below, for the remainder of 2015.

On July 8, 2015, the U.K. Chancellor's Budget (the Budget) was released, proposing to reduce the U.K. corporate income tax rate by two percent to 18 percent. The first one percent reduction would be effective on April 1, 2017 and the second on April 1, 2020. The Budget also proposed a tax surcharge on banking institutions of eight percent, to be effective on January 1, 2016, and proposed that existing net operating loss carryforwards may not reduce the additional surcharge income tax liability. These proposals, which may become law later in 2015, would require us to remeasure our U.K. deferred tax assets, which we estimate would result in a charge of approximately $200 million to $300 million in the period of enactment.

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Balance Sheet Overview

Table 7
Selected Balance Sheet Data

| (Dollars in millions) | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | $163,514 | $138,589 | 18 % |
| Federal funds sold and securities borrowed or purchased under agreements to resell | 199,903 | 191,823 | 4 |
| Trading account assets | 189,106 | 191,785 | (1 ) |
| Debt securities | 392,379 | 380,461 | 3 |
| Loans and leases | 886,449 | 881,391 | 1 |
| Allowance for loan and lease losses | (13,068 ) | (14,419 ) | (9 ) |
| All other assets | 330,751 | 334,904 | (1 ) |
| Total assets | $2,149,034 | $2,104,534 | 2 |
| Liabilities | | | |
| Deposits | $1,149,560 | $1,118,936 | 3 % |
| Federal funds purchased and securities loaned or sold under agreements to repurchase | 213,024 | 201,277 | 6 |
| Trading account liabilities | 72,596 | 74,192 | (2 ) |
| Short-term borrowings | 39,903 | 31,172 | 28 |
| Long-term debt | 243,414 | 243,139 | — |
| All other liabilities | 178,878 | 192,347 | (7 ) |
| Total liabilities | 1,897,375 | 1,861,063 | 2 |
| Shareholders' equity | 251,659 | 243,471 | 3 |
| Total liabilities and shareholders' equity | $2,149,034 | $2,104,534 | 2 |

Balance Sheet Analysis

Assets

At June 30, 2015, total assets were approximately $2.1 trillion, up $44.5 billion from December 31, 2014. The key driver of the increase in assets was increased cash and cash equivalents primarily due to strong deposit inflows driven by growth in customer and client activity. Also contributing to the increase were net purchases of mortgage-backed securities (MBS), higher securities borrowed or purchased under agreements to resell primarily due to deployment of excess liquidity and an increase in commercial loan balances. These increases were partially offset by a decline in consumer loan balances due to loan sales and portfolio run-off outpacing new originations, and a reduction in trading account assets. The Corporation took certain actions during the six months ended June 30, 2015 to further optimize liquidity in response to the Basel 3 Liquidity Coverage Ratio (LCR) requirements. Most notably, we exchanged loans supported by long-term standby agreements with Fannie Mae (FNMA) and Freddie Mac (FHLMC) into debt securities guaranteed by FNMA and FHLMC, which further improved liquidity in the ALM portfolio.

Liabilities and Shareholders' Equity

At June 30, 2015, total liabilities were approximately $1.9 trillion, up $36.3 billion from December 31, 2014, primarily driven by an increase in deposits, as well as increases in securities loaned or sold under agreements to repurchase and short-term borrowings. These increases were partially offset by declines in payables and derivative liabilities included in all other liabilities. Long-term debt remained relatively unchanged.

Shareholders' equity of $251.7 billion at June 30, 2015 increased $8.2 billion from December 31, 2014 driven by earnings and preferred stock issuances, partially offset by returns of capital to shareholders through share repurchases and common dividends, and a decrease in accumulated other comprehensive income (OCI) due to a negative net change in the fair value of available-for-sale (AFS) debt securities as a result of the increase in interest rates.

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Table 8
Selected Quarterly Financial Data

| | 2015 Quarters | | 2014 Quarters | | |
|---|---|---|---|---|---|
| (In millions, except per share information) | Second | First | Fourth | Third | Second |
| Income statement | | | | | |
| Net interest income | $10,488 | $9,451 | $9,635 | $10,219 | $10,013 |
| Noninterest income | 11,629 | 11,751 | 9,090 | 10,990 | 11,734 |
| Total revenue, net of interest expense | 22,117 | 21,202 | 18,725 | 21,209 | 21,747 |
| Provision for credit losses | 780 | 765 | 219 | 636 | 411 |
| Noninterest expense | 13,818 | 15,695 | 14,196 | 20,142 | 18,541 |
| Income before income taxes | 7,519 | 4,742 | 4,310 | 431 | 2,795 |
| Income tax expense | 2,199 | 1,385 | 1,260 | 663 | 504 |
| Net income (loss) | 5,320 | 3,357 | 3,050 | (232) | 2,291 |
| Net income (loss) applicable to common shareholders | 4,990 | 2,975 | 2,738 | (470) | 2,035 |
| Average common shares issued and outstanding | 10,488 | 10,519 | 10,516 | 10,516 | 10,519 |
| Average diluted common shares issued and outstanding [(1)] | 11,238 | 11,267 | 11,274 | 10,516 | 11,265 |
| Performance ratios | | | | | |
| Return on average assets | 0.99 % | 0.64 % | 0.57 % | n/m | 0.42 % |
| Four quarter trailing return on average assets [(2)] | 0.54 | 0.39 | 0.23 | 0.24 % | 0.37 |
| Return on average common shareholders' equity | 8.75 | 5.35 | 4.84 | n/m | 3.68 |
| Return on average tangible common shareholders' equity [(3)] | 12.78 | 7.88 | 7.15 | n/m | 5.47 |
| Return on average tangible shareholders' equity [(3)] | 11.93 | 7.85 | 7.08 | n/m | 5.64 |
| Total ending equity to total ending assets | 11.71 | 11.67 | 11.57 | 11.24 | 10.94 |
| Total average equity to total average assets | 11.67 | 11.49 | 11.39 | 11.14 | 10.87 |
| Dividend payout | 10.49 | 17.68 | 19.21 | n/m | 5.16 |
| Per common share data | | | | | |
| Earnings (loss) | $0.48 | $0.28 | $0.26 | $(0.04) | $0.19 |
| Diluted earnings (loss) [(1)] | 0.45 | 0.27 | 0.25 | (0.04) | 0.19 |
| Dividends paid | 0.05 | 0.05 | 0.05 | 0.05 | 0.01 |
| Book value | 21.91 | 21.66 | 21.32 | 20.99 | 21.16 |
| Tangible book value [(3)] | 15.02 | 14.79 | 14.43 | 14.09 | 14.24 |
| Market price per share of common stock | | | | | |
| Closing | $17.02 | $15.39 | $17.89 | $17.05 | $15.37 |
| High closing | 17.67 | 17.90 | 18.13 | 17.18 | 17.34 |
| Low closing | 15.41 | 15.15 | 15.76 | 14.98 | 14.51 |
| Market capitalization | $178,231 | $161,909 | $188,141 | $179,296 | $161,628 |

(1) The diluted earnings (loss) per common share excluded the effect of any equity instruments that are antidilutive to earnings per share. There were no potential common shares that were dilutive in the third quarter of 2014 because of the net loss applicable to common shareholders.

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 17.

(4)

For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 78.

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

(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 95 and corresponding Table 50, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 105 and corresponding Table 59.

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

(8) Net charge-offs exclude $290 million, $288 million, $13 million, $246 million and $160 million of write-offs in the purchased credit-impaired loan portfolio in the second and first quarters of 2015 and in the fourth, third and second quarters of 2014, respectively. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

n/m = not meaningful

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Table 8
Selected Quarterly Financial Data (continued)

| | 2015 Quarters | | 2014 Quarters | | |
|---|---|---|---|---|---|
| (Dollars in millions) | Second | First | Fourth | Third | Second |
| Average balance sheet | | | | | |
| Total loans and leases | $881,415 | $872,393 | $884,733 | $899,241 | $912,580 |
| Total assets | 2,151,966 | 2,138,574 | 2,137,551 | 2,136,109 | 2,169,555 |
| Total deposits | 1,146,789 | 1,130,726 | 1,122,514 | 1,127,488 | 1,128,563 |
| Long-term debt | 242,230 | 240,127 | 249,221 | 251,772 | 259,825 |
| Common shareholders' equity | 228,780 | 225,357 | 224,479 | 222,374 | 222,221 |
| Total shareholders' equity | 251,054 | 245,744 | 243,454 | 238,040 | 235,803 |
| Asset quality (4) | | | | | |
| Allowance for credit losses (5) | $13,656 | $14,213 | $14,947 | $15,635 | $16,314 |
| Nonperforming loans, leases and foreclosed properties (6) | 11,565 | 12,101 | 12,629 | 14,232 | 15,300 |
| Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6) | 1.49 % | 1.57 % | 1.65 % | 1.71 % | 1.75 % |
| Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6) | 122 | 122 | 121 | 112 | 108 |
| Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (6) | 111 | 110 | 107 | 100 | 95 |
| Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (7) | $5,050 | $5,492 | $5,944 | $6,013 | $6,488 |
| 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 (6, 7) | 75 % | 73 % | 71 % | 67 % | 64 % |
| Net charge-offs (8) | $1,068 | $1,194 | $879 | $1,043 | $1,073 |
| Annualized net charge-offs as a percentage of average loans and leases outstanding (6, 8) | 0.49 % | 0.56 % | 0.40 % | 0.46 % | 0.48 % |
| Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (6) | 0.50 | 0.57 | 0.41 | 0.48 | 0.49 |
| Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (6) | 0.62 | 0.70 | 0.40 | 0.57 | 0.55 |
| Nonperforming loans and leases as a percentage of total loans and leases outstanding (6) | 1.22 | 1.29 | 1.37 | 1.53 | 1.63 |
| Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6) | 1.31 | 1.39 | 1.45 | 1.61 | 1.70 |
| | 3.05 | 2.82 | 4.14 | 3.65 | 3.67 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [8] | | | | | | | | | | |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio | 2.79 | | 2.55 | | 3.66 | | 3.27 | | 3.25 | |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs | 2.40 | | 2.28 | | 4.08 | | 2.95 | | 3.20 | |
| Capital ratios at period end | | | | | | | | | | |
| Risk-based capital under Basel 3 Standardized – Transition: | | | | | | | | | | |
| Common equity tier 1 capital | 11.2 | % | 11.1 | % | 12.3 | % | 12.0 | % | 12.0 | % |
| Tier 1 capital | 12.5 | | 12.3 | | 13.4 | | 12.8 | | 12.5 | |
| Total capital | 15.5 | | 15.3 | | 16.5 | | 15.8 | | 15.3 | |
| Tier 1 leverage | 8.5 | | 8.4 | | 8.2 | | 7.9 | | 7.7 | |
| Tangible equity [3] | 8.6 | | 8.6 | | 8.4 | | 8.1 | | 7.8 | |
| Tangible common equity [3] | 7.6 | | 7.5 | | 7.5 | | 7.2 | | 7.1 | |

For footnotes see page 13.

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Table 9
Selected Year-to-Date Financial Data

| | Six Months Ended June 30 | | | |
|---|---|---|---|---|
| (In millions, except per share information) | 2015 | | 2014 | |
| Income statement | | | | |
| Net interest income | $19,939 | | $20,098 | |
| Noninterest income | 23,380 | | 24,215 | |
| Total revenue, net of interest expense | 43,319 | | 44,313 | |
| Provision for credit losses | 1,545 | | 1,420 | |
| Noninterest expense | 29,513 | | 40,779 | |
| Income before income taxes | 12,261 | | 2,114 | |
| Income tax expense | 3,584 | | 99 | |
| Net income | 8,677 | | 2,015 | |
| Net income applicable to common shareholders | 7,965 | | 1,521 | |
| Average common shares issued and outstanding | 10,503 | | 10,540 | |
| Average diluted common shares issued and outstanding | 11,252 | | 10,600 | |
| Performance ratios | | | | |
| Return on average assets | 0.82 | % | 0.19 | % |
| Return on average common shareholders' equity | 7.07 | | 1.38 | |
| Return on average tangible common shareholders' equity [(1)] | 10.38 | | 2.05 | |
| Return on average tangible shareholders' equity [(1)] | 9.93 | | 2.49 | |
| Total ending equity to total ending assets | 11.71 | | 10.94 | |
| Total average equity to total average assets | 11.58 | | 10.96 | |
| Dividend payout | 13.18 | | 13.83 | |
| Per common share data | | | | |
| Earnings | $0.76 | | $0.14 | |
| Diluted earnings | 0.72 | | 0.14 | |
| Dividends paid | 0.10 | | 0.02 | |
| Book value | 21.91 | | 21.16 | |
| Tangible book value [(1)] | 15.02 | | 14.24 | |
| Market price per share of common stock | | | | |
| Closing | $17.02 | | $15.37 | |
| High closing | 17.90 | | 17.92 | |
| Low closing | 15.15 | | 14.51 | |
| Market capitalization | $178,231 | | $161,628 | |

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 17.

(2) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 78.

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

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 95 and corresponding Table 50, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 105 and corresponding Table 59.

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

(6)

Net charge-offs exclude $578 million and $551 million of write-offs in the purchased credit-impaired loan portfolio for the six months ended June 30, 2015 and 2014. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

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Table 9
Selected Year-to-Date Financial Data (continued)

| | Six Months Ended June 30 | | | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | | 2014 | |
| Average balance sheet | | | | |
| Total loans and leases | $876,929 | | $916,012 | |
| Total assets | 2,145,307 | | 2,154,494 | |
| Total deposits | 1,138,801 | | 1,123,399 | |
| Long-term debt | 241,184 | | 256,768 | |
| Common shareholders' equity | 227,078 | | 222,711 | |
| Total shareholders' equity | 248,413 | | 236,179 | |
| Asset quality [2] | | | | |
| Allowance for credit losses [3] | $13,656 | | $16,314 | |
| Nonperforming loans, leases and foreclosed properties [4] | 11,565 | | 15,300 | |
| Allowance for loan and lease losses as a percentage of total loans and leases outstanding [4] | 1.49 | % | 1.75 | % |
| Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [4] | 122 | | 108 | |
| Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [4] | 111 | | 95 | |
| Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [5] | $5,050 | | $6,488 | |
| Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [4, 5] | 75 | % | 64 | % |
| Net charge-offs [6] | $2,262 | | $2,461 | |
| Annualized net charge-offs as a percentage of average loans and leases outstanding [4, 6] | 0.53 | % | 0.55 | % |
| Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [4] | 0.54 | | 0.56 | |
| Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [4] | 0.66 | | 0.67 | |
| Nonperforming loans and leases as a percentage of total loans and leases outstanding [4] | 1.22 | | 1.63 | |
| Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [4] | 1.31 | | 1.70 | |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [6] | 2.86 | | 3.19 | |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio | 2.62 | | 2.82 | |
| Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs | 2.28 | | 2.60 | |

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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 Tables 8 and 9.

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. In addition, for purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity 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 Business Segment Operations on page 27.

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 10
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

| | 2015 Quarters | 2014 Quarters |
|---|---|---|

| (Dollars in millions) | Second | First | Fourth | Third | Second |
|---|---|---|---|---|---|
| Fully taxable-equivalent basis data | | | | | |
| Net interest income | $10,716 | $9,670 | $9,865 | $10,444 | $10,226 |
| Total revenue, net of interest expense | 22,345 | 21,421 | 18,955 | 21,434 | 21,960 |
| Net interest yield | 2.37 % | 2.17 % | 2.18 % | 2.29 % | 2.22 % |
| Efficiency ratio | 61.84 | 73.27 | 74.90 | 93.97 | 84.43 |

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Table 10
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

| | 2015 Quarters | | 2014 Quarters | | |
|---|---|---|---|---|---|
| (Dollars in millions) | Second | First | Fourth | Third | Second |
| Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis | | | | | |
| Net interest income | $10,488 | $9,451 | $9,635 | $10,219 | $10,013 |
| Fully taxable-equivalent adjustment | 228 | 219 | 230 | 225 | 213 |
| Net interest income on a fully taxable-equivalent basis | $10,716 | $9,670 | $9,865 | $10,444 | $10,226 |
| Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis | | | | | |
| Total revenue, net of interest expense | $22,117 | $21,202 | $18,725 | $21,209 | $21,747 |
| Fully taxable-equivalent adjustment | 228 | 219 | 230 | 225 | 213 |
| Total revenue, net of interest expense on a fully taxable-equivalent basis | $22,345 | $21,421 | $18,955 | $21,434 | $21,960 |
| Reconciliation of income tax expense to income tax expense on a fully taxable-equivalent basis | | | | | |
| Income tax expense | $2,199 | $1,385 | $1,260 | $663 | $504 |
| Fully taxable-equivalent adjustment | 228 | 219 | 230 | 225 | 213 |
| Income tax expense on a fully taxable-equivalent basis | $2,427 | $1,604 | $1,490 | $888 | $717 |
| Reconciliation of average common shareholders' equity to average tangible common shareholders' equity | | | | | |
| Common shareholders' equity | $228,780 | $225,357 | $224,479 | $222,374 | $222,221 |
| Goodwill | (69,775) | (69,776) | (69,782) | (69,792) | (69,822) |
| Intangible assets (excluding MSRs) | (4,307) | (4,518) | (4,747) | (4,992) | (5,235) |
| Related deferred tax liabilities | 1,885 | 1,959 | 2,019 | 2,077 | 2,100 |
| Tangible common shareholders' equity | $156,583 | $153,022 | $151,969 | $149,667 | $149,264 |
| Reconciliation of average shareholders' equity to average tangible shareholders' equity | | | | | |
| Shareholders' equity | $251,054 | $245,744 | $243,454 | $238,040 | $235,803 |
| Goodwill | (69,775) | (69,776) | (69,782) | (69,792) | (69,822) |
| Intangible assets (excluding MSRs) | (4,307) | (4,518) | (4,747) | (4,992) | (5,235) |
| Related deferred tax liabilities | 1,885 | 1,959 | 2,019 | 2,077 | 2,100 |
| Tangible shareholders' equity | $178,857 | $173,409 | $170,944 | $165,333 | $162,846 |
| Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity | | | | | |
| Common shareholders' equity | $229,386 | $227,915 | $224,162 | $220,768 | $222,565 |
| Goodwill | (69,775) | (69,776) | (69,777) | (69,784) | (69,810) |
| Intangible assets (excluding MSRs) | (4,188) | (4,391) | (4,612) | (4,849) | (5,099) |
| Related deferred tax liabilities | 1,813 | 1,900 | 1,960 | 2,019 | 2,078 |
| Tangible common shareholders' equity | $157,236 | $155,648 | $151,733 | $148,154 | $149,734 |
| Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Shareholders' equity | $251,659 | $250,188 | $243,471 | $238,681 | $237,411 |
| Goodwill | (69,775) | (69,776) | (69,777) | (69,784) | (69,810) |
| Intangible assets (excluding MSRs) | (4,188) | (4,391) | (4,612) | (4,849) | (5,099) |
| Related deferred tax liabilities | 1,813 | 1,900 | 1,960 | 2,019 | 2,078 |
| Tangible shareholders' equity | $179,509 | $177,921 | $171,042 | $166,067 | $164,580 |
| Reconciliation of period-end assets to period-end tangible assets | | | | | |
| Assets | $2,149,034 | $2,143,545 | $2,104,534 | $2,123,613 | $2,170,557 |
| Goodwill | (69,775) | (69,776) | (69,777) | (69,784) | (69,810) |
| Intangible assets (excluding MSRs) | (4,188) | (4,391) | (4,612) | (4,849) | (5,099) |
| Related deferred tax liabilities | 1,813 | 1,900 | 1,960 | 2,019 | 2,078 |
| Tangible assets | $2,076,884 | $2,071,278 | $2,032,105 | $2,050,999 | $2,097,726 |

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Table 11
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

| (Dollars in millions, except per share information) | Six Months Ended June 30 2015 | 2014 |
|---|---|---|
| Fully taxable-equivalent basis data | | |
| Net interest income | $20,386 | $20,512 |
| Total revenue, net of interest expense | 43,766 | 44,727 |
| Net interest yield | 2.27 % | 2.26 % |
| Efficiency ratio | 67.43 | 91.17 |
| Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis | | |
| Net interest income | $19,939 | $20,098 |
| Fully taxable-equivalent adjustment | 447 | 414 |
| Net interest income on a fully taxable-equivalent basis | $20,386 | $20,512 |
| Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis | | |
| Total revenue, net of interest expense | $43,319 | $44,313 |
| Fully taxable-equivalent adjustment | 447 | 414 |
| Total revenue, net of interest expense on a fully taxable-equivalent basis | $43,766 | $44,727 |
| Reconciliation of income tax expense to income tax expense on a fully taxable-equivalent basis | | |
| Income tax expense | $3,584 | $99 |
| Fully taxable-equivalent adjustment | 447 | 414 |
| Income tax expense on a fully taxable-equivalent basis | $4,031 | $513 |
| Reconciliation of average common shareholders' equity to average tangible common shareholders' equity | | |
| Common shareholders' equity | $227,078 | $222,711 |
| Goodwill | (69,776) | (69,832) |
| Intangible assets (excluding MSRs) | (4,412) | (5,354) |
| Related deferred tax liabilities | 1,922 | 2,132 |
| Tangible common shareholders' equity | $154,812 | $149,657 |
| Reconciliation of average shareholders' equity to average tangible shareholders' equity | | |
| Shareholders' equity | $248,413 | $236,179 |
| Goodwill | (69,776) | (69,832) |
| Intangible assets (excluding MSRs) | (4,412) | (5,354) |
| Related deferred tax liabilities | 1,922 | 2,132 |
| Tangible shareholders' equity | $176,147 | $163,125 |

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Table 12
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures [1]

| (Dollars in millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Consumer Banking** | | | | |
| Reported net income | $1,704 | $1,634 | $3,179 | $3,102 |
| Adjustment related to intangibles [2] | 1 | 1 | 2 | 2 |
| Adjusted net income | $1,705 | $1,635 | $3,181 | $3,104 |
| Average allocated equity [3] | $59,330 | $60,403 | $59,339 | $60,410 |
| Adjustment related to goodwill and a percentage of intangibles | (30,330) | (30,403) | (30,339) | (30,410) |
| Average allocated capital | $29,000 | $30,000 | $29,000 | $30,000 |
| **Deposits** | | | | |
| Reported net income | $726 | $632 | $1,264 | $1,193 |
| Adjustment related to intangibles [2] | — | — | — | — |
| Adjusted net income | $726 | $632 | $1,264 | $1,193 |
| Average allocated equity [3] | $30,423 | $29,428 | $30,423 | $29,426 |
| Adjustment related to goodwill and a percentage of intangibles | (18,423) | (18,428) | (18,423) | (18,426) |
| Average allocated capital | $12,000 | $11,000 | $12,000 | $11,000 |
| **Consumer Lending** | | | | |
| Reported net income | $978 | $1,002 | $1,915 | $1,909 |
| Adjustment related to intangibles [2] | 1 | 1 | 2 | 2 |
| Adjusted net income | $979 | $1,003 | $1,917 | $1,911 |
| Average allocated equity [3] | $28,907 | $30,975 | $28,915 | $30,984 |
| Adjustment related to goodwill and a percentage of intangibles | (11,907) | (11,975) | (11,915) | (11,984) |
| Average allocated capital | $17,000 | $19,000 | $17,000 | $19,000 |
| **Global Wealth & Investment Management** | | | | |
| Reported net income | $690 | $726 | $1,341 | $1,455 |
| Adjustment related to intangibles [2] | 3 | 3 | 6 | 7 |
| Adjusted net income | $693 | $729 | $1,347 | $1,462 |
| Average allocated equity [3] | $22,106 | $22,222 | $22,137 | $22,233 |
| Adjustment related to goodwill and a percentage of intangibles | (10,106) | (10,222) | (10,137) | (10,233) |
| Average allocated capital | $12,000 | $12,000 | $12,000 | $12,000 |
| **Global Banking** | | | | |
| Reported net income | $1,251 | $1,445 | $2,617 | $2,738 |
| Adjustment related to intangibles [2] | — | — | — | 1 |
| Adjusted net income | $1,251 | $1,445 | $2,617 | $2,739 |
| Average allocated equity [3] | $58,952 | $57,447 | $58,936 | $57,449 |
| Adjustment related to goodwill and a percentage of intangibles | (23,952) | (23,947) | (23,936) | (23,949) |

| | | | | |
|---|---|---|---|---|
| Average allocated capital | $35,000 | $33,500 | $35,000 | $33,500 |
| | | | | |
| Global Markets | | | | |
| Reported net income | $993 | $1,102 | $1,938 | $2,412 |
| Adjustment related to intangibles [2] | 2 | 2 | 4 | 5 |
| Adjusted net income | $995 | $1,104 | $1,942 | $2,417 |
| | | | | |
| Average allocated equity [3] | $40,458 | $39,380 | $40,424 | $39,380 |
| Adjustment related to goodwill and a percentage of intangibles | (5,458) | (5,380) | (5,424) | (5,380) |
| Average allocated capital | $35,000 | $34,000 | $35,000 | $34,000 |

[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.

