

BANK OF AMERICA CORP /DE/
Form 10-Q
April 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 March 31, 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 April 28, 2015, there were 10,502,100,218 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
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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" 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 and the chance 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 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, including an estimated 100 bps negative impact to our Common equity tier 1 ratio; 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 the U.K tax law change limiting how much net operating losses can offset annual profit; 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.

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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. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At March 31, 2015, the Corporation had approximately \$2.1 trillion in assets and approximately 220,000 full-time equivalent employees.

In the Annual Report on Form 10-K for the year ended December 31, 2014, we reported our results of operations through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. Effective January 1, 2015, to align the segments with how we manage the businesses in 2015, we changed our basis of presentation, and following such change, we report our results of operations through the following five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), with the remaining operations recorded in All Other. The Home Loans business, which was included in the former CRES segment, is now included in Consumer Banking, and LAS (also in the former CRES segment) has become a separate segment. A portion of the Business Banking business, based on the size of the client, was moved from the former CBB segment to Global Banking, and the former CBB segment was renamed Consumer Banking. Also, our merchant services joint venture moved from the former CBB segment to All Other. In addition, certain management accounting methodologies, including the treatment of intersegment assets and liabilities, and related allocations were refined. Prior periods have been reclassified to conform to the current period presentation.

As of March 31, 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, 15,900 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 industry leading 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.

First-Quarter 2015 Economic and Business Environment

In the U.S., economic growth slowed in the first quarter of 2015, restrained by severe winter weather and other temporary factors, including the capital-spending impact of large oil price declines. Retail spending was weak, following an acceleration during the second half of 2014. In addition to reduced energy-industry investment, U.S. Dollar strength was a contributor to export weakness in the first quarter.

In contrast, various measures showed continued gradual labor market improvement, though payroll gains weakened in March and wage gains remained historically low. The unemployment rate also continued to fall during the quarter, ending at 5.5 percent. The sharp decline in energy prices pushed inflation to just above zero during the quarter, while core inflation (excluding food and energy) also remained well below the Board of Governors of the Federal Reserve

System's (Federal Reserve) longer-term annual target of two percent.

In March 2015, the Federal Reserve continued to indicate that it would likely be appropriate to raise the target range for the federal funds rate, but emphasized the need for further improvement in the labor market and reasonable confidence that inflation would move back to its two percent objective over the medium term.

Internationally, despite anxiety over Greece, European prospects improved during the quarter, supported by lower energy prices and the European Central Bank's announcement of open-ended quantitative easing. Japanese growth during the first quarter of 2015 remained modest. With Chinese economic growth continuing to moderate, China's monetary authorities and central banks throughout developing Asia continue to display a preference towards easing. The large decline in energy prices, along with international sanctions, continued to pressure the declining Russian economy.

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Recent Events

BNY Mellon Settlement

On March 5, 2015, the New York Appellate Division, First Department issued an order unanimously approving the Bank of New York Mellon (BNY Mellon) Settlement in all respects, reversing the portion of the New York Supreme Court's decision not to approve the Trustee's conduct with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its term. The deadline for further appeal has passed. The BNY Mellon Settlement remains subject to certain conditions, including that an Internal Revenue Service (IRS) private letter ruling be obtained confirming that the settlement will not impact the real estate mortgage investment conduit (REMIC) tax status of the trusts. 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 Mortgage-related Settlements – Servicing Matters on page 45, and for more information on the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Capital Management

On March 11, 2015, we announced that the Federal Reserve completed its 2015 Comprehensive Capital Analysis and Review (CCAR) and 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 capital plan by September 30, 2015 and address certain weaknesses identified in the capital planning process. 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. 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. Pending the resubmission and Federal Reserve review, we are permitted, and intend to proceed with our stock repurchase program and to maintain our common stock dividend at the current rate. For additional information, see Capital Management on page 46.

