

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)

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 No

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

Yes No

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer (do not check if a smaller reporting company) <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

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

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		
	2015	2014	2015	2014	
(Dollars in millions, except per share information)					
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 ⁽¹⁾	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	
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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Summary Income Statement

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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	December 31
			2015	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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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		Six Months Ended June 30		
	2015	2014	2015	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		Six Months Ended June 30	
	2015	2014	2015	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		
	2015	2014	2015	2014	
(Dollars in millions)					
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.

Table of ContentsTable 8
Selected Quarterly Financial Data

(In millions, except per share information)	2015 Quarters		2014 Quarters			
	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	

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.

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

⁽³⁾ 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. 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 –
- (6) 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. 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.
- (8)

n/m = not meaningful

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Table 8

Selected Quarterly Financial Data (continued)

(Dollars in millions)	2015 Quarters		2014 Quarters			
	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

(In millions, except per share information)	Six Months Ended June 30	
	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

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

(1) 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.

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 –

(4) 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)

(Dollars in millions)	Six Months Ended June 30		
	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

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(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)

(Dollars in millions)	2015 Quarters		2014 Quarters		
	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					

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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		Six Months Ended June	
	June 30 2015	2014	30 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)

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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.

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

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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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

(Dollars in millions)	Second Quarter 2015			First Quarter 2015		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$ 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		

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

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

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⁽⁶⁾ 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)

(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
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

(Dollars in millions)	Six Months Ended June 30 2015			2014		
	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		

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

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

Includes consumer finance loans of \$647 million and \$1.1 billion, consumer leases of \$1.1 billion and \$709

(4) 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)

(Dollars in millions)	Six Months Ended June 30					
	2015			2014		
	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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Business Segment Results

(Dollars in millions)	Three Months Ended June 30							
	Total Revenue ⁽¹⁾		Provision for Credit Losses		Noninterest Expense		Net Income (Loss)	
	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

Total revenue is net of interest expense and is on an FTE basis which for consolidated revenue is a non-GAAP

⁽¹⁾ 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

Average	Three Months Ended June 30						
	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

Average	Six Months Ended June 30						
	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	December 31	June 30	December 31	June 30	December 31	% Change
	2015	2014	2015	2014	2015	2014	
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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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

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

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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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	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

Average	Three Months Ended June 30			Six Months Ended June 30		
	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
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(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.

Financial advisor productivity is defined as annualized Merrill Lynch Global Wealth Management total revenue⁽⁴⁾ 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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	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

Average	Three Months Ended June 30			Six Months Ended June 30		
	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.

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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

(Dollars in millions)	Three Months Ended June 30							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
	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

(Dollars in millions)	Three Months Ended June 30				Six Months Ended June 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
	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

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	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

Average	Three Months Ended June 30			Six Months Ended June 30		
	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

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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)

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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

Includes FTE adjustments of \$48 million and \$95 million for the three and six months ended June 30, 2015

⁽¹⁾ 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.

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

⁽³⁾ 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

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	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

Average	Three Months Ended June 30			Six Months Ended June 30		
	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.

Table of ContentsLegacy 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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	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 MSR, 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			Six Months Ended June 30		
	2015	2014	% Change	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			Six Months Ended June 30		
	2015	2014	% Change	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

In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' ⁽¹⁾ equity. Such allocated assets were \$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

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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.

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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

(Dollars in billions)	Principal Balance		Defaulted or Severely Delinquent						
	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	716	144	32	153	185	24	44	44	73
Countrywide									
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% 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	20%	40%	60%	80%	100%
Percent of total amount used to adjust Common equity tier 1 capital includes (1): Net unrealized gains (losses) on AFS debt and certain marketable equity securities recorded in accumulated OCI; employee benefit plan adjustments recorded in accumulated OCI	80%	60%	40%	20%	0%
Tier 1 capital					
Percent of total amount deducted from Tier 1 capital includes: 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	80%	60%	40%	20%	0%

(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⁾⁽²⁾	Well-capitalized		Regulatory Minimum ⁽¹⁾⁽²⁾	Well-capitalized	
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.

To be "well capitalized" under current U.S. banking regulatory agency definitions, a bank holding company must

(2) 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

(Dollars in millions)	June 30, 2015		December 31, 2014	
	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)

(Dollars in millions)	June 30, 2015		December 31, 2014	
	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

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.

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.

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)