[3] Average allocated equity is comprised of average allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 27.

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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. As discussed in Global Markets on page 43, 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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Net interest income (FTE basis) | | | | |
| As reported | $10,716 | $10,226 | $20,386 | $20,512 |
| Impact of trading-related net interest income | (921) | (864) | (1,838) | (1,769) |
| Net interest income excluding trading-related net interest income [1] | $9,795 | $9,362 | $18,548 | $18,743 |
| Average earning assets | | | | |
| As reported | $1,815,892 | $1,840,850 | $1,810,178 | $1,822,177 |
| Impact of trading-related earning assets | (419,238) | (463,395) | (418,729) | (453,105) |
| Average earning assets excluding trading-related earning assets [1] | $1,396,654 | $1,377,455 | $1,391,449 | $1,369,072 |
| Net interest yield contribution (FTE basis) [2] | | | | |
| As reported | 2.37 % | 2.22 % | 2.27 % | 2.26 % |
| Impact of trading-related activities | 0.44 | 0.50 | 0.41 | 0.49 |
| Net interest yield on earning assets excluding trading-related activities [1] | 2.81 % | 2.72 % | 2.68 % | 2.75 % |

[1] Represents a non-GAAP financial measure.
[2] Calculated on an annualized basis.

For the three and six months ended June 30, 2015, net interest income excluding trading-related net interest income increased $433 million to $9.8 billion, and decreased $195 million to $18.5 billion compared to the same periods in 2014.

The increase for the three months ended June 30, 2015 was driven by an $844 million improvement in market-related adjustments on debt securities, lower long-term debt balances and commercial loan growth, partially offset by lower loan yields and consumer loan balances. Market-related adjustments on debt securities resulted in a benefit of $669 million for the three months ended June 30, 2015 compared to an expense of $175 million for the same period in 2014. For more information on market-related adjustments, see Executive Summary – Financial Highlights on page 7. For more information on the impact of interest rates, see Interest Rate Risk Management for Non-trading Activities on page 122.

The decrease for the six months ended June 30, 2015 was driven by lower loan yields and consumer loan balances, and lower net interest income from the ALM portfolio, partially offset by a $633 million improvement in market-related adjustments on debt securities, lower long-term debt balances and commercial loan growth. Market-related adjustments on debt securities resulted in a benefit of $185 million for the six months ended June 30, 2015 compared to an expense of $448 million for the same period in 2014.

Average earning assets excluding trading-related earning assets for the three and six months ended June 30, 2015 increased $19.2 billion to $1,396.7 billion, and $22.4 billion to $1,391.4 billion compared to the same periods in 2014. The increases were primarily in debt securities and commercial loans, partially offset by a decline in consumer loans.

For the three and six months ended June 30, 2015, net interest yield on earning assets excluding trading-related activities increased nine bps to 2.81 percent, and decreased seven bps to 2.68 percent compared to the same periods in 2014 due to the same factors as described above.

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Table 14
Quarterly Average Balances and Interest Rates – FTE Basis

| | Second Quarter 2015 | | | First Quarter 2015 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | 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 | $125,762 | $81 | 0.26 % | $126,189 | $84 | 0.27 % |
| Time deposits placed and other short-term investments | 8,183 | 34 | 1.63 | 8,379 | 33 | 1.61 |
| Federal funds sold and securities borrowed or purchased under agreements to resell | 214,326 | 268 | 0.50 | 213,931 | 231 | 0.44 |
| Trading account assets | 137,137 | 1,114 | 3.25 | 138,946 | 1,122 | 3.26 |
| Debt securities | 386,357 | 3,082 | 3.21 | 383,120 | 1,898 | 2.01 |
| Loans and leases [1]: | | | | | | |
| Residential mortgage [2] | 207,356 | 1,782 | 3.44 | 215,030 | 1,851 | 3.45 |
| Home equity | 82,640 | 769 | 3.73 | 84,915 | 770 | 3.66 |
| U.S. credit card | 87,460 | 1,980 | 9.08 | 88,695 | 2,027 | 9.27 |
| Non-U.S. credit card | 10,012 | 264 | 10.56 | 10,002 | 262 | 10.64 |
| Direct/Indirect consumer [3] | 83,698 | 504 | 2.42 | 80,713 | 491 | 2.47 |
| Other consumer [4] | 1,885 | 15 | 3.14 | 1,847 | 15 | 3.29 |
| Total consumer | 473,051 | 5,314 | 4.50 | 481,202 | 5,416 | 4.54 |
| U.S. commercial | 244,540 | 1,705 | 2.80 | 234,907 | 1,645 | 2.84 |
| Commercial real estate [5] | 50,478 | 382 | 3.03 | 48,234 | 347 | 2.92 |
| Commercial lease financing | 24,723 | 180 | 2.92 | 24,495 | 216 | 3.53 |
| Non-U.S. commercial | 88,623 | 479 | 2.17 | 83,555 | 485 | 2.35 |
| Total commercial | 408,364 | 2,746 | 2.70 | 391,191 | 2,693 | 2.79 |
| Total loans and leases | 881,415 | 8,060 | 3.67 | 872,393 | 8,109 | 3.75 |
| Other earning assets | 62,712 | 721 | 4.59 | 61,441 | 705 | 4.66 |
| Total earning assets [6] | 1,815,892 | 13,360 | 2.95 | 1,804,399 | 12,182 | 2.73 |
| Cash and due from banks | 30,751 | | | 27,695 | | |
| Other assets, less allowance for loan and lease losses | 305,323 | | | 306,480 | | |
| Total assets | $2,151,966 | | | $2,138,574 | | |

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

(2) Includes non-U.S. residential mortgage loans of $2 million in both the second and first quarters of 2015, and $3 million, $3 million and $2 million in the fourth, third and second quarters of 2014, respectively.

(3) Includes non-U.S. consumer loans of $4.0 billion in both the second and first quarters of 2015, and $4.2 billion, $4.3 billion and $4.4 billion in the fourth, third and second quarters of 2014, respectively.

(4) Includes consumer finance loans of $632 million and $661 million in the second and first quarters of 2015, and $907 million, $1.1 billion and $1.1 billion in the fourth, third and second quarters of 2014, respectively; consumer leases of $1.1 billion and $1.0 billion in the second and first quarters of 2015, and $965 million, $887 million and $762 million in the fourth, third and second quarters of 2014, respectively; and consumer overdrafts of $131 million and $141 million in the second and first quarters of 2015, and $156 million, $161 million and $137 million in the fourth, third and second quarters of 2014, respectively.

(5) Includes U.S. commercial real estate loans of $47.6 billion and $45.6 billion in the second and first quarters of 2015, and $45.1 billion, $45.0 billion and $46.7 billion in the fourth, third and second quarters of 2014,

respectively; and non-U.S. commercial real estate loans of $2.8 billion and $2.7 billion in the second and first quarters of 2015, and $1.9 billion, $1.0 billion and $1.6 billion in the fourth, third and second quarters of 2014, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $8 million and $11 million in the second and first quarters of 2015, and $10 million, $30 million and $13 million in the fourth, third and second quarters of 2014, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $509 million and $582 million in the second and first quarters of 2015, and $659 million, $602 million and $621 million in the fourth, third and second quarters of 2014, respectively. For additional information, see Interest Rate Risk Management for Non-trading Activities on page 122.

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Table 14
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

| (Dollars in millions) | Fourth Quarter 2014 | | | | Third Quarter 2014 | | | | Second Quarter 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $109,042 | $74 | 0.27 | % | $110,876 | $77 | 0.28 | % | $123,582 | $85 | 0.28 | % |
| Time deposits placed and other short-term investments | 9,339 | 41 | 1.73 | | 10,457 | 41 | 1.54 | | 10,509 | 40 | 1.51 | |
| Federal funds sold and securities borrowed or purchased under agreements to resell | 217,982 | 237 | 0.43 | | 223,978 | 239 | 0.42 | | 235,393 | 298 | 0.51 | |
| Trading account assets | 144,147 | 1,142 | 3.15 | | 143,282 | 1,147 | 3.18 | | 147,798 | 1,214 | 3.29 | |
| Debt securities | 371,014 | 1,687 | 1.82 | | 359,653 | 2,236 | 2.48 | | 345,889 | 2,133 | 2.46 | |
| Loans and leases [1]: | | | | | | | | | | | | |
| Residential mortgage [2] | 223,132 | 1,946 | 3.49 | | 235,272 | 2,083 | 3.54 | | 243,406 | 2,195 | 3.61 | |
| Home equity | 86,825 | 808 | 3.70 | | 88,590 | 836 | 3.76 | | 90,729 | 842 | 3.72 | |
| U.S. credit card | 89,381 | 2,087 | 9.26 | | 88,866 | 2,093 | 9.34 | | 88,058 | 2,042 | 9.30 | |
| Non-U.S. credit card | 10,950 | 280 | 10.14 | | 11,784 | 304 | 10.25 | | 11,759 | 308 | 10.51 | |
| Direct/Indirect consumer [3] | 83,121 | 522 | 2.49 | | 82,669 | 523 | 2.51 | | 82,102 | 524 | 2.56 | |
| Other consumer [4] | 2,031 | 85 | 16.75 | | 2,110 | 19 | 3.44 | | 2,011 | 18 | 3.60 | |
| Total consumer | 495,440 | 5,728 | 4.60 | | 509,291 | 5,858 | 4.58 | | 518,065 | 5,929 | 4.58 | |
| U.S. commercial | 231,215 | 1,648 | 2.83 | | 230,891 | 1,660 | 2.86 | | 230,486 | 1,670 | 2.91 | |
| Commercial real estate [5] | 46,996 | 360 | 3.04 | | 46,069 | 347 | 2.98 | | 48,315 | 357 | 2.97 | |
| Commercial lease financing | 24,238 | 199 | 3.28 | | 24,325 | 212 | 3.48 | | 24,409 | 193 | 3.16 | |
| Non-U.S. commercial | 86,844 | 527 | 2.41 | | 88,665 | 555 | 2.48 | | 91,305 | 571 | 2.51 | |
| Total commercial | 389,293 | 2,734 | 2.79 | | 389,950 | 2,774 | 2.83 | | 394,515 | 2,791 | 2.84 | |
| Total loans and leases | 884,733 | 8,462 | 3.80 | | 899,241 | 8,632 | 3.82 | | 912,580 | 8,720 | 3.83 | |
| Other earning assets | 65,864 | 739 | 4.46 | | 65,995 | 710 | 4.27 | | 65,099 | 665 | 4.09 | |
| Total earning assets [6] | 1,802,121 | 12,382 | 2.73 | | 1,813,482 | 13,082 | 2.87 | | 1,840,850 | 13,155 | 2.86 | |
| Cash and due from banks | 27,590 | | | | 25,120 | | | | 27,377 | | | |
| Other assets, less allowance for loan and lease losses | 307,840 | | | | 297,507 | | | | 301,328 | | | |
| Total assets | $2,137,551 | | | | $2,136,109 | | | | $2,169,555 | | | |

For footnotes see page 22.

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Table 14
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

| (Dollars in millions) | Second Quarter 2015 | | | | First 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 | $47,381 | $2 | 0.02 | % | $46,224 | $2 | 0.02 | % |
| NOW and money market deposit accounts | 536,201 | 71 | 0.05 | | 531,827 | 67 | 0.05 | |
| Consumer CDs and IRAs | 55,832 | 42 | 0.30 | | 58,704 | 45 | 0.31 | |
| Negotiable CDs, public funds and other deposits | 29,904 | 22 | 0.30 | | 28,796 | 22 | 0.31 | |
| Total U.S. interest-bearing deposits | 669,318 | 137 | 0.08 | | 665,551 | 136 | 0.08 | |
| Non-U.S. interest-bearing deposits: | | | | | | | | |
| Banks located in non-U.S. countries | 5,162 | 9 | 0.67 | | 4,544 | 8 | 0.74 | |
| Governments and official institutions | 1,239 | 1 | 0.38 | | 1,382 | 1 | 0.21 | |
| Time, savings and other | 55,030 | 69 | 0.51 | | 54,276 | 75 | 0.55 | |
| Total non-U.S. interest-bearing deposits | 61,431 | 79 | 0.52 | | 60,202 | 84 | 0.56 | |
| Total interest-bearing deposits | 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 | 252,088 | 686 | 1.09 | | 244,134 | 585 | 0.97 | |
| Trading account liabilities | 77,772 | 335 | 1.73 | | 78,787 | 394 | 2.03 | |
| Long-term debt | 242,230 | 1,407 | 2.33 | | 240,127 | 1,313 | 2.20 | |
| Total interest-bearing liabilities [6] | 1,302,839 | 2,644 | 0.81 | | 1,288,801 | 2,512 | 0.79 | |
| Noninterest-bearing sources: | | | | | | | | |
| Noninterest-bearing deposits | 416,040 | | | | 404,973 | | | |
| Other liabilities | 182,033 | | | | 199,056 | | | |
| Shareholders' equity | 251,054 | | | | 245,744 | | | |
| Total liabilities and shareholders' equity | $2,151,966 | | | | $2,138,574 | | | |
| Net interest spread | | | 2.14 | % | | | 1.94 | % |
| Impact of noninterest-bearing sources | | | 0.23 | | | | 0.23 | |
| Net interest income/yield on earning assets | | $10,716 | 2.37 | % | | $9,670 | 2.17 | % |

For footnotes see page 22.

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Table 14
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

| | Fourth Quarter 2014 | | | Third Quarter 2014 | | | Second Quarter 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| Interest-bearing liabilities | | | | | | | | | |
| U.S. interest-bearing deposits: | | | | | | | | | |
| Savings | $45,621 | $1 | 0.01 % | $46,803 | $1 | 0.01 % | $47,450 | $— | — % |
| NOW and money market deposit accounts | 515,995 | 76 | 0.06 | 517,043 | 78 | 0.06 | 519,399 | 79 | 0.06 |
| Consumer CDs and IRAs | 61,880 | 52 | 0.33 | 65,579 | 59 | 0.35 | 68,706 | 70 | 0.41 |
| Negotiable CDs, public funds and other deposits | 30,950 | 22 | 0.29 | 31,806 | 27 | 0.34 | 33,426 | 30 | 0.35 |
| Total U.S. interest-bearing deposits | 654,446 | 151 | 0.09 | 661,231 | 165 | 0.10 | 668,981 | 179 | 0.11 |
| Non-U.S. interest-bearing deposits: | | | | | | | | | |
| Banks located in non-U.S. countries | 5,415 | 9 | 0.63 | 8,022 | 21 | 1.05 | 10,537 | 15 | 0.56 |
| Governments and official institutions | 1,647 | 1 | 0.18 | 1,706 | 1 | 0.14 | 1,754 | 1 | 0.12 |
| Time, savings and other | 57,029 | 76 | 0.53 | 61,331 | 83 | 0.54 | 64,078 | 87 | 0.55 |
| Total non-U.S. interest-bearing deposits | 64,091 | 86 | 0.53 | 71,059 | 105 | 0.59 | 76,369 | 103 | 0.54 |
| Total interest-bearing deposits | 718,537 | 237 | 0.13 | 732,290 | 270 | 0.15 | 745,350 | 282 | 0.15 |
| Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings | 251,432 | 615 | 0.97 | 255,111 | 590 | 0.92 | 271,247 | 765 | 1.13 |
| Trading account liabilities | 78,174 | 350 | 1.78 | 84,989 | 392 | 1.83 | 95,154 | 398 | 1.68 |
| Long-term debt | 249,221 | 1,315 | 2.10 | 251,772 | 1,386 | 2.19 | 259,825 | 1,484 | 2.29 |
| Total interest-bearing liabilities (6) | 1,297,364 | 2,517 | 0.77 | 1,324,162 | 2,638 | 0.79 | 1,371,576 | 2,929 | 0.86 |
| Noninterest-bearing sources: | | | | | | | | | |
| Noninterest-bearing deposits | 403,977 | | | 395,198 | | | 383,213 | | |
| Other liabilities | 192,756 | | | 178,709 | | | 178,963 | | |
| Shareholders' equity | 243,454 | | | 238,040 | | | 235,803 | | |
| Total liabilities and shareholders' equity | $2,137,551 | | | $2,136,109 | | | $2,169,555 | | |
| Net interest spread | | | 1.96 % | | | 2.08 % | | | 2.00 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| Impact of noninterest-bearing sources | | 0.22 | | 0.21 | | 0.22 |
| Net interest income/yield on earning assets | $9,865 | 2.18 % | $10,444 | 2.29 % | $10,226 | 2.22 % |

For footnotes see page 22.

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Table 15
Year-to-Date Average Balances and Interest Rates – FTE Basis

| | Six Months Ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| (Dollars in millions) | 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 | $125,974 | $165 | 0.26 % | $118,106 | $157 | 0.27 % |
| Time deposits placed and other short-term investments | 8,280 | 67 | 1.62 | 12,185 | 88 | 1.46 |
| Federal funds sold and securities borrowed or purchased under agreements to resell | 214,130 | 499 | 0.47 | 224,012 | 562 | 0.51 |
| Trading account assets | 138,036 | 2,236 | 3.26 | 147,691 | 2,427 | 3.31 |
| Debt securities | 384,747 | 4,980 | 2.61 | 337,845 | 4,139 | 2.43 |
| Loans and leases [(1)]: | | | | | | |
| Residential mortgage [(2)] | 211,172 | 3,633 | 3.44 | 245,472 | 4,433 | 3.61 |
| Home equity | 83,771 | 1,539 | 3.69 | 91,736 | 1,695 | 3.72 |
| U.S. credit card | 88,074 | 4,007 | 9.18 | 88,797 | 4,134 | 9.39 |
| Non-U.S. credit card | 10,007 | 526 | 10.60 | 11,657 | 616 | 10.65 |
| Direct/Indirect consumer [(3)] | 82,214 | 995 | 2.44 | 81,916 | 1,054 | 2.59 |
| Other consumer [(4)] | 1,866 | 30 | 3.22 | 1,987 | 35 | 3.63 |
| Total consumer | 477,104 | 10,730 | 4.52 | 521,565 | 11,967 | 4.61 |
| U.S. commercial | 239,751 | 3,350 | 2.82 | 229,279 | 3,322 | 2.92 |
| Commercial real estate [(5)] | 49,362 | 729 | 2.98 | 48,533 | 725 | 3.01 |
| Commercial lease financing | 24,609 | 396 | 3.22 | 24,567 | 427 | 3.47 |
| Non-U.S. commercial | 86,103 | 964 | 2.26 | 92,068 | 1,114 | 2.44 |
| Total commercial | 399,825 | 5,439 | 2.74 | 394,447 | 5,588 | 2.85 |
| Total loans and leases | 876,929 | 16,169 | 3.71 | 916,012 | 17,555 | 3.85 |
| Other earning assets | 62,082 | 1,426 | 4.62 | 66,326 | 1,362 | 4.13 |
| Total earning assets [(6)] | 1,810,178 | 25,542 | 2.84 | 1,822,177 | 26,290 | 2.90 |
| Cash and due from banks | 29,231 | | | 27,815 | | |
| Other assets, less allowance for loan and lease losses | 305,898 | | | 304,502 | | |
| Total assets | $2,145,307 | | | $2,154,494 | | |

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

(2) Includes non-U.S. residential mortgage loans of $2 million and $1 million for the six months ended June 30, 2015 and 2014.

(3) Includes non-U.S. consumer loans of $4.0 billion and $4.5 billion for the six months ended June 30, 2015 and 2014.

(4) Includes consumer finance loans of $647 million and $1.1 billion, consumer leases of $1.1 billion and $709 million, and consumer overdrafts of $136 million and $138 million for the six months ended June 30, 2015 and 2014.

(5) Includes U.S. commercial real estate loans of $46.6 billion and $46.8 billion, and non-U.S. commercial real estate loans of $2.8 billion and $1.7 billion for the six months ended June 30, 2015 and 2014.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $19 million and $18 million for the six months ended June 30, 2015 and 2014. Interest

expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.1 billion and $1.2 billion for the six months ended June 30, 2015 and 2014. For additional information, see Interest Rate Risk Management for Non-trading Activities on page 122.

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Table 15
Year-to-Date Average Balances and Interest Rates – FTE Basis (continued)

| | Six Months Ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | 2014 | | | |
| (Dollars in millions) | Average Balance | Interest Income/ Expense | Yield/ Rate | | Average Balance | Interest Income/ Expense | Yield/ Rate | |
| Interest-bearing liabilities | | | | | | | | |
| U.S. interest-bearing deposits: | | | | | | | | |
| Savings | $46,806 | $4 | 0.02 | % | $46,329 | $1 | 0.01 | % |
| NOW and money market deposit accounts | 534,026 | 138 | 0.05 | | 521,307 | 162 | 0.06 | |
| Consumer CDs and IRAs | 57,260 | 87 | 0.31 | | 69,916 | 154 | 0.44 | |
| Negotiable CDs, public funds and other deposits | 29,353 | 44 | 0.31 | | 31,637 | 57 | 0.36 | |
| Total U.S. interest-bearing deposits | 667,445 | 273 | 0.08 | | 669,189 | 374 | 0.11 | |
| Non-U.S. interest-bearing deposits: | | | | | | | | |
| Banks located in non-U.S. countries | 4,855 | 17 | 0.70 | | 10,803 | 31 | 0.57 | |
| Governments and official institutions | 1,310 | 2 | 0.29 | | 1,805 | 1 | 0.12 | |
| Time, savings and other | 54,655 | 144 | 0.53 | | 62,302 | 167 | 0.54 | |
| Total non-U.S. interest-bearing deposits | 60,820 | 163 | 0.54 | | 74,910 | 199 | 0.53 | |
| Total interest-bearing deposits | 728,265 | 436 | 0.12 | | 744,099 | 573 | 0.16 | |
| Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings | 248,133 | 1,271 | 1.03 | | 262,161 | 1,372 | 1.06 | |
| Trading account liabilities | 78,277 | 729 | 1.88 | | 92,814 | 833 | 1.81 | |
| Long-term debt | 241,184 | 2,720 | 2.27 | | 256,768 | 3,000 | 2.34 | |
| Total interest-bearing liabilities (6) | 1,295,859 | 5,156 | 0.80 | | 1,355,842 | 5,778 | 0.86 | |
| Noninterest-bearing sources: | | | | | | | | |
| Noninterest-bearing deposits | 410,536 | | | | 379,300 | | | |
| Other liabilities | 190,499 | | | | 183,173 | | | |
| Shareholders' equity | 248,413 | | | | 236,179 | | | |
| Total liabilities and shareholders' equity | $2,145,307 | | | | $2,154,494 | | | |
| Net interest spread | | | 2.04 | % | | | 2.04 | % |
| Impact of noninterest-bearing sources | | | 0.23 | | | | 0.22 | |
| Net interest income/yield on earning assets | | $20,386 | 2.27 | % | | $20,512 | 2.26 | % |

For footnotes see page 26.

## 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. Effective January 1, 2015, we realigned the segments with how we are managing the businesses in 2015. For more information on the segment realignment, see Note 18 – Business Segment Information to the Consolidated Financial Statements.

We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 17. Table 16 provides selected summary financial data for our business segments and All Other for the three and six months ended June 30, 2015 compared to the same periods in 2014. For

additional detailed information on these results, see the business segment and All Other discussions which follow.

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Table 16
Business Segment Results

| | Three Months Ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Revenue [1] | | Provision for Credit Losses | | Noninterest Expense | | Net Income (Loss) | |
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Consumer Banking | $7,544 | $7,649 | $506 | $550 | $4,321 | $4,505 | $1,704 | $1,634 |
| Global Wealth & Investment Management | 4,573 | 4,589 | 15 | (8) | 3,457 | 3,445 | 690 | 726 |
| Global Banking | 4,115 | 4,438 | 177 | 136 | 1,941 | 2,007 | 1,251 | 1,445 |
| Global Markets | 4,259 | 4,599 | 6 | 20 | 2,723 | 2,875 | 993 | 1,102 |
| Legacy Assets & Servicing | 1,089 | 800 | 57 | (39) | 961 | 5,234 | 45 | (2,741) |
| All Other | 765 | (115) | 19 | (248) | 415 | 475 | 637 | 125 |
| Total – FTE basis | 22,345 | 21,960 | 780 | 411 | 13,818 | 18,541 | 5,320 | 2,291 |
| FTE adjustment | (228) | (213) | — | — | — | — | — | — |
| Total Consolidated | $22,117 | $21,747 | $780 | $411 | $13,818 | $18,541 | $5,320 | $2,291 |
| | Six Months Ended June 30 | | | | | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Consumer Banking | $14,994 | $15,300 | $1,222 | $1,359 | $8,710 | $9,000 | $3,179 | $3,102 |
| Global Wealth & Investment Management | 9,090 | 9,136 | 38 | 15 | 6,916 | 6,803 | 1,341 | 1,455 |
| Global Banking | 8,393 | 8,964 | 273 | 417 | 3,951 | 4,184 | 2,617 | 2,738 |
| Global Markets | 8,873 | 9,625 | 27 | 38 | 5,854 | 5,964 | 1,938 | 2,412 |
| Legacy Assets & Servicing | 2,003 | 1,486 | 148 | (27) | 2,164 | 12,637 | (194) | (7,622) |
| All Other | 413 | 216 | (163) | (382) | 1,918 | 2,191 | (204) | (70) |
| Total – FTE basis | 43,766 | 44,727 | 1,545 | 1,420 | 29,513 | 40,779 | 8,677 | 2,015 |
| FTE adjustment | (447) | (414) | — | — | — | — | — | — |
| Total Consolidated | $43,319 | $44,313 | $1,545 | $1,420 | $29,513 | $40,779 | $8,677 | $2,015 |

(1) Total revenue is net of interest expense and is on an FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 17.