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Selected Financial Data

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

Table 1
Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended			
	March 31			
	2015	2014		
Income statement				
Revenue, net of interest expense (FTE basis) ⁽¹⁾	\$21,421	\$22,767		
Net income (loss)	3,357	(276))	
Diluted earnings (loss) per common share ⁽²⁾	0.27	(0.05))	
Dividends paid per common share	0.05	0.01		
Performance ratios				
Return on average assets	0.64	%	n/m	
Return on average tangible common shareholders' equity ⁽¹⁾	7.88		n/m	
Efficiency ratio (FTE basis) ⁽¹⁾	73.27	97.68	%	
Asset quality				
Allowance for loan and lease losses at period end	\$13,676	\$16,618		
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end ⁽³⁾	1.57	%	1.84	%
Nonperforming loans, leases and foreclosed properties at period end ⁽³⁾	\$12,101	\$17,732		
Net charge-offs ⁽⁴⁾	1,194	1,388		
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(3, 4)	0.56	%	0.62	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio ⁽³⁾	0.57		0.64	
Annualized net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding ⁽³⁾	0.70		0.79	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽⁴⁾	2.82		2.95	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the purchased credit-impaired loan portfolio	2.55		2.58	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and purchased credit-impaired write-offs	2.28		2.30	
			March 31	December 31
			2015	2014
Balance sheet				
Total loans and leases	\$877,956	\$881,391		
Total assets	2,143,545	2,104,534		
Total deposits	1,153,168	1,118,936		
Total common shareholders' equity	227,915	224,162		
Total shareholders' equity	250,188	243,471		
Capital ratios under Basel 3 Standardized – Transition				
Common equity tier 1 capital	11.1	%	12.3	%
Tier 1 capital	12.3		13.4	
Total capital	15.3		16.5	

Tier 1 leverage	8.4	8.2
(1) Fully taxable-equivalent basis (FTE), return on average tangible common shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 14.		
(2) The diluted earnings (loss) per common share excludes the effect of any equity instruments that are antidilutive to earnings per share. There were no potential common shares that were dilutive in the first quarter of 2014 because of the net loss applicable to common shareholders.		
(3) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 82 and corresponding Table 43, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 52.		
(4) Net charge-offs exclude \$288 million of write-offs in the purchased credit-impaired loan portfolio for the three months ended March 31, 2015 compared to \$391 million for the same period 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 77.		

n/m = not meaningful

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Financial Highlights

Net income was \$3.4 billion, or \$0.27 per diluted share for the three months ended March 31, 2015 compared to a net loss of \$276 million, or a loss of \$0.05 per share for the same period in 2014. The results for the three months ended March 31, 2015 compared to the prior-year period were primarily driven by a \$5.6 billion decrease in litigation expense, as well as decreases in certain other noninterest expense categories, and lower provision for credit losses, partially offset by lower net interest income and noninterest income.

Total assets increased \$39.0 billion from December 31, 2014 to \$2.1 trillion at March 31, 2015 primarily related to increased cash and cash equivalents resulting from strong domestic customer deposit inflows driven by seasonality. For additional information on the increase in total assets, see Executive Summary – Balance Sheet Overview on page 10. During the quarter, we maintained our strong capital position with Common equity tier 1 capital of \$147.2 billion at March 31, 2015 compared to \$141.2 billion at December 31, 2014 with estimated Common equity tier 1 capital ratios of 10.3 percent compared to 10.0 percent as measured under Basel 3 Standardized approach, on a fully phased-in basis. Our supplementary leverage ratio was 6.3 percent and 5.9 percent at March 31, 2015 and December 31, 2014, both above the 5.0 percent required minimum. Our Global Excess Liquidity Sources were \$478 billion with time-to-required funding at 37 months at March 31, 2015 compared to \$439 billion and 39 months at December 31, 2014. For additional information, see Capital Management on page 46 and Liquidity Risk on page 56.