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 57. 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.

During the latest annual planning process, we made refinements to the amount of capital allocated to each of our businesses based on multiple considerations that included, but were not limited to, risk-weighted assets measured under Basel 3 Standardized and Advanced approaches, business segment exposures and risk profile, and strategic plans. As a result of this process, in the first quarter of 2015, we adjusted the amount of capital being allocated to our business segments, primarily LAS.

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

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Consumer Banking

| | Three Months Ended June 30 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Deposits | | Consumer Lending | | Total Consumer Banking | | |
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | % Change |
| Net interest income (FTE basis) | $2,390 | $2,396 | $2,520 | $2,664 | $4,910 | $5,060 | (3 )% |
| Noninterest income: | | | | | | | |
| Card income | 2 | 3 | 1,204 | 1,149 | 1,206 | 1,152 | 5 |
| Service charges | 1,032 | 1,039 | 1 | — | 1,033 | 1,039 | (1 ) |
| Mortgage banking income | — | — | 257 | 237 | 257 | 237 | 8 |
| All other income | 120 | 88 | 18 | 73 | 138 | 161 | (14 ) |
| Total noninterest income | 1,154 | 1,130 | 1,480 | 1,459 | 2,634 | 2,589 | 2 |
| Total revenue, net of interest expense (FTE basis) | 3,544 | 3,526 | 4,000 | 4,123 | 7,544 | 7,649 | (1 ) |
| Provision for credit losses | 24 | 50 | 482 | 500 | 506 | 550 | (8 ) |
| Noninterest expense | 2,363 | 2,473 | 1,958 | 2,032 | 4,321 | 4,505 | (4 ) |
| Income before income taxes (FTE basis) | 1,157 | 1,003 | 1,560 | 1,591 | 2,717 | 2,594 | 5 |
| Income tax expense (FTE basis) | 431 | 371 | 582 | 589 | 1,013 | 960 | 6 |
| Net income | $726 | $632 | $978 | $1,002 | $1,704 | $1,634 | 4 |
| Net interest yield (FTE basis) | 1.75 % | 1.86 % | 5.09 % | 5.56 % | 3.44 % | 3.74 % | |
| Return on average allocated capital | 24 | 23 | 23 | 21 | 24 | 22 | |
| Efficiency ratio (FTE basis) | 66.71 | 70.12 | 48.92 | 49.28 | 57.28 | 58.89 | |

Balance Sheet

| | Three Months Ended June 30 | | | | | | |
|---|---|---|---|---|---|---|---|
| Average | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | % Change |
| Total loans and leases | $5,789 | $6,103 | $195,914 | $189,310 | $201,703 | $195,413 | 3 % |
| Total earning assets [1] | 549,252 | 517,509 | 198,501 | 192,238 | 572,378 | 542,421 | 6 |
| Total assets [1] | 576,417 | 544,248 | 207,977 | 201,592 | 609,019 | 578,514 | 5 |
| Total deposits | 544,340 | 513,326 | n/m | n/m | 545,454 | 514,137 | 6 |
| Allocated capital | 12,000 | 11,000 | 17,000 | 19,000 | 29,000 | 30,000 | (3 ) |

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

n/m = not meaningful

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| | Six Months Ended June 30 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Deposits | | Consumer Lending | | Total Consumer Banking | | |
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | % Change |
| Net interest income (FTE basis) | $4,687 | $ 4,736 | $5,094 | $ 5,394 | $9,781 | $ 10,130 | (3 )% |
| Noninterest income: | | | | | | | |
| Card income | 5 | 5 | 2,368 | 2,295 | 2,373 | 2,300 | 3 |
| Service charges | 1,998 | 2,031 | 1 | 1 | 1,999 | 2,032 | (2 ) |
| Mortgage banking income | — | — | 545 | 415 | 545 | 415 | 31 |
| All other income | 223 | 180 | 73 | 243 | 296 | 423 | (30 ) |
| Total noninterest income | 2,226 | 2,216 | 2,987 | 2,954 | 5,213 | 5,170 | 1 |
| Total revenue, net of interest expense (FTE basis) | 6,913 | 6,952 | 8,081 | 8,348 | 14,994 | 15,300 | (2 ) |
| Provision for credit losses | 87 | 114 | 1,135 | 1,245 | 1,222 | 1,359 | (10 ) |
| Noninterest expense | 4,814 | 4,938 | 3,896 | 4,062 | 8,710 | 9,000 | (3 ) |
| Income before income taxes (FTE basis) | 2,012 | 1,900 | 3,050 | 3,041 | 5,062 | 4,941 | 2 |
| Income tax expense (FTE basis) | 748 | 707 | 1,135 | 1,132 | 1,883 | 1,839 | 2 |
| Net income | $1,264 | $ 1,193 | $1,915 | $ 1,909 | $3,179 | $ 3,102 | 2 |
| Net interest yield (FTE basis) | 1.74 % | 1.86 % | 5.21 % | 5.64 % | 3.49 % | 3.80 % | |
| Return on average allocated capital | 21 | 22 | 23 | 20 | 22 | 21 | |
| Efficiency ratio (FTE basis) | 69.64 | 71.03 | 48.21 | 48.66 | 58.09 | 58.82 | |

Balance Sheet

| | Six Months Ended June 30 | | | | | | |
|---|---|---|---|---|---|---|---|
| Average | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | % Change |
| Total loans and leases | $5,834 | $ 6,097 | $194,814 | $ 189,819 | $200,648 | $ 195,916 | 2 % |
| Total earning assets [(1)] | 542,441 | 512,945 | 197,279 | 192,951 | 565,643 | 538,110 | 5 |
| Total assets [(1)] | 569,404 | 539,661 | 206,679 | 202,232 | 602,006 | 574,107 | 5 |
| Total deposits | 537,353 | 508,721 | n/m | n/m | 538,448 | 509,519 | 6 |
| Allocated capital | 12,000 | 11,000 | 17,000 | 19,000 | 29,000 | 30,000 | (3 ) |

| Period end | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|---|---|---|---|
| Total loans and leases | $5,834 | $ 5,951 | $198,546 | $ 196,049 | $204,380 | $ 202,000 | 1 % |
| Total earning assets [(1)] | 551,705 | 527,045 | 201,319 | 199,097 | 575,284 | 552,117 | 4 |
| Total assets [(1)] | 578,227 | 554,344 | 210,635 | 208,729 | 611,122 | 589,048 | 4 |
| Total deposits | 546,169 | 523,348 | n/m | n/m | 547,343 | 524,413 | 4 |

For footnotes see page 29.

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 4,800 financial centers, 16,000 ATMs, nationwide call centers, and online and mobile platforms.

Consumer Banking Results

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for Consumer Banking increased $70 million to $1.7 billion primarily driven by lower noninterest expense and provision for credit losses and higher noninterest income, partially offset by lower net interest income. Net interest income decreased $150 million to $4.9 billion primarily due to the allocation of ALM activities and lower card yields and card loan balances. Noninterest income increased $45 million to $2.6 billion driven by higher card income from increased customer spending and higher mortgage banking income from improved production margins.

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The provision for credit losses decreased $44 million to $506 million driven by continued improvement in credit quality within the credit card and consumer vehicle lending portfolios. Noninterest expense decreased $184 million to $4.3 billion primarily driven by lower personnel and operating expenses.

The return on average allocated capital was 24 percent, up from 22 percent, reflecting higher net income and a small decrease in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 27.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net income for Consumer Banking increased $77 million to $3.2 billion primarily driven by lower noninterest expense and provision for credit losses and higher noninterest income, partially offset by lower net interest income. Net interest income decreased $349 million to $9.8 billion primarily due to the same factors as described in the three-month discussion above. Noninterest income increased $43 million to $5.2 billion due to higher mortgage banking income from improved production margins and higher first mortgage origination volume, and card income, partially offset by lower other income which included portfolio divestiture gains in 2014, and lower service charges.

The provision for credit losses decreased $137 million to $1.2 billion primarily driven by the same factor as described in the three-month discussion above. Noninterest expense decreased $290 million to $8.7 billion primarily driven by the same factors as described in the three-month discussion above.

The return on average allocated capital was 22 percent, up from 21 percent, reflecting higher net income and a small decrease in allocated capital.

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 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 35.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for Deposits increased $94 million to $726 million driven by lower noninterest expense and provision for credit losses. Net interest income of $2.4 billion and noninterest income of $1.2 billion remained relatively unchanged.

The provision for credit losses decreased $26 million to $24 million driven by reduced overdraft activity. Noninterest expense decreased $110 million to $2.4 billion due to lower operating and personnel expenses.

Average deposits increased $31.0 billion to $544.3 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 $42.1 billion was partially offset by a decline in time deposits of $11.1 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 two bps to five bps.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net income for Deposits increased $71 million to $1.3 billion driven by lower noninterest expense and provision for credit losses, partially offset by lower net interest income. Net interest income decreased $49 million to $4.7 billion due to the allocation of ALM activities. Noninterest income of $2.2 billion remained relatively unchanged.

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The provision for credit losses decreased $27 million to $87 million driven by the same factor as described in the three-month discussion above. Noninterest expense decreased $124 million to $4.8 billion due to lower operating expenses.

Average deposits increased $28.6 billion to $537.4 billion driven by a continuing customer shift to more liquid products in the low rate environment.

Key Statistics – Deposits

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Total deposit spreads (excludes noninterest costs) | 1.63 % | 1.60 % | 1.62 % | 1.59 % |
| | | | | |
| Period end | | | | |
| Client brokerage assets (in millions) | | | $121,961 | $105,926 |
| Online banking active accounts (units in thousands) | | | 31,322 | 30,429 |
| Mobile banking active accounts (units in thousands) | | | 17,626 | 15,475 |
| Financial centers | | | 4,789 | 5,023 |
| ATMs | | | 15,992 | 15,973 |

Client brokerage assets increased $16.0 billion driven by new accounts, increased account flows and higher market valuations. Mobile banking active accounts increased 2.2 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined 234 as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending offers products to consumers and small businesses across the U.S. The products offered include credit and debit cards, residential mortgages and home equity loans, and direct and indirect loans such as automotive, marine, aircraft, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions, 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 35.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for Consumer Lending decreased $24 million to $978 million primarily due to lower net interest income, partially offset by lower noninterest expense, higher noninterest income and lower provision for credit losses. Net interest income decreased $144 million to $2.5 billion driven by the impact of lower card yields and lower average card loan balances. Noninterest income increased $21 million to $1.5 billion due to higher card income from increased customer spending and higher mortgage banking income from improved production margins, partially offset by lower other income which included a portfolio divestiture gain in 2014.

The provision for credit losses decreased $18 million to $482 million driven by continued improvement in credit quality within the credit card and consumer vehicle lending portfolios. Noninterest expense decreased $74 million to $2.0 billion primarily driven by lower personnel and operating expenses.

Average loans increased $6.6 billion to $195.9 billion primarily driven by an increase in residential mortgages and consumer vehicle loans, partially offset by lower home equity loans and continued run-off of non-core portfolios. Beginning with new originations in 2014, we retain certain residential mortgages in Consumer Banking, consistent with where the overall relationship is managed; previously such mortgages were in All Other.

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Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net income for Consumer Lending of $1.9 billion remained relatively unchanged as improvements in noninterest expense and the provision for credit losses and higher noninterest income offset lower net interest income. Net interest income decreased $300 million to $5.1 billion driven by the impact of lower card yields and lower average card loan balances. Noninterest income increased $33 million to $3.0 billion due to higher mortgage banking income from improved production margins and higher first mortgage origination volume, and card income, partially offset by lower other income which included portfolio divestiture gains in 2014.

The provision for credit losses decreased $110 million to $1.1 billion driven by the same factor as described in the three-month discussion above. Noninterest expense decreased $166 million to $3.9 billion primarily driven by lower personnel expense. Average loans increased $5.0 billion to $194.8 billion primarily driven by the same factors as described in the three-month discussion above.

Key Statistics – Consumer Lending

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Total U.S. credit card [1] | | | | |
| Gross interest yield | 9.08 % | 9.30 % | 9.18 % | 9.39 % |
| Risk-adjusted margin | 8.92 | 8.97 | 8.99 | 9.23 |
| New accounts (in thousands) | 1,295 | 1,128 | 2,456 | 2,155 |
| Purchase volumes | $55,976 | $53,583 | $106,154 | $102,447 |
| Debit card purchase volumes | $70,754 | $69,492 | $137,653 | $135,382 |

[1] Total U.S. credit card includes portfolios in Consumer Banking and GWIM.

During the three and six months ended June 30, 2015, the total U.S. credit card risk-adjusted margin decreased five bps and 24 bps compared to the same periods in 2014 due to portfolio divestiture gains in 2014 and a decrease in net interest margin, partially offset by an improvement in credit quality. Total U.S. credit card purchase volumes increased $2.4 billion to $56.0 billion, and $3.7 billion to $106.2 billion, and debit card purchase volumes increased $1.3 billion to $70.8 billion, and $2.3 billion to $137.7 billion, reflecting higher levels of consumer spending.

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 June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Consumer Lending: | | | | |
| Core production revenue | $273 | $233 | $573 | $422 |
| Representations and warranties provision | 1 | 22 | 7 | 29 |

| | | | | |
|---|---|---|---|---|
| Other consumer mortgage banking income [1] | (17) | (18) | (35) | (36) |
| Total Consumer Lending mortgage banking income | 257 | 237 | 545 | 415 |
| LAS mortgage banking income [2] | 682 | 369 | 1,143 | 660 |
| Eliminations [3] | 62 | (79) | 7 | (136) |
| Total consolidated mortgage banking income | $1,001 | $527 | $1,695 | $939 |

(1) Primarily relates to 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.

(3) Includes the effect of transfers of certain mortgage loans from Consumer Banking to the ALM portfolio included in All Other and intercompany charges for loan servicing.

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During the three and six months ended June 30, 2015, core production revenue increased $40 million to $273 million, and $151 million to $573 million compared to the same periods in 2014 due to an increase in margins, and for the six months ended June 30, 2015, higher first mortgage origination volume.

Key Statistics

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Loan production [(1)]: | | | | |
| Total [(2)]: | | | | |
| First mortgage | $15,962 | $11,099 | $29,675 | $19,949 |
| Home equity | 3,209 | 2,604 | 6,426 | 4,588 |
| Consumer Banking: | | | | |
| First mortgage | $11,266 | $8,461 | $21,120 | $15,163 |
| Home equity | 2,940 | 2,396 | 5,957 | 4,186 |

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

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

First mortgage loan originations in Consumer Banking and for the total Corporation increased for the three and six months ended June 30, 2015 compared to the same periods in 2014 reflecting growth in the overall mortgage market as lower interest rates beginning in late 2014 drove an increase in refinances. The first mortgage pipeline declined 15 percent in the three months ended June 30, 2015 due to lower application volume driven by higher interest rates.

During the three months ended June 30, 2015, 62 percent of the total Corporation first mortgage production volume was for refinance originations and 38 percent was for purchase originations compared to 53 percent and 47 percent for the same period in 2014. Home Affordable Refinance Program (HARP) refinance originations were two percent of all refinance originations compared to eight percent for the same period in 2014. Making Home Affordable non-HARP refinance originations were eight percent of all refinance originations compared to 19 percent for the same period in 2014. The remaining 90 percent of refinance originations were conventional refinances compared to 73 percent for the same period in 2014.

During the six months ended June 30, 2015, 68 percent of the total Corporation first mortgage production volume was for refinance originations and 32 percent was for purchase originations compared to 59 percent and 41 percent for the same period in 2014. HARP refinance originations were three percent of all refinance originations compared to eight percent for the same period in 2014. Making Home Affordable non-HARP refinance originations were nine percent of all refinance originations compared to 20 percent for the same period in 2014. The remaining 88 percent of refinance originations were conventional refinances compared to 72 percent for the same period in 2014.

Home equity production for the total Corporation was $3.2 billion and $6.4 billion for the three and six months ended June 30, 2015 compared to $2.6 billion and $4.6 billion for the same periods in 2014, with the increase due to a higher demand in the market based on improving housing trends, and increased market share driven by improved financial center engagement with customers and more competitive pricing.

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Global Wealth & Investment Management

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income (FTE basis) | $1,359 | $1,485 | (8 )% | $2,710 | $2,970 | (9 )% |
| Noninterest income: | | | | | | |
| Investment and brokerage services | 2,749 | 2,642 | 4 | 5,472 | 5,246 | 4 |
| All other income | 465 | 462 | 1 | 908 | 920 | (1 ) |
| Total noninterest income | 3,214 | 3,104 | 4 | 6,380 | 6,166 | 3 |
| Total revenue, net of interest expense (FTE basis) | 4,573 | 4,589 | — | 9,090 | 9,136 | (1 ) |
| Provision for credit losses | 15 | (8 ) | n/m | 38 | 15 | n/m |
| Noninterest expense | 3,457 | 3,445 | — | 6,916 | 6,803 | 2 |
| Income before income taxes (FTE basis) | 1,101 | 1,152 | (4 ) | 2,136 | 2,318 | (8 ) |
| Income tax expense (FTE basis) | 411 | 426 | (4 ) | 795 | 863 | (8 ) |
| Net income | $690 | $726 | (5 ) | $1,341 | $1,455 | (8 ) |
| Net interest yield (FTE basis) | 2.17 % | 2.40 % | | 2.15 % | 2.40 % | |
| Return on average allocated capital | 23 | 24 | | 23 | 25 | |
| Efficiency ratio (FTE basis) | 75.60 | 75.07 | | 76.08 | 74.47 | |

Balance Sheet

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| Average | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Total loans and leases | $130,270 | $118,512 | 10 % | $128,211 | $117,235 | 9 % |
| Total earning assets | 251,528 | 248,380 | 1 | 254,560 | 249,549 | 2 |
| Total assets | 268,835 | 266,781 | 1 | 271,965 | 268,518 | 1 |
| Total deposits | 239,974 | 240,042 | — | 241,758 | 241,409 | — |
| Allocated capital | 12,000 | 12,000 | — | 12,000 | 12,000 | — |

| Period end | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|
| Total loans and leases | $132,377 | $125,431 | 6 % |
| Total earning assets | 250,720 | 256,519 | (2 ) |
| Total assets | 267,021 | 274,887 | (3 ) |
| Total deposits | 237,624 | 245,391 | (3 ) |

n/m = not meaningful

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

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

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

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Client assets managed under advisory and discretion of GWIM are AUM and are typically held in diversified portfolios. The majority of client AUM have an investment strategy with a duration of greater than one year and are, therefore, considered long-term AUM. Fees earned on long-term AUM are calculated as a percentage of total AUM. The asset management fees charged to clients 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 client's long-term AUM balances over a specified period of time, excluding market appreciation/depreciation and other adjustments.

Client assets under advisory and 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 period is primarily the net client flows for liquidity AUM.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for GWIM decreased $36 million to $690 million driven by a decline in net interest income, partially offset by higher noninterest income. Net interest income decreased $126 million to $1.4 billion due to the allocation of ALM activities, partially offset by the impact of loan growth. Noninterest income, primarily investment and brokerage services income, increased $110 million to $3.2 billion driven by increased asset management fees due to the impact of long-term AUM flows and higher market levels, partially offset by lower transactional revenue. Noninterest expense remained relatively unchanged as an increase in personnel costs driven by higher revenue-related incentive compensation and investment in client-facing professionals was offset by lower support costs.

Return on average allocated capital was 23 percent, down from 24 percent, due to a decrease in net income. For more information on capital allocated to the business segments, see Business Segment Operations on page 27.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net income for GWIM decreased $114 million to $1.3 billion driven by the same factors as described in the three-month discussion above, as well as an increase in noninterest expense. Net interest income decreased $260 million to $2.7 billion and noninterest income, primarily investment and brokerage services income, increased $214 million to $6.4 billion, both driven by the same factors as described in the three-month discussion above. Noninterest expense increased $113 million to $6.9 billion primarily due to higher revenue-related incentive compensation and investment in client-facing professionals.

Return on average allocated capital was 23 percent, down from 25 percent, due to a decrease in net income.

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Key Indicators and Metrics

| (Dollars in millions, except as noted) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Revenue by Business** | | | | |
| Merrill Lynch Global Wealth Management | $3,792 | $3,791 | $7,540 | $7,555 |
| U.S. Trust | 764 | 783 | 1,515 | 1,551 |
| Other [(1)] | 17 | 15 | 35 | 30 |
| Total revenue, net of interest expense (FTE basis) | $4,573 | $4,589 | $9,090 | $9,136 |
| **Client Balances by Business, at period end** | | | | |
| Merrill Lynch Global Wealth Management | | | $2,051,514 | $2,017,051 |
| U.S. Trust | | | 388,829 | 380,281 |
| Other [(1)] | | | 81,318 | 70,836 |
| Total client balances | | | $2,521,661 | $2,468,168 |
| **Client Balances by Type, at period end** | | | | |
| Long-term assets under management | | | $849,046 | $808,056 |
| Liquidity assets under management | | | 81,314 | 70,685 |
| Assets under management | | | 930,360 | 878,741 |
| Brokerage assets | | | 1,079,084 | 1,091,558 |
| Assets in custody | | | 138,774 | 137,391 |
| Deposits | | | 237,624 | 237,046 |
| Loans and leases [(2)] | | | 135,819 | 123,432 |
| Total client balances | | | $2,521,661 | $2,468,168 |
| **Assets Under Management Rollforward** | | | | |
| Assets under management, beginning balance | $917,257 | $841,818 | $902,872 | $821,449 |
| Net long-term client flows | 8,593 | 11,870 | 23,247 | 29,252 |
| Net liquidity client flows | 6,023 | 135 | 4,530 | (2,294) |
| Market valuation/other | (1,513) | 24,918 | (289) | 30,334 |
| Total assets under management, ending balance | $930,360 | $878,741 | $930,360 | $878,741 |
| **Associates, at period end [(3)]** | | | | |
| Number of financial advisors | | | 16,419 | 15,560 |
| Total wealth advisors | | | 17,798 | 16,721 |
| Total client-facing professionals | | | 20,286 | 19,416 |
| **Merrill Lynch Global Wealth Management Metrics** | | | | |
| Financial advisor productivity [(4)] (in thousands) | $1,041 | $1,060 | $1,041 | $1,058 |
| **U.S. Trust Metrics, at period end** | | | | |
| Client-facing professionals | | | 2,155 | 2,110 |

(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 2,049 and 1,716 at June 30, 2015 and 2014.

(4) Financial advisor productivity is defined as annualized Merrill Lynch Global Wealth Management total revenue divided by the total number of financial advisors (excluding financial advisors in the Consumer Banking segment). Total revenue excludes corporate allocation of net interest income related to certain ALM activities.

Client balances increased $53.5 billion, or two percent, to over $2.5 trillion driven by AUM and loan flows.

The number of wealth advisors increased six percent due to increases in financial advisor development program participants, Merrill Edge financial solutions advisors and experienced financial advisors.

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Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Revenue from MLGWM of $3.8 billion remained relatively unchanged as lower net interest income was offset by higher noninterest income. Net interest income decreased due to the allocation of ALM activities, partially offset by the impact of loan growth. Noninterest income increased driven by increased asset management fees due to the impact of long-term AUM flows and higher market levels, partially offset by lower transactional revenue. Revenue from U.S. Trust of $764 million decreased two percent driven by the allocation of ALM activities, partially offset by increased asset management fees due to the impact of higher market levels and long-term AUM flows.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenue from MLGWM of $7.5 billion remained relatively unchanged and revenue from U.S. Trust was $1.5 billion, down two percent, both driven by the same factors as described in the three-month discussion above.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their 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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Total deposits, net – to (from) GWIM | $(44) | $691 | $(527) | $1,835 |
| Total loans, net – to (from) GWIM | (28) | (18) | (54) | (18) |
| Total brokerage, net – to (from) GWIM | (675) | (519) | (1,257) | (710) |

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Global Banking

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income (FTE basis) | $2,213 | $2,442 | (9 )% | $4,473 | $4,946 | (10 )% |
| Noninterest income: | | | | | | |
| Service charges | 728 | 725 | — | 1,438 | 1,459 | (1 ) |
| Investment banking fees | 777 | 834 | (7 ) | 1,629 | 1,656 | (2 ) |
| All other income | 397 | 437 | (9 ) | 853 | 903 | (6 ) |
| Total noninterest income | 1,902 | 1,996 | (5 ) | 3,920 | 4,018 | (2 ) |
| Total revenue, net of interest expense (FTE basis) | 4,115 | 4,438 | (7 ) | 8,393 | 8,964 | (6 ) |
| Provision for credit losses | 177 | 136 | 30 | 273 | 417 | (35 ) |
| Noninterest expense | 1,941 | 2,007 | (3 ) | 3,951 | 4,184 | (6 ) |
| Income before income taxes (FTE basis) | 1,997 | 2,295 | (13 ) | 4,169 | 4,363 | (4 ) |
| Income tax expense (FTE basis) | 746 | 850 | (12 ) | 1,552 | 1,625 | (4 ) |
| Net income | $1,251 | $1,445 | (13 ) | $2,617 | $2,738 | (4 ) |
| Net interest yield (FTE basis) | 2.80 % | 3.12 % | | 2.85 % | 3.19 % | |
| Return on average allocated capital | 14 | 17 | | 15 | 16 | |
| Efficiency ratio (FTE basis) | 47.16 | 45.22 | | 47.08 | 46.68 | |

Balance Sheet

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| Average | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Total loans and leases | $300,631 | $287,795 | 4 % | $295,107 | $287,857 | 3 % |
| Total earning assets | 316,898 | 314,079 | 1 | 316,951 | 313,081 | 1 |
| Total assets | 361,853 | 359,755 | 1 | 361,840 | 359,669 | 1 |
| Total deposits | 288,117 | 284,947 | 1 | 287,280 | 283,943 | 1 |
| Allocated capital | 35,000 | 33,500 | 4 | 35,000 | 33,500 | 4 |

| Period end | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|
| Total loans and leases | $307,085 | $288,905 | 6 % |
| Total earning assets | 322,971 | 308,448 | 5 |
| Total assets | 367,045 | 353,667 | 4 |
| Total deposits | 292,261 | 279,793 | 4 |

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, auto dealerships 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.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for Global Banking decreased $194 million to $1.3 billion primarily driven by lower revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense.

Revenue decreased $323 million to $4.1 billion primarily due to lower net interest income. The decline in net interest income reflects the allocation of ALM activities and liquidity costs as well as loan spread compression, partially offset by loan growth. Noninterest income decreased $94 million to $1.9 billion primarily driven by lower investment banking fees.

The provision for credit losses increased $41 million to $177 million as a result of higher loan balances compared to the prior-year period. Noninterest expense decreased $66 million to $1.9 billion primarily driven by lower litigation expense and technology initiative costs, partially offset by investment in client-facing personnel.

The return on average allocated capital was 14 percent, down from 17 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 27.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net income for Global Banking decreased $121 million to $2.6 billion primarily driven by lower revenue, partially offset by lower noninterest expense and a reduction in the provision for credit losses.

Revenue decreased $571 million to $8.4 billion primarily due to lower net interest income driven by the same factors as described in the three-month discussion above. Noninterest income decreased $98 million to $3.9 billion primarily driven by fewer asset sales within the leasing business resulting in lower gains and a gain on sale of an equity investment in Global Commercial Banking in the prior-year period.

The provision for credit losses decreased $144 million to $273 million, primarily in the commercial and industrial portfolio. Noninterest expense decreased $233 million to $4.0 billion primarily due to lower technology initiative costs and litigation expense.

The return on average allocated capital was 15 percent, down from 16 percent, driven by the same factors as described in the three-month discussion above.

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Global Corporate, Global Commercial and Business Banking

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

Global Corporate, Global Commercial and Business Banking

| | Three Months Ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Global Corporate Banking | | Global Commercial Banking | | Business Banking | | Total | |
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenue | | | | | | | | |
| Business Lending | $708 | $830 | $1,004 | $1,006 | $87 | $92 | $1,799 | $1,928 |
| Global Transaction Services | 709 | 754 | 642 | 715 | 170 | 176 | 1,521 | 1,645 |
| Total revenue, net of interest expense | $1,417 | $1,584 | $1,646 | $1,721 | $257 | $268 | $3,320 | $3,573 |
| | | | | | | | | |
| Balance Sheet | | | | | | | | |
| Average | | | | | | | | |
| Total loans and leases | $136,765 | $129,835 | $147,192 | $141,559 | $16,620 | $16,379 | $300,577 | $287,773 |
| Total deposits | 137,742 | 141,535 | 117,916 | 114,563 | 32,464 | 28,850 | 288,122 | 284,948 |
| | | | | | | | | |
| | Six Months Ended June 30 | | | | | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenue | | | | | | | | |
| Business Lending | $1,597 | $1,742 | $1,916 | $2,017 | $174 | $181 | $3,687 | $3,940 |
| Global Transaction Services | 1,369 | 1,483 | 1,292 | 1,447 | 336 | 353 | 2,997 | 3,283 |
| Total revenue, net of interest expense | $2,966 | $3,225 | $3,208 | $3,464 | $510 | $534 | $6,684 | $7,223 |
| | | | | | | | | |
| Balance Sheet | | | | | | | | |
| Average | | | | | | | | |
| Total loans and leases | $134,054 | $130,518 | $144,497 | $140,912 | $16,527 | $16,412 | $295,078 | $287,842 |
| Total deposits | 136,259 | 139,989 | 118,847 | 114,948 | 32,178 | 29,006 | 287,284 | 283,943 |
| | | | | | | | | |
| Period end | | | | | | | | |
| Total loans and leases | $141,509 | $129,974 | $148,829 | $140,684 | $16,684 | $16,293 | $307,022 | $286,951 |
| Total deposits | 138,342 | 147,076 | 120,825 | 119,326 | 33,099 | 28,979 | 292,266 | 295,381 |

Business Lending revenue declined $129 million for the three months ended June 30, 2015 compared to the same period in 2014 due to loan spread compression and fewer asset sales within the leasing business resulting in lower gains, partially offset by the impact of loan growth. Business Lending revenue declined $253 million for the six months ended June 30, 2015 compared to the same period in 2014 due to loan spread compression, fewer asset sales within the leasing business resulting in lower gains and a gain on sale of an equity investment in Global Commercial

Banking in the prior-year period, partially offset by the impact of loan growth.

Global Transaction Services revenue decreased $124 million and $286 million for the three and six months ended June 30, 2015 compared to the same periods in 2014 primarily due to lower net interest income as a result of the allocation of ALM activities and liquidity costs.

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Average loans and leases increased four percent and three percent for the three and six months ended June 30, 2015 compared to the same periods in 2014 as growth from strong originations and increased utilization in the commercial and industrial portfolio was partially offset by a decline in the commercial real estate portfolio. Average deposits remained relatively unchanged for the three and six months ended June 30, 2015 compared to the same periods in 2014.

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 based on the activities performed by each segment. To provide a complete discussion of our consolidated investment banking fees, the table below presents total Corporation investment banking fees including the portion attributable to Global Banking.

Investment Banking Fees

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | Global Banking | | Total Corporation | | Global Banking | | Total Corporation | |
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Products | | | | | | | | |
| Advisory | $247 | $234 | $276 | $264 | $634 | $491 | $704 | $550 |
| Debt issuance | 371 | 388 | 887 | 891 | 706 | 835 | 1,668 | 1,916 |
| Equity issuance | 159 | 212 | 417 | 514 | 289 | 330 | 762 | 827 |
| Gross investment banking fees | 777 | 834 | 1,580 | 1,669 | 1,629 | 1,656 | 3,134 | 3,293 |
| Self-led deals | (17) | (16) | (54) | (38) | (39) | (50) | (121) | (120) |
| Total investment banking fees | $760 | $818 | $1,526 | $1,631 | $1,590 | $1,606 | $3,013 | $3,173 |

Total Corporation investment banking fees of $1.5 billion, excluding self-led deals, included within Global Banking and Global Markets, decreased six percent for the three months ended June 30, 2015 compared to the same period in 2014 as strong advisory fees were more than offset by lower equity underwriting fees. Total Corporation investment banking fees of $3.0 billion, excluding self-led deals, included within Global Banking and Global Markets, decreased five percent for the six months ended June 30, 2015 compared to the same period in 2014 largely driven by lower underwriting fees for debt products primarily as a result of regulatory guidance implemented during 2014, which limits the types of leveraged finance transactions that are permitted. Also impacting the six-month decline were lower equity underwriting fees, partially offset by higher advisory fees.

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Global Markets

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income (FTE basis) | $1,028 | $962 | 7 % | $2,037 | $1,968 | 4 % |
| Noninterest income: | | | | | | |
| Investment and brokerage services | 550 | 544 | 1 | 1,117 | 1,110 | 1 |
| Investment banking fees | 718 | 760 | (6 ) | 1,348 | 1,496 | (10 ) |
| Trading account profits | 1,693 | 1,768 | (4 ) | 3,820 | 4,135 | (8 ) |
| All other income | 270 | 565 | (52 ) | 551 | 916 | (40 ) |
| Total noninterest income | 3,231 | 3,637 | (11 ) | 6,836 | 7,657 | (11 ) |
| Total revenue, net of interest expense (FTE basis) | 4,259 | 4,599 | (7 ) | 8,873 | 9,625 | (8 ) |
| | | | | | | |
| Provision for credit losses | 6 | 20 | (70 ) | 27 | 38 | (29 ) |
| Noninterest expense | 2,723 | 2,875 | (5 ) | 5,854 | 5,964 | (2 ) |
| Income before income taxes (FTE basis) | 1,530 | 1,704 | (10 ) | 2,992 | 3,623 | (17 ) |
| Income tax expense (FTE basis) | 537 | 602 | (11 ) | 1,054 | 1,211 | (13 ) |
| Net income | $993 | $1,102 | (10 ) | $1,938 | $2,412 | (20 ) |
| | | | | | | |
| Return on average allocated capital | 11 % | 13 % | | 11 % | 14 % | |
| Efficiency ratio (FTE basis) | 63.92 | 62.51 | | 65.98 | 61.96 | |

Balance Sheet

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| Average | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Trading-related assets: | | | | | | |
| Trading account securities | $197,113 | $200,726 | (2 )% | $195,312 | $201,996 | (3 )% |
| Reverse repurchases | 109,626 | 119,823 | (9 ) | 112,461 | 114,576 | (2 ) |
| Securities borrowed | 81,091 | 94,989 | (15 ) | 79,909 | 88,024 | (9 ) |
| Derivative assets | 54,676 | 44,400 | 23 | 55,543 | 44,000 | 26 |
| Total trading-related assets [(1)] | 442,506 | 459,938 | (4 ) | 443,225 | 448,596 | (1 ) |
| Total loans and leases | 61,908 | 63,579 | (3 ) | 59,463 | 63,637 | (7 ) |
| Total earning assets [(1)] | 436,077 | 478,192 | (9 ) | 435,500 | 467,594 | (7 ) |
| Total assets | 602,732 | 617,156 | (2 ) | 600,675 | 609,370 | (1 ) |
| Allocated capital | 35,000 | 34,000 | 3 | 35,000 | 34,000 | 3 |

| Period end | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|
| Total trading-related assets [(1)] | $406,404 | $418,860 | (3 )% |
| Total loans and leases | 66,026 | 59,388 | 11 |
| Total earning assets [(1)] | 408,857 | 421,799 | (3 ) |
| Total assets | 580,955 | 579,593 | — |

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

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, 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 based on the activities performed by each segment. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For more information on investment banking fees on a consolidated basis, see page 42.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for Global Markets decreased $109 million to $993 million. Excluding net DVA, net income decreased $129 million to $930 million driven by lower gains on an equity investment (not included in sales and trading revenue) as the year-ago quarter included gains related to the IPO of an equity investment, lower trading account profits due to declines in credit-related businesses and lower investment banking fees primarily from lower debt issuance. Net DVA gains were $102 million compared to gains of $69 million. Noninterest expense decreased $152 million to $2.7 billion primarily due to a reduction in revenue-related incentive compensation and lower support costs.

Average earning assets decreased $42.1 billion to $436.1 billion largely driven by a decrease in reverse repos, securities borrowed and trading securities primarily due to reduction in client financing activity and continuing balance sheet optimization efforts across Global Markets.

The return on average allocated capital was 11 percent, down from 13 percent, reflecting lower net income and an increase in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 27.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net income for Global Markets decreased $474 million to $1.9 billion. Excluding net DVA, net income decreased $436 million to $1.9 billion primarily driven by the same factors as described in the three-month discussion above. Net DVA gains were $121 million compared to gains of $181 million. Noninterest expense decreased $110 million to $5.9 billion as reductions in revenue-related incentive compensation and business support costs were partially offset by higher litigation expense.

Average earning assets decreased $32.1 billion to $435.5 billion primarily driven by the same factors as described in the three-month discussion above.

Period-end loans and leases increased $6.6 billion from December 31, 2014 due to growth in mortgage and securitization finance.

The return on average allocated capital was 11 percent, down from 14 percent, reflecting lower net income and an increase in allocated capital.

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Sales and Trading Revenue

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Sales and trading revenue is segregated into fixed-income (government debt obligations, investment and non-investment grade corporate debt obligations, commercial 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 June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Sales and trading revenue | | | | |
| Fixed-income, currencies and commodities | $2,228 | $2,422 | $4,977 | $5,445 |
| Equities | 1,199 | 1,055 | 2,364 | 2,248 |
| Total sales and trading revenue | $3,427 | $3,477 | $7,341 | $7,693 |
| | | | | |
| Sales and trading revenue, excluding net DVA [3] | | | | |
| Fixed-income, currencies and commodities | $2,146 | $2,366 | $4,891 | $5,309 |
| Equities | 1,179 | 1,042 | 2,329 | 2,203 |
| Total sales and trading revenue, excluding net DVA [3] | $3,325 | $3,408 | $7,220 | $7,512 |

(1) Includes FTE adjustments of $48 million and $95 million for the three and six months ended June 30, 2015 compared to $52 million and $88 million for the same periods in 2014. 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 $133 million and $210 million for the three and six months ended June 30, 2015 compared to $67 million and $153 million for the same periods in 2014.

(3) FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net DVA gains were $82 million and $86 million for the three and six months ended June 30, 2015 compared to net DVA gains of $56 million and $136 million for the same periods in 2014. Equities net DVA gains were $20 million and $35 million for the three and six months ended June 30, 2015 compared to net DVA gains of $13 million and $45 million for the same periods in 2014.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

FICC revenue, excluding net DVA, decreased $220 million to $2.1 billion primarily driven by declines in mortgage and credit-related businesses due to lower trading volumes driven by decreased volatility and low client risk appetite. These declines were partially offset by stronger results in rates, currencies and commodities products as increased volatility led to higher client activity. Equities revenue, excluding net DVA, increased $137 million to $1.2 billion primarily driven by increased client activity in the Asia-Pacific region and strong performance in U.S. derivatives.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

FICC revenue, excluding net DVA, decreased $418 million to $4.9 billion and Equities revenue, excluding net DVA, increased $126 million to $2.3 billion. Both were driven by the same factors as described in the three-month

discussion above.

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Legacy Assets & Servicing

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income (FTE basis) | $416 | $362 | 15 % | $844 | $739 | 14 % |
| Noninterest income: | | | | | | |
| Mortgage banking income | 682 | 369 | 85 | 1,143 | 660 | 73 |
| All other income (loss) | (9 ) | 69 | n/m | 16 | 87 | (82 ) |
| Total noninterest income | 673 | 438 | 54 | 1,159 | 747 | 55 |
| Total revenue, net of interest expense (FTE basis) | 1,089 | 800 | 36 | 2,003 | 1,486 | 35 |
| | | | | | | |
| Provision for credit losses | 57 | (39 ) | n/m | 148 | (27 ) | n/m |
| Noninterest expense | 961 | 5,234 | (82 ) | 2,164 | 12,637 | (83 ) |
| Income (loss) before income taxes (FTE basis) | 71 | (4,395 ) | n/m | (309 ) | (11,124 ) | n/m |
| Income tax expense (benefit) (FTE basis) | 26 | (1,654 ) | n/m | (115 ) | (3,502 ) | n/m |
| Net income (loss) | $45 | $(2,741 ) | n/m | $(194 ) | $(7,622 ) | n/m |
| | | | | | | |
| Net interest yield (FTE basis) | 3.95 % | 3.65 % | | 4.07 % | 3.73 % | |
| Return on average allocated capital | 1 | n/m | | n/m | n/m | |
| Efficiency ratio (FTE basis) | 88.27 | n/m | | n/m | n/m | |

Balance Sheet

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| Average | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Total loans and leases | $30,897 | $36,705 | (16 )% | $31,650 | $37,401 | (15 )% |
| Total earning assets | 42,267 | 39,863 | 6 | 41,822 | 39,944 | 5 |
| Total assets | 52,449 | 55,626 | (6 ) | 52,532 | 56,508 | (7 ) |
| Allocated capital | 24,000 | 17,000 | 41 | 24,000 | 17,000 | 41 |

| Period end | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|
| Total loans and leases | $30,024 | $33,055 | (9 )% |
| Total earning assets | 40,799 | 33,923 | 20 |
| Total assets | 50,853 | 45,958 | 11 |

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 47. 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.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for LAS increased $2.8 billion to $45 million primarily driven by significantly lower litigation expense, which is included in noninterest expense, and higher mortgage banking income, partially offset by higher provision for credit losses. Mortgage banking income increased $313 million primarily due to a benefit in the provision for representations and warranties and improved MSR net-of-hedge performance, partially offset by lower servicing fees due to a smaller servicing portfolio. The provision for credit losses increased $96 million as we continue to release reserves but at a slower pace than the prior-year period. Noninterest expense decreased $4.3 billion primarily due to a $3.7 billion decrease in litigation expense. Excluding litigation, noninterest expense decreased $526 million to $902 million due to lower default-related staffing and other default-related servicing expenses. We expect that noninterest expense, excluding litigation expense, will decline to approximately $800 million per quarter in the fourth quarter of 2015.

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The increase in allocated capital for LAS reflects higher Basel 3 Advanced approaches operational risk capital than in 2014. For more information on capital allocated to the business segments, see Business Segment Operations on page 27.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

The net loss for LAS decreased $7.4 billion to a net loss of $194 million primarily driven by the same factors as described in the three-month discussion above. Mortgage banking income increased $483 million and the provision for credit losses increased $175 million both primarily driven by the same factors as described in the three-month discussion above. Noninterest expense decreased $10.5 billion primarily due to a $9.4 billion decrease in litigation expense. Excluding litigation, noninterest expense decreased $1.1 billion to $1.9 billion due to lower default-related staffing and other default-related servicing expenses.

The increase in allocated capital for LAS was driven by the same factors as described in the three-month discussion above.

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 27 percent and 29 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at June 30, 2015 and 2014. In addition, LAS is responsible for managing vendors who subservice 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. For more information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 53 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

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) 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 $9.1 billion during the six months ended June 30, 2015 to $80.8 billion, of which $30.0 billion was held on the LAS balance sheet

and the remainder was included as part of All Other. The decrease was largely due to payoffs and paydowns.

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 25 percent and 27 percent of the total residential mortgage serviced portfolio of $532 billion and $672 billion, as measured by unpaid principal balance, at June 30, 2015 and 2014. The decline in the Legacy Residential Mortgage Serviced Portfolio was due to paydowns and payoffs, and MSR and loan sales.

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

| | June 30 | |
|---|---|---|
| (Dollars in billions) | 2015 | 2014 |
| Unpaid principal balance | | |
| Residential mortgage loans | | |
| Total | $132 | $181 |
| 60 days or more past due | 17 | 38 |
| | | |
| Number of loans serviced (in thousands) | | |
| Residential mortgage loans | | |
| Total | 709 | 987 |
| 60 days or more past due | 94 | 202 |

(1) Excludes loans for which servicing transferred to third parties as of June 30, 2015 with an effective MSR sale date of July 1, 2015, totaling $40 million.

(2) Excludes $30 billion and $37 billion of home equity loans and HELOCs at June 30, 2015 and 2014.

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 75 percent and 73 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at June 30, 2015 and 2014. 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, 2]

| | June 30 | |
|---|---|---|
| (Dollars in billions) | 2015 | 2014 |
| Unpaid principal balance | | |
| Residential mortgage loans | | |
| Total | $400 | $491 |
| 60 days or more past due | 6 | 10 |
| | | |
| Number of loans serviced (in thousands) | | |
| Residential mortgage loans | | |
| Total | 2,559 | 3,121 |
| 60 days or more past due | 38 | 61 |

(1) Excludes loans for which servicing transferred to third parties as of June 30, 2015 with an effective MSR sale date of July 1, 2015, totaling $200 million.

(2) Excludes $48 billion and $51 billion of home equity loans and HELOCs at June 30, 2015 and 2014.

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.

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LAS Mortgage Banking Income

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Servicing income: | | | | |
| Servicing fees | $392 | $492 | $822 | $1,025 |
| Amortization of expected cash flows [1] | (187) | (209) | (385) | (419) |
| Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2] | 193 | 105 | 443 | 171 |
| Other servicing-related revenue | — | 4 | — | 8 |
| Total net servicing income | 398 | 392 | 880 | 785 |
| Representations and warranties (provision) benefit | 204 | (110) | 114 | (295) |
| Other mortgage banking income [3] | 80 | 87 | 149 | 170 |
| Total LAS mortgage banking income | $682 | $369 | $1,143 | $660 |

(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 and six months ended June 30, 2015, LAS mortgage banking income increased $313 million to $682 million, and $483 million to $1.1 billion compared to the same periods in 2014, primarily driven by a benefit in the provision for representations and warranties and improved MSR net-of-hedge performance, partially offset by lower servicing fees due to a smaller servicing portfolio. The $204 million benefit in the provision for representations and warranties for the three months ended June 30, 2015 compared to a provision of $110 million in the same period in 2014 was primarily driven by the impact of the ACE decision, as time-barred claims are now treated as resolved. For more information on the ACE decision, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 52.

Key Statistics

| (Dollars in millions, except as noted) | June 30 2015 | December 31 2014 |
|---|---|---|
| Mortgage serviced portfolio (in billions) [1, 2] | $610 | $693 |
| Mortgage loans serviced for investors (in billions) [1] | 409 | 474 |
| Mortgage servicing rights: | | |
| Balance [3] | 3,201 | 3,271 |
| Capitalized mortgage servicing rights (% of loans serviced for investors) | 78 bps | 69 bps |

(1) The servicing portfolio and mortgage loans serviced for investors represent the unpaid principal balance of loans.
(2) Servicing of residential mortgage loans, HELOCs and home equity loans by LAS.
(3) At June 30, 2015 and December 31, 2014, excludes $320 million and $259 million of certain non-U.S. residential mortgage MSR balances that are recorded in Global Markets.

The decline in the size of our servicing portfolio was driven by loan prepayment activity, which exceeded new originations primarily due to our exit from non-retail channels as well as strategic sales of MSRs during 2014.

Mortgage Servicing Rights

At June 30, 2015, the balance of consumer MSRs managed within LAS, which excludes $320 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was $3.2 billion, which represented 78 bps of the related unpaid principal balance compared to $3.3 billion, or 69 bps of the related unpaid principal balance at December 31, 2014. The consumer MSR balance managed within LAS decreased $70 million in the six months ended

June 30, 2015 primarily driven by the recognition of modeled cash flows and sales of MSRs, partially offset by an increase in value due to higher mortgage rates at June 30, 2015 compared to December 31, 2014, which resulted in lower forecasted prepayment speeds. For more information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 56. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

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All Other

| (Dollars in millions) | Three Months Ended June 30 2015 | 2014 | % Change | Six Months Ended June 30 2015 | 2014 | % Change |
|---|---|---|---|---|---|---|
| Net interest income (FTE basis) | $790 | $(85) | n/m | $541 | $(241) | n/m |
| Noninterest income: | | | | | | |
| Card income | 65 | 88 | (26)% | 134 | 176 | (24)% |
| Equity investment income | 11 | 95 | n/m | 12 | 793 | n/m |
| Gains on sales of debt securities | 162 | 382 | (58) | 425 | 739 | (42) |
| All other loss | (263) | (595) | (56) | (699) | (1,251) | (44) |
| Total noninterest income | (25) | (30) | (17) | (128) | 457 | n/m |
| Total revenue, net of interest expense (FTE basis) | 765 | (115) | n/m | 413 | 216 | 91 |
| Provision (benefit) for credit losses | 19 | (248) | n/m | (163) | (382) | (57) |
| Noninterest expense | 415 | 475 | (13) | 1,918 | 2,191 | (12) |
| Income (loss) before income taxes (FTE basis) | 331 | (342) | n/m | (1,342) | (1,593) | (16) |
| Income tax benefit (FTE basis) | (306) | (467) | (34) | (1,138) | (1,523) | (25) |
| Net income (loss) | $637 | $125 | n/m | $(204) | $(70) | n/m |

Balance Sheet

| Average | Three Months Ended June 30 2015 | 2014 | % Change | Six Months Ended June 30 2015 | 2014 | % Change |
|---|---|---|---|---|---|---|
| Loans and leases: | | | | | | |
| Residential mortgage | $139,574 | $187,853 | (26)% | $145,406 | $190,904 | (24)% |
| Non-U.S. credit card | 10,012 | 11,759 | (15) | 10,007 | 11,657 | (14) |
| Other | 6,420 | 10,964 | (41) | 6,437 | 11,405 | (44) |
| Total loans and leases | 156,006 | 210,576 | (26) | 161,850 | 213,966 | (24) |
| Total assets [(1)] | 257,078 | 291,723 | (12) | 256,289 | 286,322 | (10) |
| Total deposits | 22,482 | 36,471 | (38) | 20,951 | 35,731 | (41) |

| Period end | June 30 2015 | December 31 2014 | % Change |
|---|---|---|---|
| Loans and leases: | | | |
| Residential mortgage | $130,186 | $155,595 | (16)% |
| Non-U.S. credit card | 10,276 | 10,465 | (2) |
| Other | 6,095 | 6,552 | (7) |
| Total loans and leases | 146,557 | 172,612 | (15) |
| Total equity investments | 4,670 | 4,886 | (4) |
| Total assets [(1)] | 272,038 | 261,381 | 4 |
| Total deposits | 22,964 | 19,241 | 19 |

(1) In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were $493.0 billion and $497.4 billion for the three and six months ended June 30, 2015 compared to $480.8 billion and $477.2 billion for the same periods in 2014, and $488.5 billion and $474.8 billion at June 30, 2015 and December 31, 2014.

n/m = not meaningful

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All Other consists of ALM activities, equity investments, the international consumer card business, liquidating businesses, residual expense allocations and other. ALM activities encompass residential mortgages, MBS, interest rate and foreign currency risk management activities including the residual net interest income allocation, the impact of certain allocation methodologies and accounting hedge ineffectiveness. Beginning with new originations in 2014, we retain certain residential mortgages in Consumer Banking, consistent with where the overall relationship is managed; previously such mortgages were in All Other. Additionally, certain residential mortgage loans that are managed by LAS are held in All Other. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Interest Rate Risk Management for Non-trading Activities on page 122 and 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.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net income for All Other increased $512 million to $637 million due to higher net interest income and gains on sales of consumer real estate loans, partially offset by lower gains on sales of debt securities and an increase in the provision for credit losses. Net interest income increased $875 million to $790 million primarily driven by positive market-related adjustments on debt securities compared to negative adjustments in the same period in 2014. Gains on the sales of loans with standby insurance agreements and nonperforming and other delinquent loans, net of hedges, were $359 million compared to gains of $170 million, and are included in all other loss in the table on page 50.

The provision for credit losses increased $267 million to $19 million from a provision benefit of $248 million in the prior-year period primarily driven by lower recoveries on nonperforming loan sales.

Noninterest expense decreased $60 million to $415 million primarily driven by lower personnel costs. Income tax was a benefit on pretax earnings primarily due to the reversal in All Other of adjustments to reflect certain tax credits on an FTE basis in Global Banking. The income tax benefit was $306 million compared to a benefit of $467 million, primarily due to the increase in pretax earnings, partially offset by an increase in the Global Banking tax credits.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

The net loss for All Other increased $134 million to $204 million due to a decrease in equity investment income, lower gains on sales of debt securities and a decrease in the provision benefit, partially offset by higher net interest income, gains on sales of consumer real estate loans, lower U.K. PPI costs and noninterest expense. Net interest income increased $782 million primarily driven by positive market-related adjustments on debt securities compared to negative adjustments in the same period in 2014. Equity investment income decreased $781 million primarily driven by a gain on the sale of a portion of an equity investment in the prior-year period. Gains on the sales of loans with standby insurance agreements and nonperforming and other delinquent loans, net of hedges, were $576 million compared to gains of $182 million.

The provision (benefit) for credit losses declined $219 million to a benefit of $163 million primarily driven by the same factors as described in the three-month discussion above.

Noninterest expense decreased $273 million to $1.9 billion primarily driven by a decline in litigation expense. The income tax benefit was $1.1 billion compared to a benefit of $1.5 billion, as the prior period included tax benefits attributable to the resolution of certain tax matters.

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Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For more information on obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 50 of the MD&A of the Corporation's 2014 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 2014 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 FHLMC and 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 (in certain of these securitizations, monoline insurers or other financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, we or certain of our subsidiaries or legacy companies 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 the GSEs, U.S. Department of Housing and Urban Development with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors as applicable (collectively, repurchases). In all such cases, subsequent to repurchasing the loan, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guarantee payments that we may receive.

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 Bank of New York Mellon (BNY Mellon), as trustee.

For more information on accounting for representations and warranties, repurchase claims and exposures, including a summary of the larger bulk settlements, 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 2014 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2014 Annual Report on Form 10-K.

Settlement with the Bank of New York Mellon, as Trustee

On March 5, 2015, the New York Appellate Division, First Department issued an order unanimously approving the BNY Mellon Settlement in all respects, reversing the portion of the New York Supreme Court's decision that did not approve the Trustee's conduct with respect to consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. The deadline for further appeal has passed. On April 22, 2015, the New York County Supreme Court entered final judgment approving the settlement. The BNY Mellon Settlement remains subject to the conditions that an IRS private letter ruling be obtained confirming that the settlement will not impact the real estate mortgage investment conduit tax status of the trusts and that certain state tax opinions be obtained with respect to New York and California. If these conditions to the effectiveness of the BNY Mellon Settlement are not satisfied, or if we

and Countrywide Financial Corporation (Countrywide) withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different from existing accruals and the estimated range of possible loss over existing accruals. As part of the BNY Mellon Settlement, agreement was reached on certain servicing-related matters. For information on servicing matters associated with the BNY Mellon Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage-related Settlements – Servicing Matters on page 54 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

New York Court Decision on Statute of Limitations

On June 11, 2015, the New York Court of Appeals, New York's highest appellate court, issued its opinion in ACE Securities Corp. v. DB Structured Products, Inc. (ACE). The Court of Appeals held that, under New York law, a claim for breach of contractual representations and warranties begins to run at the time the representations and warranties are made, and rejected the argument that the six-year statute of limitations does not begin to run until the time repurchase is refused. The Court of Appeals also held that compliance with the contractual notice and cure period was a pre-condition to filing suit, and claims that did not comply with such contractual requirements prior to the expiration of the statute of limitations were invalid. While no entity affiliated with the Corporation was a party

to this litigation, the vast majority of the private-label RMBS trusts to which entities affiliated with the Corporation sold loans and made representations and warranties are governed by New York law, and the ACE decision should therefore apply to representations and warranties claims and litigation brought on those RMBS trusts. A significant number of representations and warranties claims and lawsuits brought against the Corporation have involved or may involve claims where the statute of limitations has expired under the ACE decision and are therefore time-barred. The Corporation treats time-barred claims as resolved and no longer outstanding; however, while post-ACE case law is in very early stages, investors or trustees may seek to distinguish certain aspects of the ACE ruling or to assert other claims seeking to avoid the impact of the ACE ruling. The impact on the Corporation, if any, of such claims is unclear at this time.

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, 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 (beginning in this quarter, this is determined, where applicable, in accordance with the ACE decision), or representations and warranties claims with respect to the applicable trust are settled, and fully and finally released. When a claim is denied and we do not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution in one of the ways described above.

At June 30, 2015, we had $18.5 billion of unresolved repurchase claims, net of duplicate claims, compared to $22.8 billion at December 31, 2014. These repurchase claims primarily relate to private-label securitizations and exclude claims in the amount of $7.1 billion at June 30, 2015, net of duplicate claims, where the statute of limitations has expired without litigation being commenced. At December 31, 2014, time-barred claims of $5.2 billion, net of duplicate claims, were included in unresolved repurchase claims. The notional amount of unresolved repurchase claims at both June 30, 2015 and December 31, 2014 includes $3.5 billion of claims, net of duplicate claims, related to loans in specific private-label securitization groups or tranches where we own substantially all of the outstanding securities. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

The decrease in the notional amount of outstanding unresolved repurchase claims, net of duplicate claims, in the three and six months ended June 30, 2015 is primarily due to the impact of the ACE decision. Excluding time-barred claims that were treated as outstanding at December 31, 2014, the remaining outstanding unresolved repurchase claims are driven by: (1) continued submission of claims by private-label securitization trustees, (2) the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claims resolution and (3) the lack of an established process to resolve disputes related to these claims. For example, claims submitted without individual file reviews generally lack the level of detail and analysis of individual loans that is necessary to evaluate a claim.

During the three and six months ended June 30, 2015, we had 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 additional information, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K.

As a result of various bulk settlements with the GSEs, we have resolved substantially all outstanding and potential representations and warranties repurchase claims on whole loans sold by legacy Bank of America and Countrywide to

FNMA and FHLMC through June 30, 2012 and December 31, 2009, respectively. After these settlements, our exposure to representations and warranties liability for loans originated prior to 2009 and sold to the GSEs is limited to loans with an original principal balance of $18.3 billion and loans with certain characteristics excluded from the settlements that we do not believe will be material, such as certain specified violations of the GSEs' charters, fraud and title defects. As of June 30, 2015, of the $18.3 billion, approximately $15.9 billion in principal has been paid and $986 million in principal has defaulted or was severely delinquent. At June 30, 2015, the notional amount of unresolved repurchase claims submitted by the GSEs was $25 million related to these vintages. For more information on the monolines and experience with the GSEs, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

In addition to unresolved repurchase claims, we have received notifications from sponsors of third-party securitizations with whom we engaged in whole-loan transactions indicating that we may have indemnity obligations with respect to loans for which we have not received a repurchase request. These notifications totaled $2.0 billion at June 30, 2015 and December 31, 2014. We have considered this risk in the estimated range of possible loss.

We also from time to time receive correspondence purporting to raise representations and warranties breach issues from entities that do not have contractual standing or ability to bring such claims. We believe such communications to be procedurally and/or substantively invalid, and generally do not respond.

The presence of repurchase claims on a given trust, receipt of notices of indemnification obligations and receipt of other communications, as discussed above, are all factors that inform our liability for representations and warranties and the corresponding estimated range of possible loss.

Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income in the Consolidated Statement of Income. For more information on the representations and warranties liability and the corresponding estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Estimated Range of Possible Loss on page 56.

At June 30, 2015 and December 31, 2014, the liability for representations and warranties was $11.6 billion and $12.1 billion, which includes $8.6 billion related to the BNY Mellon Settlement. For the three and six months ended June 30, 2015, the representations and warranties benefit was $205 million and $121 million compared to a provision of $88 million and $266 million for the same periods in 2014. The benefit in the provision for representations and warranties for the three and six months ended June 30, 2015 compared to a provision in the same periods in 2014 was primarily driven by the impact of the ACE decision, as time-barred claims are now treated as resolved.

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 BNY Mellon Settlement, 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 ACE decision and 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.

Experience with Private-label Securitization and Whole-loan Investors

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 to investors other than the GSEs (although the GSEs are investors in certain private-label securitizations). The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. We provided representations and warranties to the whole-loan investors and these investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. Such loans originated from 2004 through 2008 had an original principal balance of $970 billion, including $786 billion sold to private-label and whole-loan investors without monoline insurance. Of the $970 billion, $582 billion in principal has been paid, $205 billion in principal has defaulted, $40 billion in principal was severely delinquent, and $143 billion in principal was current or less than 180 days past due at June 30, 2015 as summarized in Table 17.

Loans originated between 2004 and 2008 and sold without monoline insurance had an original total principal balance of $786 billion included in Table 17. Of the $786 billion, $476 billion have been paid in full and $193 billion were defaulted or severely delinquent at June 30, 2015. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans.

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Table 17
Overview of Non-Agency Securitization and Whole-Loan Balances from 2004 to 2008

| | Principal Balance | | Defaulted or Severely Delinquent | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Dollars in billions) | Original Principal Balance | Outstanding Principal Balance June 30 2015 | Outstanding Principal Balance 180 Days or More Past Due | Defaulted Principal Balance | Defaulted or Severely Delinquent | Borrower Made Less than 13 Payments | Borrower Made 13 to 24 Payments | Borrower Made 25 to 36 Payments | Borrower Made More than 36 Payments |
| By Entity | | | | | | | | | |
| Bank of America | $100 | $ 14 | $3 | $7 | $ 10 | $1 | $2 | $2 | $5 |
| Countrywide | | | | | | | | | |
| BNY Mellon Settlement | 409 | 91 | 21 | 87 | 108 | 15 | 26 | 26 | 41 |
| Other | 307 | 53 | 11 | 66 | 77 | 9 | 18 | 18 | 32 |
| Total Countrywide | 716 | 144 | 32 | 153 | 185 | 24 | 44 | 44 | 73 |
| Merrill Lynch | 72 | 12 | 2 | 19 | 21 | 3 | 5 | 3 | 10 |
| First Franklin | 82 | 13 | 3 | 26 | 29 | 5 | 6 | 5 | 13 |
| Total (1, 2) | $970 | $ 183 | $40 | $205 | $ 245 | $33 | $57 | $54 | $101 |
| By Product | | | | | | | | | |
| Prime | $302 | $ 51 | $6 | $28 | $ 34 | $2 | $6 | $7 | $19 |
| Alt-A | 173 | 42 | 9 | 41 | 50 | 7 | 12 | 11 | 20 |
| Pay option | 150 | 31 | 9 | 45 | 54 | 5 | 13 | 15 | 21 |
| Subprime | 251 | 48 | 14 | 71 | 85 | 17 | 20 | 15 | 33 |
| Home equity | 88 | 9 | 1 | 17 | 18 | 2 | 5 | 4 | 7 |
| Other | 6 | 2 | 1 | 3 | 4 | — | 1 | 2 | 1 |
| Total | $970 | $ 183 | $40 | $205 | $ 245 | $33 | $57 | $54 | $101 |

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

As it relates to private-label securitizations, a contractual liability to repurchase mortgage loans generally arises if there is a breach of representations and warranties that materially and adversely affects the interest of the investor or all the investors in a securitization trust or of the monoline insurer or other financial guarantor (as applicable).

We have received approximately $36.6 billion of representations and warranties repurchase claims (including duplicate claims) related to loans originated between 2004 and 2008, including $27.4 billion from private-label securitization trustees and a financial guarantee provider, $8.4 billion from whole-loan investors and $815 million from one private-label securitization counterparty. New private-label claims are primarily related to repurchase requests received from trustees for private-label securitization transactions not included in the BNY Mellon Settlement. Of the $36.6 billion in claims, we have resolved $17.3 billion of these claims with losses of $2.0 billion. Approximately $3.8 billion of these claims were resolved through repurchase or indemnification, $5.1 billion were rescinded by the investor, $335 million were resolved through settlements and $8.1 billion are not actionable under the applicable statute of limitations, as determined in accordance with the ACE decision, and are therefore considered resolved.

At June 30, 2015, for these vintages, the notional amount of unresolved repurchase claims (including duplicate claims) submitted by private-label securitization trustees, whole-loan investors, including third-party securitization sponsors

and others was $19.4 billion, before subtracting $2.6 billion of duplicate claims primarily submitted without loan file reviews, resulting in net unresolved repurchase claims of $16.8 billion. We have performed an initial review with respect to substantially all of these claims and although we do not believe a valid basis for repurchase has been established by the claimant, we consider such claims activity in the computation of our liability for representations and warranties. Until we receive a repurchase claim, we generally do not review loan files related to private-label securitizations and believe we are not required by the governing documents to do so, unless particular facts suggest we should.

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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 June 30, 2015 compared to up to $4 billion at March 31, 2015. The decrease in the estimated range of possible loss is primarily driven by impacts associated with the ACE decision on our estimate of ongoing representations and warranties risk. We treat claims that are time-barred under the ACE decision as resolved and no longer consider such claims in the estimated range of possible loss. The estimated range of possible loss reflects principally non-GSE exposures. 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, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2014 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 113 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

Servicing, Foreclosure and Other Mortgage Matters

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

On June 17, 2015, the Office of the Comptroller of the Currency (OCC) terminated the April 13, 2011 consent order entered into by BANA concerning residential mortgage servicing practices and foreclosure processes. The OCC announced that it had determined that BANA had complied with that order and its February 28, 2013 amendment.

Servicing agreements with the GSEs and GNMA generally provide the GSEs and GNMA with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, the GSEs claim that they have the contractual right to loan repurchase for certain servicing breaches. In addition, the GSEs' first-lien mortgage seller/servicer guides provide timelines to resolve delinquent loans through workout efforts or liquidation, if necessary, and purport to require the imposition of compensatory fees if those deadlines are not satisfied except for reasons beyond the control of the servicer. Servicers for GNMA are required to service in accordance with the applicable government agency requirements which include detailed regulatory requirements for servicing loans and reducing the amount of insurance or guaranty benefits that are paid if the applicable timelines are not satisfied. In addition, many non-agency RMBS and whole-loan servicing agreements state that the servicer may be liable for failure to perform its servicing obligations in keeping with industry standards or for acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer's duties.

It is not possible to reasonably estimate our liability with respect to certain potential servicing-related claims. While we have recorded certain accruals for servicing-related claims, the amount of potential liability in excess of existing accruals could be material to the Corporation's results of operations or cash flows for any particular reporting period.

Mortgage Electronic Registration Systems, Inc.

For information on Mortgage Electronic Registration Systems, Inc., see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage Electronic Registration Systems, Inc. on page 54 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

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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, and foreclosure activities, and MI and captive reinsurance practices with mortgage insurers, including those claims not covered by the National Mortgage Settlement or the August 20, 2014 settlement with the Department of Justice (DoJ). For more information on the DoJ Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Department of Justice Settlement on page 53 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K. 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 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.

Mortgage-related Settlements – Servicing Matters

For information on servicing matters associated with the BNY Mellon Settlement and the National Mortgage Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage-related Settlements – Servicing Matters on page 54 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

Managing Risk

Risk is inherent in all our business activities. The seven types of risk faced by the Corporation are strategic, credit, market, liquidity, compliance, operational and reputational risks. Sound risk management is needed 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 Corporation's Board of Directors (the Board) and the Board's Enterprise Risk Committee (ERC).

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 a more detailed discussion of our risk management activities, see the discussion below and pages 55 through 109 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

Strategic Risk Management

Strategic risk is embedded in every business and is one of the major risk categories along with credit, market, liquidity, compliance, operational and reputational risks. It is the risk that results from incorrect assumptions, unsuitable business plans, ineffective strategy execution, or failure to respond in a timely manner to changes in the

regulatory, macroeconomic and competitive environments, customer preferences, and technology developments in the geographic locations in which we operate.

Our appetite for strategic risk is assessed based on the strategic plan, with strategic risks selectively and carefully considered against the backdrop of the evolving marketplace. Strategic risk is managed in the context of our overall financial condition, risk appetite and stress test results, among other considerations. The chief executive officer and executive management team manage and act on significant strategic actions, such as divestitures, consolidation of legal entities or capital actions subsequent to required review and approval by the Board.

For more information on our strategic risk management activities, see page 58 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

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Capital Management

The Corporation manages its capital position to maintain sufficient capital to support its business activities and 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, 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 quarterly 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 quarterly 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 fully captured in our forecasts or stress tests. We assess the potential capital impacts of proposed changes to regulatory capital requirements. Management assesses 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 27.

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 Comprehensive Capital Analysis and Review (CCAR) capital plan. The CCAR capital plan is the central element of the Federal Reserve's approach to ensure that large BHCs have adequate capital and robust processes for managing their capital.

In January 2015, we submitted our 2015 CCAR capital plan and related supervisory stress tests, and received the results in March 2015. Based on the information in our January 2015 submission, we exceeded all stressed capital ratio minimum requirements in the severely adverse scenario with more than $20 billion in excess capital after all planned capital actions, a significant improvement from the prior-year CCAR quantitative results. On March 11, 2015, the Federal Reserve advised that it did not object to our 2015 capital plan but gave a conditional non-objection under which we are required to resubmit our CCAR capital plan by September 30, 2015 and address certain weaknesses identified in the capital planning process. If identified weaknesses are not satisfactorily addressed when the Federal Reserve reviews our resubmitted capital plan, the Federal Reserve may restrict our future capital distributions. The requested capital actions 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. We have responded to the Federal Reserve with action plans to review and make improvements to our CCAR process to better align with regulatory expectations. We are currently in the process of executing on this plan.

Pending the resubmission of our capital plan, we are permitted to proceed with our stock repurchase program and to maintain our common stock dividend at the current rate. We repurchased $775 million of common stock in the second quarter of 2015. The timing and amount of additional common stock repurchases and common stock dividends will be consistent with our 2015 CCAR capital plan and subject to the Federal Reserve's review of our submission of a revised capital plan as discussed above. In addition, 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.



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## 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 supplementary leverage ratio (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. For additional information, see Capital Management – Standardized Approach on page 61 and Capital Management – Advanced Approaches on page 61.

As an Advanced approaches institution, under Basel 3, we are required to complete a qualification period (parallel run) to demonstrate compliance with the Basel 3 Advanced approaches to the satisfaction of U.S. banking regulators. U.S. banking regulators have reviewed and requested modifications to certain internal analytical models including the wholesale (e.g., commercial) and other credit models which would increase our risk-weighted assets and, as a result, negatively impact our capital ratios. We estimate that our Common equity tier 1 capital ratio under the Basel 3 Advanced approaches on a fully phased-in basis would have been approximately 10.4 percent at June 30, 2015. If the requested modifications to these models were included, the estimated Common equity tier 1 capital ratio under the Basel 3 Advanced approaches on a fully phased-in basis would be approximately 9.3 percent at June 30, 2015 (estimates of our fully phased-in capital ratios are presented in Table 24). We are currently working with U.S. banking regulators in order to exit parallel run, and upon notification of approval, we will be required to report regulatory capital ratios and risk-weighted assets under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy including under the PCA framework. Prior to receipt of notification of approval, we are required to report our capital adequacy under the Standardized approach only.

### Regulatory Capital Composition

Basel 3 requires certain deductions from and adjustments to capital, which are primarily those related to 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 AFS debt and certain marketable equity securities recorded in accumulated OCI. These changes are impacted by, among other things, 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.

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Table 18 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 18
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 AFS debt and certain marketable equity securities recorded in accumulated OCI; employee benefit plan adjustments recorded in accumulated OCI | | | | | |
| Tier 1 capital | | | | | |
| Percent of total amount deducted from Tier 1 capital includes: | 80% | 60% | 40% | 20% | 0% |
| Deferred tax assets arising from net operating loss and tax credit carryforwards; defined benefit pension fund net assets; net 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., 20 percent of net unrealized gains (losses) on AFS debt and certain marketable equity securities recorded in accumulated OCI was included in 2014).

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 June 30, 2015, our qualifying Trust Securities were $1.4 billion (approximately 10 bps of the Tier 1 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 June 30, 2015. Also effective January 1, 2015, Common equity tier 1 capital is included in the measurement of "well capitalized" for depository institutions.

Beginning January 1, 2016, we will be subject to a capital conservation buffer, a countercyclical capital buffer and a 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 capital conservation buffer must be composed solely of Common equity tier 1 capital. The countercyclical capital buffer is currently set at zero. U.S. banking regulators must jointly decide on any increase in the countercyclical buffer, after which time institutions will have up to one year for implementation. Based on the Federal Reserve final rule published in July 2015, under certain assumptions, we estimate that our G-SIB surcharge will increase our risk-based capital ratio requirements by 3.0 percent. For more

information on our G-SIB buffer, see Capital Management – Regulatory Developments on page 67.

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Table 19 presents regulatory minimum and "well-capitalized" ratio requirements in accordance with Basel 3 Standardized – Transition as measured at June 30, 2015 and December 31, 2014.

Table 19
Bank of America Corporation Regulatory Capital Ratio Requirements under Basel 3 Standardized – Transition

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Regulatory Minimum [1] | Well-capitalized [2] | Regulatory Minimum [1] | Well-capitalized [2] |
| Common equity tier 1 | 4.5 % | n/a | 4.0 % | n/a |
| Tier 1 capital | 6.0 | 6.0 % | 5.5 | 6.0 % |
| Total capital | 8.0 | 10.0 | 8.0 | 10.0 |
| Tier 1 leverage | 4.0 | n/a | 4.0 | n/a |

(1) When presented on a fully phased-in basis, beginning January 1, 2019, the minimum Basel 3 capital ratio requirements for the Corporation are expected to significantly increase. For additional information, see Table 23.

(2) To be "well capitalized" under current U.S. banking regulatory agency definitions, a bank holding company must maintain these or higher ratios and not be subject to a Federal Reserve order or directive to maintain higher capital levels.

n/a = not applicable

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 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.

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. 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, OTC derivatives 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 supplementary 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.

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As of June 30, 2015, the Corporation's estimated SLR on a fully phased-in basis was 6.3 percent, which exceeds the 5.0 percent threshold that represents the minimum plus the supplementary leverage buffer for BHCs. The estimated SLR for BANA on a fully phased-in basis was 7.0 percent, which exceeds the 6.0 percent "well-capitalized" level for insured depository institutions of BHCs.

Capital Composition and Ratios

Table 20 presents Bank of America Corporation's capital ratios and related information in accordance with Basel 3 Standardized – Transition as measured at June 30, 2015 and December 31, 2014. As of June 30, 2015 and December 31, 2014, the Corporation meets the definition of "well capitalized" under current regulatory requirements.

Table 20
Bank of America Corporation Regulatory Capital under Basel 3 Standardized – Transition

| | June 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Ratio | | Amount | Ratio | | Amount |
| Common equity tier 1 capital | 11.2 | % | $158,326 | 12.3 | % | $ 155,361 |
| Tier 1 capital | 12.5 | | 176,247 | 13.4 | | 168,973 |
| Total capital | 15.5 | | 217,889 | 16.5 | | 208,670 |
| Tier 1 leverage | 8.5 | | 176,247 | 8.2 | | 168,973 |

| | June 30 2015 | December 31 2014 |
|---|---|---|
| Risk-weighted assets (in billions) [1] | $1,408 | $ 1,262 |
| Adjusted quarterly average total assets (in billions) [2] | 2,074 | 2,060 |

(1) On a pro-forma basis, under Basel 3 Standardized – Transition as measured at January 1, 2015, the December 31, 2014 risk-weighted assets would have been $1,392 billion.

(2) Reflects adjusted average total assets for the three months ended June 30, 2015 and December 31, 2014.

Common equity tier 1 capital under Basel 3 Standardized – Transition was $158.3 billion at June 30, 2015, an increase of $3.0 billion compared to December 31, 2014 driven by earnings, partially offset by dividends, common stock repurchases and the impact of certain transition provisions under Basel 3 Standardized – Transition. For more information on Basel 3 transition provisions, see Table 18. During the six months ended June 30, 2015, Total capital increased $9.2 billion primarily driven by the same factors that drove the increase in Common equity tier 1 capital and issuances of preferred stock and subordinated debt. The Tier 1 leverage ratio increased 30 bps for the six months ended June 30, 2015 compared to December 31, 2014 primarily driven by an increase in Tier 1 capital. For additional information, see Table 21.

Risk-weighted assets increased $146 billion during the six months ended June 30, 2015 to $1,408 billion primarily due to the change in the calculation of risk-weighted assets from the general risk-based approach at December 31, 2014 to the Basel 3 Standardized approach. On a pro-forma basis, under Basel 3 Standardized – Transition, risk-weighted assets increased $16 billion during the six months ended June 30, 2015 to $1,408 billion primarily driven by commercial loan growth.

At June 30, 2015, an increase or decrease in our Common equity tier 1, Tier 1 or Total capital ratios by one bp would require a change of $141 million in Common equity tier 1, Tier 1 or Total capital. We could also increase our Common equity tier 1, Tier 1 or Total capital ratios by one bp on such date by a reduction in risk-weighted assets of $1.3 billion, $1.1 billion and $909 million, respectively. An increase in our Tier 1 leverage ratio by one bp on such date would require $207 million of additional Tier 1 capital or a reduction of $2.4 billion in adjusted average assets.

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Table 21 presents the capital composition as measured under Basel 3 Standardized – Transition at June 30, 2015 and December 31, 2014.

Table 21
Capital Composition under Basel 3 Standardized – Transition

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| Total common shareholders' equity | $229,386 | $ 224,162 |
| Goodwill | (69,231) | (69,234) |
| Deferred tax assets arising from net operating loss and tax credit carryforwards | (3,803) | (2,226) |
| Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax | 1,980 | 2,680 |
| Net unrealized (gains) losses on AFS debt and equity securities and net (gains) losses on derivatives recorded in accumulated OCI, net-of-tax | 1,277 | 573 |
| Intangibles, other than mortgage servicing rights and goodwill | (1,167) | (639) |
| DVA related to liabilities and derivatives [1] | 256 | 231 |
| Other | (372) | (186) |
| Common equity tier 1 capital | 158,326 | 155,361 |
| Qualifying preferred stock, net of issuance cost | 22,273 | 19,308 |
| Deferred tax assets arising from net operating loss and tax credit carryforwards | (5,706) | (8,905) |
| Trust preferred securities | 1,447 | 2,893 |
| Defined benefit pension fund assets | (476) | (599) |
| DVA related to liabilities and derivatives under transition | 384 | 925 |
| Other | (1) | (10) |
| Total Tier 1 capital | 176,247 | 168,973 |
| Long-term debt qualifying as Tier 2 capital | 20,898 | 17,953 |
| Qualifying allowance for credit losses | 13,656 | 14,634 |
| Nonqualifying trust preferred securities subject to phase out from Tier 2 capital | 4,853 | 3,881 |
| Minority interest | 2,231 | 3,233 |
| Other | 4 | (4) |
| Total capital | $217,889 | $ 208,670 |

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

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Table 22 presents the components of our risk-weighted assets as measured under Basel 3 Standardized – Transition at June 30, 2015 and December 31, 2014.

Table 22
Risk-weighted assets under Basel 3 Standardized – Transition

| (Dollars in billions) | June 30 2015 | December 31 2014 |
|---|---|---|
| Credit risk | $1,309 | $ 1,169 |
| Market risk | 99 | 93 |
| Total risk-weighted assets | $1,408 | $ 1,262 |

Table 23 presents the expected regulatory minimum ratio requirements in accordance with Basel 3 on a fully phased-in basis at January 1, 2019. The regulatory minimum Basel 3 Common equity tier 1, Tier 1 and Total capital ratio requirements for the Corporation will be comprised of the minimum ratio for Common equity tier 1, Tier 1 and Total capital as shown in Table 19, plus a capital conservation buffer of 2.5 percent, the G-SIB surcharge of 3.0 percent and any countercyclical buffer, which is currently set at zero. For more information on these buffers, see Capital Management – Regulatory Developments on page 67.

Table 23
Bank of America Corporation Regulatory Capital Ratio Requirements – Fully Phased in

| | January 1, 2019 Regulatory Minimum | |
|---|---|---|
| Common equity tier 1 | 10.0 | % |
| Tier 1 capital | 11.5 | |
| Total capital | 13.5 | |
| Tier 1 leverage | 4.0 | |

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Table 24 presents estimates of our Basel 3 regulatory capital ratios on a fully phased-in basis at June 30, 2015 and December 31, 2014. The Common equity tier 1, Tier 1 and Total capital estimates reflect the full impact of Basel 3 changes to capital composition after the transition period ends on January 1, 2019. These changes include certain deductions from and adjustments to capital, the most significant of which relate to deferred tax assets, and the inclusion of net unrealized gains and losses on AFS debt and certain marketable equity securities recorded in accumulated OCI. These ratios are considered non-GAAP financial measures until the end of the transition period on January 1, 2019 when adopted and required by U.S. banking regulators.

Table 24
Bank of America Corporation Regulatory Capital – Fully Phased-in [1, 2]

| | June 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Ratio | | Amount | Ratio | | Amount |
| Standardized approach | | | | | | |
| Common equity tier 1 capital | 10.3 | % | $148,306 | 10.0 | % | $141,217 |
| Tier 1 capital | 11.9 | | 170,578 | 11.3 | | 160,480 |
| Total capital [3] | 14.4 | | 207,097 | 13.9 | | 196,115 |
| Advanced approaches | | | | | | |
| Common equity tier 1 capital | 10.4 | | 148,306 | 9.6 | | 141,217 |
| Tier 1 capital | 12.0 | | 170,578 | 11.0 | | 160,480 |
| Total capital [3] | 13.9 | | 198,125 | 12.7 | | 185,986 |

| | June 30 2015 | December 31 2014 |
|---|---|---|
| Risk-weighted assets – Standardized approach (in billions) | $1,433 | $1,415 |
| Risk-weighted assets – Advanced approaches (in billions) | 1,427 | 1,465 |

(1) Fully phased-in Basel 3 estimates are based on our current understanding of the Standardized and Advanced approaches under the Basel 3 rules. Our estimates under the Basel 3 Advanced approaches may be refined over time as a result of further rulemaking or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve. The Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the internal model methodology, but do not include the benefit of the removal of the surcharge applicable to the Comprehensive Risk Measure.

(2) In connection with our exit from parallel run, U.S. banking regulators have requested modifications to certain internal analytical models including the wholesale (e.g., commercial) and other credit models which would increase our risk-weighted assets and, as a result, negatively impact our capital ratios. If the requested modifications to these models were included, the estimated Common equity tier 1 capital ratio under the Basel 3 Advanced approaches on a fully phased-in basis would be approximately 9.3 percent at June 30, 2015. We are currently working with U.S. banking regulators in order to exit parallel run.

(3) 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.

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Table 25 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 June 30, 2015 and December 31, 2014.

Table 25
Regulatory Capital Reconciliation between Basel 3 Transition to Fully Phased-in [1, 2]

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| Common equity tier 1 capital (transition) | $158,326 | $155,361 |
| Deferred tax assets arising from net operating loss and tax credit carryforwards phased in during transition | (5,706) | (8,905) |
| Accumulated OCI phased in during transition | (1,884) | (1,592) |
| Intangibles phased in during transition | (1,751) | (2,556) |
| Defined benefit pension fund assets phased in during transition | (476) | (599) |
| DVA related to liabilities and derivatives phased in during transition | 384 | 925 |
| Other adjustments and deductions phased in during transition | (587) | (1,417) |
| Common equity tier 1 capital (fully phased-in) | 148,306 | 141,217 |
| Additional Tier 1 capital (transition) | 17,921 | 13,612 |
| Deferred tax assets arising from net operating loss and tax credit carryforwards phased out during transition | 5,706 | 8,905 |
| Trust preferred securities phased out during transition | (1,447) | (2,893) |
| Defined benefit pension fund assets phased out during transition | 476 | 599 |
| DVA related to liabilities and derivatives phased out during transition | (384) | (925) |
| Other transition adjustments to Additional Tier 1 capital | — | (35) |
| Additional Tier 1 capital (fully phased-in) | 22,272 | 19,263 |
| Tier 1 capital (fully phased-in) | 170,578 | 160,480 |
| Tier 2 capital (transition) | 41,642 | 39,697 |
| Nonqualifying trust preferred securities phased out during transition | (4,853) | (3,881) |
| Other transition adjustments to Tier 2 capital | (270) | (181) |
| Tier 2 capital (fully phased-in) | 36,519 | 35,635 |
| Basel 3 Standardized approach Total capital (fully phased-in) | 207,097 | 196,115 |
| Change in Tier 2 qualifying allowance for credit losses | (8,972) | (10,129) |
| Basel 3 Advanced approaches Total capital (fully phased-in) | $198,125 | $185,986 |
| | | |
| Risk-weighted assets – As reported to Basel 3 (fully phased-in) | | |
| As reported risk-weighted assets | $1,407,891 | $1,261,544 |
| Changes in risk-weighted assets from reported to fully phased-in | 25,460 | 153,722 |
| Basel 3 Standardized approach risk-weighted assets (fully phased-in) | 1,433,351 | 1,415,266 |
| Changes in risk-weighted assets for advanced models | (5,963) | 50,213 |
| Basel 3 Advanced approaches risk-weighted assets (fully phased-in) | $1,427,388 | $1,465,479 |

(1) Fully phased-in Basel 3 estimates are based on our current understanding of the Standardized and Advanced approaches under the Basel 3 rules. Our estimates under the Basel 3 Advanced approaches may be refined over time as a result of further rulemaking or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve. The Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the internal model methodology, but do not include the benefit of the removal of the surcharge applicable to the Comprehensive Risk Measure.

(2) In connection with our exit from parallel run, U.S. banking regulators have requested modifications to certain internal analytical models including the wholesale (e.g., commercial) and other credit models which would increase our risk-weighted assets and, as a result, negatively impact our capital ratios. If the requested

modifications to these models were included, the estimated Common equity tier 1 capital ratio under the Basel 3 Advanced approaches on a fully phased-in basis would be approximately 9.3 percent at June 30, 2015. We are currently working with U.S. banking regulators in order to exit parallel run.

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Bank of America, N.A. Regulatory Capital

Table 26 presents regulatory capital information for BANA in accordance with Basel 3 Standardized – Transition as measured at June 30, 2015 and December 31, 2014.

Table 26
Bank of America, N.A. Regulatory Capital under Basel 3 Standardized – Transition

| (Dollars in millions) | June 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Ratio | Amount | Minimum Required [1] | Ratio | Amount | Minimum Required [1] |
| Common equity tier 1 capital | 12.5 % | $ 144,543 | 6.5 % | 13.1 % | $ 145,150 | 4.0 % |
| Tier 1 capital | 12.5 | 144,543 | 8.0 | 13.1 | 145,150 | 6.0 |
| Total capital | 13.8 | 160,221 | 10.0 | 14.6 | 161,623 | 10.0 |
| Tier 1 leverage | 9.4 | 144,543 | 5.0 | 9.6 | 145,150 | 5.0 |

(1) Percent required to meet guidelines to be considered "well capitalized" under the Prompt Corrective Action framework, except for the December 31, 2014 Common equity tier 1 capital which reflects capital adequacy minimum requirements as an Advanced approaches bank under Basel 3 during a transition period that ended in 2014.

BANA's Common equity tier 1 capital ratio under Basel 3 Standardized – Transition was 12.5 percent at June 30, 2015, a decrease of 65 bps from December 31, 2014, primarily driven by dividends to the parent company and the change in the calculation of risk-weighted assets from the general risk-based approach at December 31, 2014 to the Basel 3 Standardized approach, partially offset by earnings. The Total capital ratio decreased 79 bps to 13.8 percent at June 30, 2015 compared to December 31, 2014 and the Tier 1 leverage ratio decreased 18 bps to 9.4 percent. The decrease in the Total capital ratio was driven by the same factors as the Common equity tier 1 capital ratio. The decrease in the Tier 1 leverage ratio was primarily driven by an increase in adjusted quarterly average total assets.

Regulatory Developments

Global Systemically Important Bank Surcharge

We have been designated as a global systemically important bank (G-SIB) and as such, are subject to a risk-based capital surcharge (G-SIB surcharge) that must be satisfied with Common equity tier 1 capital. The surcharge assessment methodology published by the Basel Committee on Banking Supervision (Basel Committee) relies on an indicator-based measurement approach (e.g., size, complexity, cross-jurisdictional activity, inter-connectedness and substitutability/financial institution infrastructure) to determine a score relative to the global banking industry. Institutions with the highest scores are designated as G-SIBs and are assigned to one of four loss absorbency buckets from 1.0 percent to 2.5 percent, in 0.5 percent increments based on each institution's relative score and supervisory judgment. A fifth loss absorbency bucket of 3.5 percent serves to discourage banks from becoming more systemically important.

In July 2015, the Federal Reserve finalized a regulation that will implement G-SIB surcharge requirements for the largest U.S. BHCs. Under the final rule, assignment to loss absorbency buckets will be determined by the higher score as calculated according to two methods. Method 1 is consistent with the Basel Committee's methodology, whereas 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. Under the final U.S. rules, the G-SIB surcharge will be phased in beginning on January 1, 2016, becoming fully effective on January 1, 2019. We estimate that our G-SIB surcharge will increase our risk-based capital ratio requirements by 3.0 percent under Method 2 and 1.5 percent under Method 1.

For more information on regulatory capital, see Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K.



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Minimum Total Loss Absorbing Capacity

In November 2014, the FSB proposed standards for the total loss absorbing capacity (TLAC) that G-SIBs would be required to maintain in order to facilitate an orderly resolution in the event of failure. The proposal would require G-SIBs to hold sufficient amounts of qualifying regulatory capital and debt instruments to help ensure continuity of critical functions upon a resolution without imposing losses on taxpayers or threatening financial stability. Under the proposal, a G-SIB would be required to maintain minimum TLAC of 16.0 percent to 20.0 percent of risk-weighted assets, excluding regulatory capital buffers, and at least twice the minimum Basel 3 Tier 1 leverage ratio (as defined by the Basel Committee). The proposal is expected to be revised after the FSB reviews public comments received on the proposal and completes its impact assessment including a quantitative impact study and a market survey. The FSB intends to submit a final proposal to the Group of Twenty (G-20) by the fourth quarter of 2015 in advance of its summit. U.S. banking regulators are expected to propose TLAC rules in 2015 which would be applicable to U.S. banks that have been designated as G-SIBs.

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 fundamental review of the trading book, which would update market risk measurement, and revisions to the CVA risk framework. The proposed revisions affect both modeled and standardized approaches for measuring market risk and CVA risk. The Basel Committee has also proposed revisions to the standardized approach for credit risk and the standardized approaches for operational risk. A revised standardized model for counterparty credit risk has previously been finalized. These revisions would 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. The Basel Committee expects to finalize the outstanding proposals within the next 12 months. Once the proposals are finalized, U.S. banking regulators may update the U.S. Basel 3 rules to incorporate the Basel Committee revisions.

Broker-dealer Regulatory Capital and Securities Regulation

The Corporation's principal U.S. broker-dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith (MLPF&S) and Merrill Lynch Professional Clearing Corp (MLPCC). MLPCC is a fully-guaranteed subsidiary of MLPF&S and provides clearing and settlement services. Both entities are subject to the net capital requirements of 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 June 30, 2015, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $9.5 billion and exceeded the minimum requirement of $1.5 billion by $8.0 billion. MLPCC's net capital of $3.0 billion exceeded the minimum requirement of $462 million by $2.5 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1.0 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is less than $5.0 billion. At June 30, 2015, 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 June 30, 2015, MLI's capital resources were $34.3 billion which exceeded the minimum requirement of $18.8 billion.

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Common and Preferred Stock Dividends

For a summary of our declared quarterly cash dividends on common stock during the second quarter of 2015 and through July 29, 2015, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements. The Corporation has certain warrants outstanding and exercisable to purchase 150.4 million shares of its common stock, expiring on January 16, 2019 and warrants outstanding and exercisable to purchase 121.8 million shares of its common stock, expiring on October 28, 2018. For more information on the original issuance and exercise price of these warrants, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 27 is a summary of our cash dividend declarations on preferred stock during the second quarter of 2015 and through July 29, 2015. During the second quarter of 2015, we declared $330 million of cash dividends on preferred stock. For more information on preferred stock, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 27
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 | April 16, 2015 | July 10, 2015 | July 24, 2015 | 7.00 | % | $1.75 |
| | | July 23, 2015 | October 9, 2015 | October 23, 2015 | 7.00 | | 1.75 |
| Series D [2] | $ 654 | April 13, 2015 | May 29, 2015 | June 15, 2015 | 6.204 | % | $0.38775 |
| | | July 9, 2015 | August 31, 2015 | September 14, 2015 | 6.204 | | 0.38775 |
| Series E [2] | $ 317 | April 13, 2015 | April 30, 2015 | May 15, 2015 | Floating | | $0.24722 |
| | | July 9, 2015 | July 31, 2015 | August 17, 2015 | Floating | | 0.25556 |
| Series F | $ 141 | April 13, 2015 | May 29, 2015 | June 15, 2015 | Floating | | $1,022.22222 |
| | | July 9, 2015 | August 31, 2015 | September 15, 2015 | Floating | | 1,022.22222 |
| Series G | $ 493 | April 13, 2015 | May 29, 2015 | June 15, 2015 | Adjustable | | $1,022.22222 |
| | | July 9, 2015 | August 31, 2015 | September 15, 2015 | Adjustable | | 1,022.22222 |
| Series I [2] | $ 365 | April 13, 2015 | June 15, 2015 | July 1, 2015 | 6.625 | % | $0.4140625 |
| | | July 9, 2015 | September 15, 2015 | October 1, 2015 | 6.625 | | 0.4140625 |
| Series K [3, 4] | $ 1,544 | July 9, 2015 | July 15, 2015 | July 30, 2015 | Fixed-to-floating | | $40.00 |
| Series L | $ 3,080 | March 18, 2015 | April 1, 2015 | April 30, 2015 | 7.25 | % | $18.125 |
| | | June 19, 2015 | July 1, 2015 | July 30, 2015 | 7.25 | | 18.125 |
| Series M [3, 4] | $ 1,310 | April 13, 2015 | April 30, 2015 | May 15, 2015 | Fixed-to-floating | | $40.625 |
| Series T | $ 5,000 | April 16, 2015 | June 25, 2015 | July 10, 2015 | 6.00 | % | $1,500.00 |
| | | July 23, 2015 | September 25, 2015 | October 13, 2015 | 6.00 | | 1,500.00 |
| Series U [3, 4] | $ 1,000 | April 13, 2015 | May 15, 2015 | June 1, 2015 | Fixed-to-floating | | $26.00 |
| Series V [3, 4] | $ 1,500 | April 13, 2015 | June 1, 2015 | June 17, 2015 | Fixed-to-floating | | $25.625 |
| Series W [2] | $ 1,100 | April 13, 2015 | May 15, 2015 | June 9, 2015 | 6.625 | % | $0.4140625 |
| | | July 9, 2015 | August 15, 2015 | | 6.625 | | 0.4140625 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | September 9, 2015 | | |
| Series X [3, 4] | $ 2,000 | July 9, 2015 | August 15, 2015 | September 8, 2015 | Fixed-to-floating | $ 31.25 |
| Series Y [2] | $ 1,100 | March 18, 2015 | April 1, 2015 | April 27, 2015 | 6.50 % | $ 0.40625 |
| | | June 19, 2015 | July 1, 2015 | July 27, 2015 | 6.50 | 0.40625 |
| Series Z [3, 4] | $ 1,400 | March 18, 2015 | April 1, 2015 | April 23, 2015 | Fixed-to-floating | $ 32.50 |
| Series AA [3, 4] | $ 1,900 | July 9, 2015 | September 1, 2015 | September 17, 2015 | Fixed-to-floating | $ 30.50 |

(1) Dividends are cumulative.
(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.
(3) Initially pays dividends semi-annually.
(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.

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Table 27
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 | April 13, 2015 | May 15, 2015 | May 28, 2015 | Floating | | $0.18750 |
| | | July 9, 2015 | August 15, 2015 | August 28, 2015 | Floating | | 0.18750 |
| Series 2 [5] | $ 299 | April 13, 2015 | May 15, 2015 | May 28, 2015 | Floating | | $0.18542 |
| | | July 9, 2015 | August 15, 2015 | August 28, 2015 | Floating | | 0.19167 |
| Series 3 [5] | $ 653 | April 13, 2015 | May 15, 2015 | May 28, 2015 | 6.375 | % | $0.3984375 |
| | | July 9, 2015 | August 15, 2015 | August 28, 2015 | 6.375 | | 0.3984375 |
| Series 4 [5] | $ 210 | April 13, 2015 | May 15, 2015 | May 28, 2015 | Floating | | $0.24722 |
| | | July 9, 2015 | August 15, 2015 | August 28, 2015 | Floating | | 0.25556 |
| Series 5 [5] | $ 422 | April 13, 2015 | May 1, 2015 | May 21, 2015 | Floating | | $0.24722 |
| | | July 9, 2015 | August 1, 2015 | August 21, 2015 | Floating | | 0.25556 |

(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

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity 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 risk 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 65 of the MD&A of the Corporation's 2014 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 LCR rules. For more information on the final rules, see Liquidity Risk – Basel 3 Liquidity Standards on page 72.

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Our GELS were $484 billion and $439 billion at June 30, 2015 and December 31, 2014 and were maintained as shown in Table 28.

Table 28
Global Excess Liquidity Sources

| (Dollars in billions) | June 30 2015 | December 31 2014 | Average for Three Months Ended June 30, 2015 |
| --- | --- | --- | --- |
| Parent company | $96 | $ 98 | $95 |
| Bank subsidiaries | 348 | 306 | 344 |
| Other regulated entities | 40 | 35 | 34 |
| Total Global Excess Liquidity Sources | $484 | $ 439 | $473 |

As shown in Table 28, parent company GELS totaled $96 billion and $98 billion at June 30, 2015 and December 31, 2014. The decrease in parent company liquidity was primarily due to derivative collateral outflows. Typically, parent company excess liquidity is in the form of cash deposited with BANA.

GELS available to our bank subsidiaries totaled $348 billion and $306 billion at June 30, 2015 and December 31, 2014. The increase in bank subsidiaries' liquidity was primarily due to deposit inflows and net debt issuances, partially offset by loan growth. 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 other 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 approximately $195 billion and $214 billion at June 30, 2015 and December 31, 2014. 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 FHLB 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, totaled $40 billion and $35 billion at June 30, 2015 and December 31, 2014. Our other regulated entities also held other 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 29 presents the composition of GELS at June 30, 2015 and December 31, 2014.

Table 29
Global Excess Liquidity Sources Composition

| (Dollars in billions) | June 30 2015 | December 31 2014 |
| --- | --- | --- |
| Cash on deposit | $123 | $ 97 |
| U.S. Treasury securities | 64 | 74 |
| U.S. agency securities and mortgage-backed securities | 276 | 252 |
| Non-U.S. government and supranational securities | 21 | 16 |
| Total Global Excess Liquidity Sources | $484 | $ 439 |

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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 its GELS 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 40 months at June 30, 2015. For purposes of calculating time-to-required funding at June 30, 2015, we have included in the amount of unsecured contractual obligations $8.6 billion related to the BNY Mellon Settlement. The BNY Mellon Settlement is subject to final approval and the timing of this payment is not certain. For more information on the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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

The Basel Committee has issued two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

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. Under the final rule, an initial minimum LCR of 80 percent was required as of January 2015, and will increase thereafter in 10 percentage point increments annually through January 2017. These minimum requirements are applicable to the Corporation on a consolidated basis and to our insured depository institutions. As of June 30, 2015, we estimate that

the consolidated Corporation was above the 2017 LCR requirements.

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. The final standard aligns the NSFR to the LCR and gives more credit to a wider range of funding. The final standard also includes adjustments to the stable funding required for certain types of assets, some of which reduce the stable funding requirement and some of which increase it. Basel Committee standards generally do not apply directly to U.S. financial institutions, but require adoption by U.S. banking regulators. U.S. banking regulators are expected to propose a similar NSFR regulation applicable to U.S. financial institutions in the near future. We expect to meet the NSFR requirement within the regulatory timeline.

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Diversified Funding Sources

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

The primary benefits 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 $1.15 trillion and $1.12 trillion at June 30, 2015 and December 31, 2014. 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 Federal Deposit Insurance Corporation. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

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

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

During the three and six months ended June 30, 2015, we issued $16.4 billion and $25.7 billion of long-term debt, consisting of $10.4 billion and $14.5 billion for Bank of America Corporation, $4.1 billion and $7.6 billion for Bank of America, N.A. and $1.9 billion and $3.6 billion of other debt.

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Table 30 presents the carrying value of aggregate annual contractual maturities of long-term debt as of June 30, 2015. During the six months ended June 30, 2015, we had total long-term debt maturities and purchases of $20.8 billion consisting of $13.8 billion for Bank of America Corporation, $2.8 billion for Bank of America, N.A. and $4.2 billion of other debt.

Table 30
Long-term Debt By Maturity

| (Dollars in millions) | Remainder of 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Bank of America Corporation | | | | | | | |
| Senior notes | $6,907 | $17,027 | $18,562 | $20,511 | $16,984 | $42,832 | $122,823 |
| Senior structured notes | 2,223 | 4,263 | 1,672 | 1,775 | 1,417 | 7,029 | 18,379 |
| Subordinated notes | 1,199 | 4,991 | 5,003 | 2,744 | 1,505 | 18,014 | 33,456 |
| Junior subordinated notes | — | — | — | — | 1 | 7,292 | 7,293 |
| Total Bank of America Corporation | 10,329 | 26,281 | 25,237 | 25,030 | 19,907 | 75,167 | 181,951 |
| Bank of America, N.A. | | | | | | | |
| Senior notes | 18 | 3,063 | 6,318 | 3,495 | 12 | 108 | 13,014 |
| Subordinated notes | — | 1,063 | 3,508 | — | 1 | 1,668 | 6,240 |
| Advances from Federal Home Loan Banks | 3,001 | 6,003 | 10 | 10 | 15 | 138 | 9,177 |
| Securitizations and other Bank VIEs (1) | 1,139 | 1,290 | 3,550 | 2,298 | 2,450 | 938 | 11,665 |
| Total Bank of America, N.A. | 4,158 | 11,419 | 13,386 | 5,803 | 2,478 | 2,852 | 40,096 |
| Other debt | | | | | | | |
| Senior notes | 20 | — | 1 | — | — | 1 | 22 |
| Structured liabilities | 1,257 | 2,624 | 2,051 | 1,439 | 936 | 7,923 | 16,230 |
| Junior subordinated notes | — | — | — | — | — | 405 | 405 |
| Nonbank VIEs (1) | — | 458 | 242 | 89 | 22 | 1,995 | 2,806 |
| Other | 203 | 902 | 409 | 29 | 6 | 355 | 1,904 |
| Total other debt | 1,480 | 3,984 | 2,703 | 1,557 | 964 | 10,679 | 21,367 |
| Total long-term debt | $15,967 | $41,684 | $41,326 | $32,390 | $23,349 | $88,698 | $243,414 |

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

Table 31 presents our long-term debt by major currency at June 30, 2015 and December 31, 2014.

Table 31
Long-term Debt By Major Currency

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| U.S. Dollar | $196,020 | $ 191,264 |
| Euro | 28,473 | 30,687 |
| British Pound | 7,635 | 7,881 |
| Japanese Yen | 4,321 | 6,058 |
| Australian Dollar | 1,973 | 2,135 |
| Canadian Dollar | 1,933 | 1,779 |
| Swiss Franc | 949 | 897 |

| | | |
|---|---|---|
| Other | 2,110 | 2,438 |
| Total long-term debt | $243,414 | $ 243,139 |

Total long-term debt remained relatively unchanged during the six months ended June 30, 2015, as maturities approximated new issuances. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for investors. For more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see page 65 of the MD&A of the Corporation's 2014 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 122.

We may also issue unsecured debt in the form of structured notes for client purposes. During the three and six months ended June 30, 2015, we issued $2.8 billion and $3.6 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 liability obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a carrying value of $35.0 billion and $38.8 billion at June 30, 2015 and December 31, 2014.

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.

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 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.

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On July 23, 2015, Standard & Poor's Ratings Services (S&P) concluded a periodic review of the eight U.S. G-SIBs. As a result, S&P upgraded Bank of America's stand-alone credit profile (SACP) to 'a-' from 'bbb+', reflecting S&P's view that the Corporation's potential legal and regulatory risks have declined, and that it has made steady progress on reducing the size of its legacy mortgage portfolio resulting in lower credit costs and an improved risk profile. S&P concurrently upgraded the ratings of Bank of America Corporation's preferred stock and trust preferred securities to BB+ from BB. S&P also revised the outlook to positive from stable on the ratings of Bank of America's core rated operating subsidiaries, including Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, and Bank of America Merrill Lynch International Limited. Those entities' long-term and short-term senior debt ratings remain unchanged at A and A-1. S&P also left Bank of America Corporation's long-term and short-term senior debt ratings unchanged at A- and A-2, but retained a negative outlook. The negative outlook on the holding company ratings reflects S&P's ongoing evaluation of whether it deems the U.S. G-SIB resolution regime to be effective and thus eliminates the remaining notch of uplift in those ratings for potential extraordinary government support. The positive outlook on the operating subsidiary ratings reflects the possibility that for those subsidiaries, S&P could offset the elimination of the notch of uplift for government support with two notches of uplift from the agency's implementation of a new framework for incorporating additional loss-absorbing debt and equity capital buffers at the holding company into operating company credit ratings.

On May 28, 2015, Moody's Investors Service, Inc. (Moody's) concluded its previously announced review of several global investment banking groups, including Bank of America, which followed the publication of the agency's new bank rating methodology. As a result, Moody's upgraded Bank of America Corporation's long-term senior debt rating to Baa1 from Baa2, and the preferred stock rating to Ba2 from Ba3. Moody's also upgraded the long-term senior debt and long-term deposit ratings of Bank of America, N.A. to A1 from A2. Moody's affirmed the short-term ratings at P-2 for Bank of America Corporation and P-1 for Bank of America, N.A. Moody's now has a stable outlook on all of our ratings.

On May 19, 2015, Fitch Ratings (Fitch) completed its review of sovereign support for 12 large, complex securities trading and universal banks, including Bank of America. As a result, Fitch revised the support rating floors for the U.S. global systemically important BHCs to No Floor from A, effectively removing the implied government support uplift from those institutions' ratings. The rating agency also upgraded Bank of America Corporation's stand-alone rating, or Viability Rating to 'a' from 'a-', while affirming its long-term and short-term senior debt ratings at A and F1, respectively. Fitch indicated that the upgrade of the Viability Rating was driven by the Corporation's maintenance of good capital and liquidity levels, materially lower potential litigation costs compared to recent years and a gradually improving earnings profile. Fitch concurrently upgraded Bank of America, N.A.'s long-term senior debt rating to A+ from A, and its long-term deposit rating to AA- from A+. Fitch set the outlook on these ratings at stable. Fitch also revised the outlook to positive on the ratings of Bank of America's material international operating subsidiaries, including Merrill Lynch International.

Table 32 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies.

Table 32
Senior Debt Ratings

| | Moody's Investors Service | | | Standard & Poor's | | | Fitch Ratings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Long-term | Short-term | Outlook | Long-term | Short-term | Outlook | Long-term | Short-term | Outlook |
| Bank of America Corporation | Baa1 | P-2 | Stable | A- | A-2 | Negative | A | F1 | Stable |
| Bank of America, N.A. | A1 | P-1 | Stable | A | A-1 | Positive | A+ | F1 | Stable |
| | NR | NR | NR | A | A-1 | Positive | A+ | F1 | Stable |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Merrill Lynch, Pierce, Fenner & Smith | | | | | | | | | |
| Merrill Lynch International | NR | NR | NR | A | A-1 | Positive | A | F1 | Positive |

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.

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Table 33 presents the amount of additional collateral that would have been contractually required by derivative contracts and other trading agreements at June 30, 2015 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Table 33
Additional Collateral Required to be Posted Upon Downgrade

| (Dollars in millions) | June 30, 2015 One incremental notch | Second incremental notch |
|---|---|---|
| Bank of America Corporation | $1,429 | $ 1,799 |
| Bank of America, N.A. and subsidiaries [1] | 1,186 | 1,390 |

[1] Included in Bank of America Corporation collateral requirements in this table.

Table 34 presents the derivative liabilities that would be subject to unilateral termination by counterparties and the amounts of collateral that would have been contractually required at June 30, 2015 if the long-term senior debt ratings for the Corporation or certain subsidiaries had been lower by one incremental notch and by an additional second incremental notch.

Table 34
Derivative Liability Subject to Unilateral Termination Upon Downgrade

| (Dollars in millions) | June 30, 2015 One incremental notch | Second incremental notch |
|---|---|---|
| Derivative liability | $600 | $ 2,992 |
| Collateral posted | 560 | 2,625 |

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 72.

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 2014 Annual Report on Form 10-K.

## Credit Risk Management

Credit quality remained strong in the second quarter of 2015 driven by lower U.S. unemployment and improving home prices as well as our proactive credit risk management activities positively impacting our credit portfolio as nonperforming loans and leases and delinquencies continued to improve. For additional information, see Executive Summary – Second Quarter 2015 Economic and Business Environment on page 4.

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

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 110 and Item 1A. Risk Factors of the Corporation's 2014 Annual Report on Form 10-K.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 78, Commercial Portfolio Credit Risk Management on page 98, Non-U.S. Portfolio on page 110, Provision for Credit Losses on page 112, Allowance for Credit Losses on page 112, 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 six months ended June 30, 2015, we completed approximately 31,300 customer loan modifications with a total unpaid principal balance of approximately $5.2 billion, including approximately 12,300 permanent modifications, under the U.S. government's Making Home Affordable Program. Of the loan modifications completed during the six months ended June 30, 2015, 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 95 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 and six months ended June 30, 2015 resulting in improved credit quality and lower credit losses across most major consumer portfolios compared

to the same periods in 2014. Nearly all consumer loan portfolios 30 days or more past due and all consumer loan portfolios 90 days or more past due declined during the six months ended June 30, 2015 as a result of improved delinquency trends. Although home prices have shown steady improvement since the beginning of 2012, they have not fully recovered to their 2006 levels.

Improved credit quality and continued loan balance run-off across the consumer portfolio drove a $1.5 billion decrease in the consumer allowance for loan and lease losses during the six months ended June 30, 2015 to $8.4 billion at June 30, 2015. For additional information, see Allowance for Credit Losses on page 112.

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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 2014 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 52 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 35 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 35, PCI loans are also shown separately, net of purchase accounting adjustments, 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 90 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 35
Consumer Loans and Leases

| | Outstandings | | Purchased Credit-impaired Loan Portfolio | |
|---|---|---|---|---|
| (Dollars in millions) | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 |
| Residential mortgage [1] | $198,825 | $ 216,197 | $13,229 | $ 15,152 |
| Home equity | 81,006 | 85,725 | 5,113 | 5,617 |
| U.S. credit card | 88,403 | 91,879 | n/a | n/a |
| Non-U.S. credit card | 10,276 | 10,465 | n/a | n/a |
| Direct/Indirect consumer [2] | 84,754 | 80,381 | n/a | n/a |
| Other consumer [3] | 2,000 | 1,846 | n/a | n/a |
| Consumer loans excluding loans accounted for under the fair value option | 465,264 | 486,493 | 18,342 | 20,769 |
| Loans accounted for under the fair value option [4] | 1,971 | 2,077 | n/a | n/a |
| Total consumer loans and leases | $467,235 | $ 488,570 | $18,342 | $ 20,769 |

(1) Outstandings include pay option loans of $2.6 billion and $3.2 billion at June 30, 2015 and December 31, 2014. We no longer originate pay option loans.

(2) Outstandings include auto and specialty lending loans of $39.6 billion and $37.7 billion, unsecured consumer lending loans of $1.1 billion and $1.5 billion, U.S. securities-based lending loans of $38.6 billion and $35.8 billion, non-U.S. consumer loans of $4.0 billion and $4.0 billion, student loans of $596 million and $632 million and other consumer loans of $809 million and $761 million at June 30, 2015 and December 31, 2014.

(3) Outstandings include consumer finance loans of $618 million and $676 million, consumer leases of $1.2 billion and $1.0 billion and consumer overdrafts of $227 million and $162 million at June 30, 2015 and December 31, 2014.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of $1.8 billion and $1.9 billion and home equity loans of $208 million and $196 million at June 30, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 94 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

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Table 36 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 36
Consumer Credit Quality

| | Nonperforming | | Accruing Past Due 90 Days or More | |
|---|---|---|---|---|
| (Dollars in millions) | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 |
| Residential mortgage [1] | $5,985 | $6,889 | $8,917 | $11,407 |
| Home equity | 3,563 | 3,901 | — | — |
| U.S. credit card | n/a | n/a | 742 | 866 |
| Non-U.S. credit card | n/a | n/a | 86 | 95 |
| Direct/Indirect consumer | 26 | 28 | 38 | 64 |
| Other consumer | 1 | 1 | 1 | 1 |
| Total [2] | $9,575 | $10,819 | $9,784 | $12,433 |
| Consumer loans and leases as a percentage of outstanding consumer loans and leases [2] | 2.06 % | 2.22 % | 2.10 % | 2.56 % |
| Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios [2] | 2.41 | 2.70 | 0.22 | 0.26 |

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At June 30, 2015 and December 31, 2014, residential mortgage included $5.5 billion and $7.3 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 $3.4 billion and $4.1 billion of loans on which interest was still accruing.

(2) Balances exclude consumer loans accounted for under the fair value option. At June 30, 2015 and December 31, 2014, $339 million and $392 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

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Table 37 presents net charge-offs and related ratios for consumer loans and leases.

Table 37
Consumer Net Charge-offs and Related Ratios

| | Net Charge-offs [1] | | | | Net Charge-off Ratios [1, 2] | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended June 30 | | Six Months Ended June 30 | | Three Months Ended June 30 | | Six Months Ended June 30 | |
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Residential mortgage | $177 | $(35) | $374 | $92 | 0.35 % | (0.06)% | 0.36 % | 0.08 % |
| Home equity | 151 | 239 | 323 | 541 | 0.73 | 1.06 | 0.78 | 1.19 |
| U.S. credit card | 584 | 683 | 1,205 | 1,401 | 2.68 | 3.11 | 2.76 | 3.18 |
| Non-U.S. credit card | 51 | 47 | 95 | 123 | 2.03 | 1.59 | 1.91 | 2.12 |
| Direct/Indirect consumer | 24 | 33 | 58 | 91 | 0.11 | 0.16 | 0.14 | 0.22 |
| Other consumer | 33 | 47 | 82 | 105 | 7.00 | 9.26 | 8.91 | 10.64 |
| Total | $1,020 | $1,014 | $2,137 | $2,353 | 0.87 | 0.79 | 0.91 | 0.91 |

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

(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 0.52 percent and 0.55 percent for residential mortgage, 0.78 percent and 0.83 percent for home equity, and 1.00 percent and 1.05 percent for the total consumer portfolio for the three and six months ended June 30, 2015, respectively. Net charge-off (recovery) ratios, excluding the PCI and fully-insured loan portfolios, were (0.10) percent and 0.13 percent for residential mortgage, 1.14 percent and 1.28 percent for home equity, and 0.99 percent and 1.15 percent for the total consumer portfolio for the three and six months ended June 30, 2014, respectively. These are the only product classifications that include PCI and fully-insured loans for these periods.

Net charge-offs, as shown in Tables 37 and 38, exclude write-offs in the PCI loan portfolio of $264 million and $452 million in residential mortgage and $26 million and $126 million in home equity for the three and six months ended June 30, 2015. Net charge-offs, as shown in Tables 37 and 38, exclude write-offs in the PCI loan portfolio of $70 million and $351 million in residential mortgage and $90 million and $200 million in home equity for the three and six months ended June 30, 2014. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. Net charge-off ratios including the PCI write-offs were 0.86 percent and 0.80 percent for residential mortgage and 0.86 percent and 1.08 percent for home equity for the three and six months ended June 30, 2015. Net charge-off ratios including the PCI write-offs were 0.06 percent and 0.37 percent for residential mortgage and 1.46 percent and 1.63 percent for home equity for the three and six months ended June 30, 2014. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

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Table 38 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 46.

Table 38
Consumer Real Estate Portfolio [1]

| | Outstandings | | Nonperforming | | Net Charge-offs [2] | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | Three Months Ended June 30 | | Six Months Ended June 30 | |
| (Dollars in millions) | | | | | 2015 | 2014 | 2015 | 2014 |
| Core portfolio | | | | | | | | |
| Residential mortgage | $151,007 | $ 162,220 | $2,201 | $ 2,398 | $32 | $60 | $83 | $99 |
| Home equity | 50,025 | 51,887 | 1,408 | 1,496 | 51 | 69 | 102 | 154 |
| Total Core portfolio | 201,032 | 214,107 | 3,609 | 3,894 | 83 | 129 | 185 | 253 |
| Legacy Assets & Servicing portfolio | | | | | | | | |
| Residential mortgage | 47,818 | 53,977 | 3,784 | 4,491 | 145 | (95) | 291 | (7) |
| Home equity | 30,981 | 33,838 | 2,155 | 2,405 | 100 | 170 | 221 | 387 |
| Total Legacy Assets & Servicing portfolio | 78,799 | 87,815 | 5,939 | 6,896 | 245 | 75 | 512 | 380 |
| Consumer real estate portfolio | | | | | | | | |
| Residential mortgage | 198,825 | 216,197 | 5,985 | 6,889 | 177 | (35) | 374 | 92 |
| Home equity | 81,006 | 85,725 | 3,563 | 3,901 | 151 | 239 | 323 | 541 |
| Total consumer real estate portfolio | $279,831 | $ 301,922 | $9,548 | $ 10,790 | $328 | $204 | $697 | $633 |

| | Allowance for Loan and Lease Losses | | Provision for Loan and Lease Losses | | | |
|---|---|---|---|---|---|---|
| | June 30 2015 | December 31 2014 | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | | | 2015 | 2014 | 2015 | 2014 |
| Core portfolio | | | | | | |
| Residential mortgage | $477 | $ 593 | $(38) | $48 | $(33) | $4 |
| Home equity | 686 | 702 | 38 | 8 | 86 | 18 |
| Total Core portfolio | 1,163 | 1,295 | — | 56 | 53 | 22 |
| Legacy Assets & Servicing portfolio | | | | | | |
| Residential mortgage | 1,520 | 2,307 | 50 | (302) | (44) | (422) |
| Home equity | 2,058 | 2,333 | 58 | (38) | 71 | (25) |
| Total Legacy Assets & Servicing portfolio | 3,578 | 4,640 | 108 | (340) | 27 | (447) |
| Consumer real estate portfolio | | | | | | |
| Residential mortgage | 1,997 | 2,900 | 12 | (254) | (77) | (418) |
| Home equity | 2,744 | 3,035 | 96 | (30) | 157 | (7) |
| | $4,741 | $ 5,935 | $108 | $(284) | $80 | $(425) |

Total consumer real estate portfolio

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $1.8 billion and $1.9 billion and home equity loans of $208 million and $196 million at June 30, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 94 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude write-offs in the PCI loan portfolio. Write-offs in the PCI loan portfolio decrease the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

We believe that the presentation of information adjusted to exclude the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage and home equity portfolios, we provide information that excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 90.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 43 percent of consumer loans and leases at June 30, 2015. Approximately 65 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 27 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 $17.4 billion during the six months ended June 30, 2015 due to loan sales of $13.6 billion, including $10.2 billion of loans with standby insurance agreements, $1.8 billion of nonperforming and other delinquent loans, $1.5 billion of consolidated agency residential mortgage securitization vehicles, and runoff outpacing the retention of new originations. These declines were partially offset by repurchases of delinquent loans pursuant to our servicing agreements with GNMA, which are part of our mortgage banking activities.

At June 30, 2015 and December 31, 2014, the residential mortgage portfolio included $48.9 billion and $65.0 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 with FNMA and FHLMC. At June 30, 2015 and December 31, 2014, $40.7 billion and $47.8 billion had FHA insurance with the remainder protected by long-term standby agreements. At June 30, 2015 and December 31, 2014, $13.9 billion and $15.9 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

The long-term standby agreements with FNMA and FHLMC reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At June 30, 2015, these programs had the cumulative effect of reducing our risk-weighted assets by $2.5 billion, increasing both our Tier 1 capital ratio and Common equity tier 1 capital ratio by two bps under the Basel 3 Standardized – Transition. This compared to reducing our risk-weighted assets by $5.2 billion, increasing both our Tier 1 capital ratio and Tier 1 Common capital ratio by five bps at December 31, 2014 under Basel 3 Standardized – Transition.

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Table 39 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 90.

Table 39

Residential Mortgage – Key Credit Statistics

| | Reported Basis [1] | | Excluding Purchased Credit-impaired and Fully-insured Loans | |
|---|---|---|---|---|
| (Dollars in millions) | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 |
| Outstandings | $198,825 | $216,197 | $136,654 | $136,075 |
| Accruing past due 30 days or more | 13,555 | 16,485 | 1,684 | 1,868 |
| Accruing past due 90 days or more | 8,917 | 11,407 | — | — |
| Nonperforming loans | 5,985 | 6,889 | 5,985 | 6,889 |
| Percent of portfolio | | | | |
| Refreshed LTV greater than 90 but less than or equal to 100 | 9 % | 9 % | 5 % | 6 % |
| Refreshed LTV greater than 100 | 11 | 12 | 6 | 7 |
| Refreshed FICO below 620 | 15 | 16 | 7 | 8 |
| 2006 and 2007 vintages [2] | 18 | 19 | 20 | 22 |

| | Reported Basis | | | | Excluding Purchased Credit-impaired and Fully-insured Loans | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended June 30 | | Six Months Ended June 30 | | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Net charge-off ratio [3] | 0.35 % | (0.06 )% | 0.36 % | 0.08 % | 0.52 % | (0.10 )% | 0.55 % | 0.13 % |

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $1.8 billion and $1.9 billion of residential mortgage loans accounted for under the fair value option at June 30, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 94 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) These vintages of loans account for $2.2 billion, or 37 percent, and $2.8 billion, or 41 percent of nonperforming residential mortgage loans at June 30, 2015 and December 31, 2014. For the three and six months ended June 30, 2015, these vintages accounted for $71 million, or 40 percent, and $118 million, or 32 percent of total residential mortgage net charge-offs. For the three and six months ended June 30, 2014, these vintages contributed net recoveries of $78 million and $13 million to 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.

Nonperforming residential mortgage loans decreased $904 million during the six months ended June 30, 2015 including sales of $771 million, partially offset by a $248 million net increase related to the settlement with the DoJ for those loans that are no longer fully insured. Excluding these items, nonperforming residential mortgage loans decreased as outflows, including the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows. Of the nonperforming residential mortgage loans at June 30, 2015, $2.3 billion, or 38 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. In addition, $2.4 billion, or 41 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 $184 million during the six months ended June 30, 2015.

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Net charge-offs increased $212 million to $177 million for the three months ended June 30, 2015, or 0.52 percent of total average residential mortgage loans, compared to a net recovery of $35 million, or 0.10 percent, for the same period in 2014. Net charge-offs increased $282 million to $374 million for the six months ended June 30, 2015, or 0.55 percent of total average residential mortgage loans, compared to net charge-offs of $92 million, or 0.13 percent, for the same period in 2014. These increases in net charge-offs were primarily driven by $145 million and $330 million of charge-offs during the three and six months ended June 30, 2015 related to the consumer relief portion of the settlement with the DoJ. In addition, net charge-offs included lower recoveries related to nonperforming loan sales of $22 million and $62 million during the three and six months ended June 30, 2015 compared to $185 million for both of the same periods in 2014. Excluding these items, losses 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 five percent and six percent of the residential mortgage portfolio at June 30, 2015 and December 31, 2014. Loans with a refreshed LTV greater than 100 percent represented six percent and seven percent of the residential mortgage loan portfolio at June 30, 2015 and December 31, 2014. Of the loans with a refreshed LTV greater than 100 percent, 96 percent were performing at both June 30, 2015 and December 31, 2014. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, somewhat mitigated by subsequent appreciation. Loans to borrowers with refreshed FICO scores below 620 represented seven percent and eight percent of the residential mortgage portfolio at June 30, 2015 and December 31, 2014.

Of the $136.7 billion in total residential mortgage loans outstanding at June 30, 2015, as shown in Table 40, 40 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $12.3 billion, or 23 percent, at June 30, 2015. 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 June 30, 2015, $233 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 $1.7 billion, or one percent for the entire residential mortgage portfolio. In addition, at June 30, 2015, $857 million, or seven percent of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming, of which $457 million were contractually current, compared to $6.0 billion, or four percent for the entire residential mortgage portfolio, of which $2.3 billion were contractually current. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to ten years and more than 90 percent of these loans have yet to enter the amortization period and will not be required to make a fully-amortizing payment until 2016 or later.

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Table 40 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 13 percent of outstandings at both June 30, 2015 and December 31, 2014. For the three and six months ended June 30, 2015, loans within this MSA contributed net recoveries of $0 and $5 million within the residential mortgage portfolio. For the three and six months ended June 30, 2014, loans within this MSA contributed net recoveries of $17 million and $22 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 June 30, 2015 and December 31, 2014. For the three and six months ended June 30, 2015, loans within this MSA contributed net charge-offs of $34 million and $73 million within the residential mortgage portfolio. For the three and six months ended June 30, 2014, loans within this MSA contributed net charge-offs of $6 million and $29 million within the residential mortgage portfolio.

Table 40
Residential Mortgage State Concentrations

| | Outstandings [1] | | Nonperforming [1] | | Net Charge-offs [2] | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | Three Months Ended June 30 | | Six Months Ended June 30 | |
| (Dollars in millions) | | | | | 2015 | 2014 | 2015 | 2014 |
| California | $46,517 | $ 45,496 | $1,256 | $ 1,459 | $2 | $(86 ) | $(7 ) | $(94 ) |
| New York [3] | 12,260 | 11,826 | 476 | 477 | 22 | 4 | 35 | 17 |
| Florida [3] | 10,062 | 10,116 | 703 | 858 | 22 | (13 ) | 46 | (8 ) |
| Texas | 6,225 | 6,635 | 222 | 269 | 4 | 3 | 9 | 4 |
| Virginia | 4,257 | 4,402 | 203 | 244 | 7 | 4 | 14 | 10 |
| Other U.S./Non-U.S. | 57,333 | 57,600 | 3,125 | 3,582 | 120 | 53 | 277 | 163 |
| Residential mortgage loans [4] | $136,654 | $ 136,075 | $5,985 | $ 6,889 | $177 | $(35 ) | $374 | $92 |
| Fully-insured loan portfolio | 48,942 | 64,970 | | | | | | |
| Purchased credit-impaired residential mortgage loan portfolio | 13,229 | 15,152 | | | | | | |
| Total residential mortgage loan portfolio | $198,825 | $ 216,197 | | | | | | |

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option. There were $1.8 billion and $1.9 billion of residential mortgage loans accounted for under the fair value option at June 30, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 94 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $264 million and $452 million of write-offs in the residential mortgage PCI loan portfolio for the three and six months ended June 30, 2015 compared to $70 million and $351 million for the same periods in 2014. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For additional information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

(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.

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 $8.5 billion and $9.0 billion at June 30, 2015 and December 31, 2014, or six percent and seven percent of the residential mortgage portfolio. The CRA portfolio included $783 million and $986 million of nonperforming loans at June 30, 2015 and December 31, 2014, representing 13 percent and 14 percent of total nonperforming residential mortgage loans. The CRA portfolio reported net charge-offs of $37 million and net recoveries of $13 million for the three months ended June 30, 2015 and 2014, or 21 percent of total net charge-offs and 38 percent of total net recoveries for the residential mortgage portfolio. Net charge-offs in the CRA portfolio were $71 million and $21 million for the six months ended June 30, 2015 and 2014, or 19 percent and 23 percent of total net charge-offs for the residential mortgage portfolio.

Home Equity

At June 30, 2015, the home equity portfolio made up 17 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At June 30, 2015, our HELOC portfolio had an outstanding balance of $70.3 billion, or 87 percent of the total home equity portfolio compared to $74.2 billion, or 87 percent, at December 31, 2014. HELOCs generally have an initial draw period of 10 years. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

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At June 30, 2015, our home equity loan portfolio had an outstanding balance of $8.9 billion, or 11 percent of the total home equity portfolio compared to $9.8 billion, or 11 percent, at December 31, 2014. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the $8.9 billion at June 30, 2015, 54 percent have 25- to 30-year terms. At June 30, 2015, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of $1.8 billion, or two percent of the total home equity portfolio compared to $1.7 billion, or two percent, at December 31, 2014. We no longer originate reverse mortgages.

At June 30, 2015, approximately 55 percent of the home equity portfolio was included in Consumer Banking, 36 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 $4.7 billion during the six months ended June 30, 2015 primarily due to paydowns, charge-offs and sales outpacing new originations and draws on existing lines. Of the total home equity portfolio at both June 30, 2015 and December 31, 2014, $20.6 billion, or 25 percent and 24 percent, were in first-lien positions (27 percent and 26 percent excluding the PCI home equity portfolio). At June 30, 2015, 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 $14.1 billion, or 19 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $52.1 billion at June 30, 2015 compared to $53.7 billion at December 31, 2014. 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 57 percent at June 30, 2015 compared to 58 percent at December 31, 2014.

Table 41 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 90.

Table 41
Home Equity – Key Credit Statistics

| | Reported Basis [1] | | Excluding Purchased Credit-impaired Loans | |
|---|---|---|---|---|
| (Dollars in millions) | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 |
| Outstandings | $81,006 | $85,725 | $75,893 | $80,108 |
| Accruing past due 30 days or more [2] | 556 | 640 | 556 | 640 |
| Nonperforming loans [2] | 3,563 | 3,901 | 3,563 | 3,901 |
| Percent of portfolio | | | | |
| Refreshed CLTV greater than 90 but less than or equal to 100 | 7 % | 8 % | 7 % | 7 % |
| Refreshed CLTV greater than 100 | 16 | 16 | 14 | 14 |
| Refreshed FICO below 620 | 7 | 8 | 7 | 7 |
| 2006 and 2007 vintages [3] | 45 | 46 | 42 | 43 |

Reported Basis    Excluding Purchased Credit-impaired Loans

| | Three Months Ended June 30 | | Six Months Ended June 30 | | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Net charge-off ratio [4] | 0.73 % | 1.06 % | 0.78 % | 1.19 % | 0.78 % | 1.14 % | 0.83 % | 1.28 % |

(1) Outstandings, accruing past due, nonperforming loans and percentages of the portfolio exclude loans accounted for under the fair value option. There were $208 million and $196 million of home equity loans accounted for under the fair value option at June 30, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 94 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Accruing past due 30 days or more includes $77 million and $98 million and nonperforming loans include $470 million and $505 million of loans where we serviced the underlying first-lien at June 30, 2015 and December 31, 2014.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 46 percent and 47 percent of nonperforming home equity loans at June 30, 2015 and December 31, 2014, and 57 percent and 58 percent of net charge-offs for the three and six months ended June 30, 2015 and 56 percent and 57 percent for the three and six months ended June 30, 2014.

(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.

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Nonperforming outstanding balances in the home equity portfolio decreased $338 million during the six months ended June 30, 2015 as outflows, including sales of $142 million and the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows. Of the nonperforming home equity portfolio at June 30, 2015, $1.6 billion, or 45 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. In addition, $1.3 billion, or 37 percent of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Outstanding balances accruing past due 30 days or more decreased $84 million during the six months ended June 30, 2015.

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 June 30, 2015, we estimate that $1.4 billion of current and $174 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 $257 million of these combined amounts, with the remaining $1.3 billion serviced by third parties. Of the $1.6 billion of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately $599 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $88 million to $151 million for the three months ended June 30, 2015, or 0.78 percent of the total average home equity portfolio, compared to $239 million, or 1.14 percent for the same period in 2014. Net charge-offs decreased $218 million to $323 million for the six months ended June 30, 2015, or 0.83 percent of the total average home equity portfolio, compared to $541 million, or 1.28 percent for the same period in 2014. These decreases in net charge-offs for the three- and six-month periods were primarily driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy, partially offset by $21 million and $66 million of charge-offs related to the consumer relief portion of the settlement with the DoJ. The net charge-off ratios were also impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

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 seven percent of the home equity portfolio at both June 30, 2015 and December 31, 2014. Outstanding balances with a refreshed CLTV greater than 100 percent comprised 14 percent of the home equity portfolio at both June 30, 2015 and December 31, 2014. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 97 percent of the customers were current on their home equity loan and 93 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 June 30, 2015. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented seven percent of the home equity portfolio at both June 30, 2015 and December 31, 2014.

Of the $75.9 billion in total home equity portfolio outstandings at June 30, 2015, as shown in Table 42, 72 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered

the amortization period was $7.5 billion, or 11 percent of total HELOCs at June 30, 2015. 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 June 30, 2015, $160 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $506 million, or one percent for the entire HELOC portfolio. In addition, at June 30, 2015, $1.1 billion, or 14 percent of outstanding HELOCs that had entered the amortization period were nonperforming, of which $470 million were contractually current, compared to $3.3 billion, or five percent for the entire HELOC portfolio, of which $1.4 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 75 percent of these loans have yet to enter the amortization period and will not be required to make a fully-amortizing payment until 2016 or later. 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.

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Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended June 30, 2015, approximately 52 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

Table 42 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 12 percent of the outstanding home equity portfolio at both June 30, 2015 and December 31, 2014. For both the three and six months ended June 30, 2015, loans within this MSA contributed 12 percent of net charge-offs. For the three and six months ended June 30, 2014, loans within this MSA contributed 12 percent and 13 percent of net charge-offs. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both June 30, 2015 and December 31, 2014. For the three and six months ended June 30, 2015, loans within this MSA contributed three percent and four percent of net charge-offs. For the three and six months ended June 30, 2014, loans within this MSA contributed four percent and six percent of net charge-offs.

Table 42
Home Equity State Concentrations

| | Outstandings [1] | | Nonperforming [1] | | Net Charge-offs [2] | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | Three Months Ended June 30 | | Six Months Ended June 30 | |
| (Dollars in millions) | | | | | 2015 | 2014 | 2015 | 2014 |
| California | $21,886 | $ 23,250 | $968 | $ 1,012 | $13 | $34 | $37 | $92 |
| Florida [3] | 9,042 | 9,633 | 537 | 574 | 32 | 37 | 62 | 84 |
| New Jersey [3] | 5,744 | 5,883 | 260 | 299 | 12 | 15 | 25 | 37 |
| New York [3] | 5,495 | 5,671 | 355 | 387 | 13 | 22 | 25 | 49 |
| Massachusetts | 3,543 | 3,655 | 127 | 148 | 4 | 6 | 9 | 14 |
| Other U.S./Non-U.S. | 30,183 | 32,016 | 1,316 | 1,481 | 77 | 125 | 165 | 265 |
| Home equity loans [4] | $75,893 | $ 80,108 | $3,563 | $ 3,901 | $151 | $239 | $323 | $541 |
| Purchased credit-impaired home equity portfolio | 5,113 | 5,617 | | | | | | |
| Total home equity loan portfolio | $81,006 | $ 85,725 | | | | | | |

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $208 million and $196 million of home equity loans accounted for under the fair value option at June 30, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 94 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $26 million and $126 million of write-offs in the home equity PCI loan portfolio for the three and six months ended June 30, 2015 compared to $90 million and $200 million for the same periods in 2014. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 90.

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

(4) Amount excludes the PCI home equity portfolio.

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Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser's initial investment in loans if those differences are attributable, at least in part, to credit quality.

Table 43 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the PCI loan portfolio.

Table 43
Purchased Credit-impaired Loan Portfolio

| (Dollars in millions) | Unpaid Principal Balance | Carrying Value | Related Valuation Allowance | Carrying Value Net of Valuation Allowance | Percent of Unpaid Principal Balance | |
|---|---|---|---|---|---|---|
| | June 30, 2015 | | | | | |
| Residential mortgage | $13,577 | $13,229 | $513 | $12,716 | 93.66 | % |
| Home equity | 5,160 | 5,113 | 589 | 4,524 | 87.67 | |
| Total purchased credit-impaired loan portfolio | $18,737 | $18,342 | $1,102 | $17,240 | 92.01 | |
| | December 31, 2014 | | | | | |
| Residential mortgage | $15,726 | $15,152 | $880 | $14,272 | 90.75 | % |
| Home equity | 5,605 | 5,617 | 772 | 4,845 | 86.44 | |
| Total purchased credit-impaired loan portfolio | $21,331 | $20,769 | $1,652 | $19,117 | 89.62 | |

The total PCI unpaid principal balance decreased $2.6 billion, or 12 percent, during the six months ended June 30, 2015 primarily driven by sales, paydowns, payoffs and write-offs. During the six months ended June 30, 2015, we sold PCI loans with a carrying value of $987 million compared to sales of $552 million for the same period in 2014.

Of the unpaid principal balance of $18.7 billion at June 30, 2015, $15.9 billion, or 85 percent, was current based on the contractual terms, $1.3 billion, or seven percent, was in early stage delinquency, and $1.1 billion was 180 days or more past due, including $1.0 billion of first-lien mortgages and $93 million of home equity loans.

During the three months ended June 30, 2015, we recorded provision expense of $78 million for the PCI loan portfolio which included an expense of $98 million for residential mortgage and a benefit of $20 million for home equity. During the six months ended June 30, 2015, we recorded provision expense of $28 million for the PCI loan portfolio which included an expense of $85 million for residential mortgage and a benefit of $57 million for home equity. This compared to a provision benefit of $106 million for both the three and six months ended June 30, 2014. The provision expense for the six months ended June 30, 2015 was primarily driven by lower expected cash flows from future modifications.

The PCI valuation allowance declined $550 million during the six months ended June 30, 2015 due to write-offs in the PCI loan portfolio of $452 million in residential mortgage and $126 million in home equity, partially offset by provision expense of $28 million.

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Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 72 percent of the total PCI loan portfolio at June 30, 2015. Those loans to borrowers with a refreshed FICO score below 620 represented 35 percent of the PCI residential mortgage loan portfolio at June 30, 2015. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 33 percent of the PCI residential mortgage loan portfolio and 40 percent based on the unpaid principal balance at June 30, 2015. Table 44 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 44
Outstanding Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| California | $6,169 | $ 6,885 |
| Florida [(1)] | 1,039 | 1,289 |
| Virginia | 575 | 640 |
| Maryland | 501 | 602 |
| Texas | 270 | 318 |
| Other U.S./Non-U.S. | 4,675 | 5,418 |
| Total | $13,229 | $ 15,152 |

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

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

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

At June 30, 2015, the unpaid principal balance of pay option loans, which include pay option ARMs and payment advantage ARMs, was $2.7 billion, with a carrying value of $2.6 billion, including $2.2 billion of loans that were credit-impaired upon acquisition and, accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $666 million, including $39 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, one percent at both June 30, 2015 and December 31, 2014 elected to make only the minimum payment on pay option loans. We believe the majority of borrowers are now making scheduled payments primarily because the low rate

environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the PCI pay option loan portfolio and have taken into consideration in the evaluation several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at June 30, 2015 that have not already experienced a payment reset, two percent are expected to reset in 2015, 47 percent are expected to reset in 2016 and 20 percent are expected to reset thereafter. In addition, six percent are expected to prepay and approximately 25 percent are expected to default prior to being reset, most of which were severely delinquent as of June 30, 2015. We no longer originate pay option loans.

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Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 28 percent of the total PCI loan portfolio at June 30, 2015. Those loans with a refreshed FICO score below 620 represented 15 percent of the PCI home equity portfolio at June 30, 2015. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 63 percent of the PCI home equity portfolio and 67 percent based on the unpaid principal balance at June 30, 2015. Table 45 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 45
Outstanding Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| California | $1,502 | $ 1,646 |
| Florida [1] | 286 | 313 |
| Virginia | 243 | 265 |
| Arizona | 174 | 188 |
| Colorado | 127 | 151 |
| Other U.S./Non-U.S. | 2,781 | 3,054 |
| Total | $5,113 | $ 5,617 |

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

U.S. Credit Card

At June 30, 2015, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder managed in GWIM. Outstandings in the U.S. credit card portfolio decreased $3.5 billion during the six months ended June 30, 2015 due to a seasonal decline in retail transaction volume. Net charge-offs decreased $99 million to $584 million and $196 million to $1.2 billion during the three and six months ended June 30, 2015 compared to the same periods in 2014 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $215 million while loans 90 days or more past due and still accruing interest decreased $124 million during the six months ended June 30, 2015 as a result of the factors mentioned above that contributed to lower net charge-offs.

Table 46 presents certain key credit statistics for the U.S. credit card portfolio.

Table 46
U.S. Credit Card – Key Credit Statistics

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| Outstandings | $88,403 | $91,879 |
| Accruing past due 30 days or more | 1,486 | 1,701 |
| Accruing past due 90 days or more | 742 | 866 |

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net charge-offs | $584 | $683 | $1,205 | $1,401 |
| Net charge-off ratios [1] | 2.68 % | 3.11 % | 2.76 % | 3.18 % |

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

Unused lines of credit for U.S. credit card totaled $317.9 billion and $305.9 billion at June 30, 2015 and December 31, 2014. The $12.0 billion increase was driven by account growth, lines of credit increases and a seasonal decrease in line utilization due to lower transaction volumes.

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Table 47 presents certain state concentrations for the U.S. credit card portfolio.

Table 47
U.S. Credit Card State Concentrations

| | Outstandings | | Accruing Past Due 90 Days or More | | Net Charge-offs | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | Three Months Ended June 30 | | Six Months Ended June 30 | |
| (Dollars in millions) | | | | | 2015 | 2014 | 2015 | 2014 |
| California | $13,230 | $ 13,682 | $112 | $ 127 | $89 | $107 | $183 | $221 |
| Florida | 7,278 | 7,530 | 74 | 89 | 61 | 72 | 128 | 148 |
| Texas | 6,430 | 6,586 | 52 | 58 | 39 | 45 | 80 | 94 |
| New York | 5,450 | 5,655 | 54 | 59 | 41 | 44 | 83 | 90 |
| Washington | 3,818 | 3,908 | 18 | 22 | 16 | 18 | 31 | 38 |
| Other U.S. | 52,197 | 54,518 | 432 | 511 | 338 | 397 | 700 | 810 |
| Total U.S. credit card portfolio | $88,403 | $ 91,879 | $742 | $ 866 | $584 | $683 | $1,205 | $1,401 |

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased $189 million during the six months ended June 30, 2015 due to a seasonal decline in retail transaction volume, partially offset by strengthening of the British Pound against the U.S. Dollar. For the three months ended June 30, 2015, net charge-offs increased $4 million to $51 million compared to the same period in 2014 due to decreased recoveries from the sale of previously charged-off loans, partially offset by improvement in delinquencies as a result of higher credit quality originations and an improved economic environment. For the six months ended June 30, 2015, net charge-offs decreased $28 million to $95 million compared to the same period in 2014 due to improvement in delinquencies as a result of higher credit quality originations and an improved economic environment.

Unused lines of credit for non-U.S. credit card totaled $28.9 billion and $28.2 billion at June 30, 2015 and December 31, 2014. The $747 million increase was driven by account growth, lines of credit increases and strengthening of the British Pound against the U.S. Dollar.

Table 48 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 48
Non-U.S. Credit Card – Key Credit Statistics

| (Dollars in millions) | June 30 2015 | December 31 2014 |
|---|---|---|
| Outstandings | $10,276 | $10,465 |
| Accruing past due 30 days or more | 164 | 183 |
| Accruing past due 90 days or more | 86 | 95 |

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net charge-offs | $51 | $47 | $95 | $123 |
| Net charge-off ratios [1] | 2.03 % | 1.59 % | 1.91 % | 2.12 % |

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

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Direct/Indirect Consumer

At June 30, 2015, approximately 51 percent of the direct/indirect portfolio was included in GWIM (principally securities-based lending loans), 48 percent was included in Consumer Banking (consumer auto and specialty lending – automotive, marine, aircraft, recreational vehicle loans, and consumer personal loans) and the remainder was primarily student loans in All Other.

Outstandings in the direct/indirect portfolio increased $4.4 billion during the six months ended June 30, 2015 as growth in the securities-based lending portfolio and a bulk auto loan purchase were partially offset by lower outstandings in the unsecured consumer lending portfolio.

For the three and six months ended June 30, 2015, net charge-offs decreased $9 million to $24 million and $33 million to $58 million, or 0.11 percent and 0.14 percent of total average direct/indirect loans, compared to 0.16 percent and 0.22 percent for the same periods in 2014. These decreases in net charge-offs were primarily driven by improvements in delinquencies and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings in this portfolio.

Direct/indirect loans that were past due 90 days or more and still accruing interest declined $26 million to $38 million during the six months ended June 30, 2015 due to decreases in the unsecured consumer lending, and consumer auto and specialty lending portfolios.

Table 49 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 49
Direct/Indirect State Concentrations

| | Outstandings | | Accruing Past Due 90 Days or More | | Net Charge-offs | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | June 30 2015 | December 31 2014 | June 30 2015 | December 31 2014 | | | | |
| (Dollars in millions) | | | | | 2015 | 2014 | 2015 | 2014 |
| California | $10,575 | $ 9,770 | $3 | $ 5 | $1 | $3 | $4 | $8 |
| Florida | 8,431 | 7,930 | 5 | 5 | 4 | 3 | 8 | 11 |
| Texas | 8,179 | 7,741 | 3 | 5 | 4 | 4 | 8 | 10 |
| New York | 4,717 | 4,458 | 1 | 2 | — | 1 | 1 | 5 |
| New Jersey | 2,739 | 2,625 | 1 | 2 | — | (1) | 1 | 3 |
| Other U.S./Non-U.S. | 50,113 | 47,857 | 25 | 45 | 15 | 23 | 36 | 54 |
| Total direct/indirect loan portfolio | $84,754 | $ 80,381 | $38 | $ 64 | $24 | $33 | $58 | $91 |

Other Consumer

At June 30, 2015, approximately 58 percent of the $2.0 billion other consumer portfolio was consumer auto leases included in Consumer Banking. The remainder is primarily associated with certain consumer finance businesses that we previously exited.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option totaled $2.0 billion at June 30, 2015 and were comprised of residential mortgage loans that were previously classified as held-for-sale, residential mortgage loans held in consolidated variable interest entities (VIEs) and repurchased home equity loans. The loans that were previously classified as held-for-sale were transferred to the residential mortgage portfolio in connection with the decision to retain the loans. The fair value option had been elected at the time of origination and the loans continue to be measured at fair value after the reclassification. During the six months ended June 30, 2015, we recorded net gains of $8 million resulting from changes in the fair value of these loans, including gains of $11 million on loans held in consolidated VIEs that were offset by losses recorded on related long-term debt.

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Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 50 presents nonperforming consumer loans, leases and foreclosed properties activity for the three and six months ended June 30, 2015 and 2014. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. 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. The charge-offs on these loans have no impact on nonperforming activity and, accordingly, are excluded from this table. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the PCI loan portfolio or loans accounted for under the fair value option. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K. During the six months ended June 30, 2015, nonperforming consumer loans declined $1.2 billion to $9.6 billion and included the impact of sales of $913 million, partially offset by a net increase of $182 million related to the impact of the consumer relief portion of the settlement with the DoJ for those loans that are no longer fully insured. Excluding these, nonperforming loans declined as outflows, including the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At June 30, 2015, $4.3 billion, or 43 percent of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less costs to sell, including $3.8 billion of nonperforming loans 180 days or more past due and $553 million of foreclosed properties. In addition, at June 30, 2015, $3.9 billion, or 41 percent of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties decreased $77 million during the six months ended June 30, 2015 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties increased $26 million during the six months ended June 30, 2015. Not included in foreclosed properties at June 30, 2015 was $1.3 billion of real estate that was acquired upon foreclosure of certain delinquent government-guaranteed loans (principally FHA-insured loans). We exclude these amounts from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the guarantor for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For more information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 56.

Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 50.

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Table 50
Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity [1]

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Nonperforming loans and leases, beginning of period | $10,209 | $15,844 | $10,819 | $15,840 |
| Additions to nonperforming loans and leases: | | | | |
| New nonperforming loans and leases | 1,424 | 1,825 | 2,893 | 3,852 |
| Reductions to nonperforming loans and leases: | | | | |
| Paydowns and payoffs | (289) | (325) | (542) | (793) |
| Sales | (542) | (1,825) | (913) | (1,825) |
| Returns to performing status [2] | (631) | (939) | (1,498) | (1,739) |
| Charge-offs | (484) | (640) | (944) | (1,223) |
| Transfers to foreclosed properties [3] | (112) | (157) | (240) | (329) |
| Transfers to loans held-for-sale | — | | | |