Table 2
Summary Income Statement

(Dollars in millions)	Three Months Ended	
	March 31	
	2015	2014
Net interest income (FTE basis) ⁽¹⁾	\$9,670	\$10,286
Noninterest income	11,751	12,481
Total revenue, net of interest expense (FTE basis) ⁽¹⁾	21,421	22,767
Provision for credit losses	765	1,009
Noninterest expense	15,695	22,238
Income (loss) before income taxes (FTE basis) ⁽¹⁾	4,961	(480)
Income tax expense (benefit) (FTE basis) ⁽¹⁾	1,604	(204)
Net income (loss)	3,357	(276)
Preferred stock dividends	382	238
Net income (loss) applicable to common shareholders	\$2,975	\$(514)
Per common share information		
Earnings (loss)	\$0.28	\$(0.05)
Diluted earnings (loss)	0.27	(0.05)

⁽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 14.

Net Interest Income

Net interest income on a fully taxable-equivalent (FTE) basis decreased \$616 million to \$9.7 billion, and the net interest yield on an FTE basis decreased 12 basis points (bps) to 2.17 percent for the three months ended March 31, 2015 compared to the same period in 2014. These declines were driven by negative market-related adjustments, lower loan yields and consumer loan balances, and lower net interest income from the asset and liability management (ALM) portfolio. Market-related adjustments on debt securities resulted in an expense of \$484 million for the three months ended March 31, 2015 compared to an expense of \$273 million for the same period in 2014. Partially

offsetting these declines were reductions in funding yields, lower long-term debt balances and commercial loan growth. Market-related adjustments include acceleration of premium amortization (or discount accretion) on debt securities as the decline in long-term interest rates shortened the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K.

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Noninterest Income
Table 3
Noninterest Income

(Dollars in millions)	Three Months Ended March 31	
	2015	2014
Card income	\$1,394	\$1,393
Service charges	1,764	1,826
Investment and brokerage services	3,378	3,269
Investment banking income	1,487	1,542
Equity investment income	27	784
Trading account profits	2,247	2,467
Mortgage banking income	694	412
Gains on sales of debt securities	268	377
Other income	492	411
Total noninterest income	\$11,751	\$12,481

Noninterest income decreased \$730 million to \$11.8 billion for the three months ended March 31, 2015 compared to the same period in 2014. The following highlights the significant changes.

Investment and brokerage services income increased \$109 million primarily from increased asset management fees driven by the impact of long-term assets under management (AUM) inflows and higher market levels.

Equity investment income decreased \$757 million primarily driven by the gain on the sale of a portion of an equity investment in the first quarter of 2014.

Trading account profits decreased \$220 million. Excluding net debit valuation adjustments (DVA), trading account profits decreased \$259 million due to lower trading volumes driven by client flows primarily in our mortgage and credit-related businesses.

Mortgage banking income increased \$282 million primarily driven by improved mortgage servicing rights (MSR) net-of-hedge performance, an increase in core production revenue and lower representations and warranties provision, partially offset by a decline in servicing fees.

Other income increased \$81 million due to gains associated with the sales of residential mortgage loans, partially offset by a decrease in net DVA gains on structured liabilities.

Provision for Credit Losses

The provision for credit losses decreased \$244 million to \$765 million for the three months ended March 31, 2015 compared to the same period in 2014. The provision for credit losses was \$429 million lower than net charge-offs, resulting in a reduction in the allowance for credit losses. The decrease in provision for credit losses from the prior-year period was due to improvement in the credit card portfolios primarily driven by lower unemployment levels, as well as lower provision in the commercial portfolio, primarily in U.S. commercial. We expect reserve releases to be lower than the first quarter for the remaining quarters of 2015.

Net charge-offs totaled \$1.2 billion, or 0.56 percent of average loans and leases for the three months ended March 31, 2015 compared to \$1.4 billion, or 0.62 percent, for the same period in 2014. The decrease in net charge-offs was due to credit quality improvement across most major portfolios. For more information on the provision for credit losses,

see Provision for Credit Losses on page 98.

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Noninterest Expense

Table 4

Noninterest Expense

(Dollars in millions)	Three Months Ended March 31	
	2015	2014
Personnel	\$9,614	\$9,749
Occupancy	1,027	1,115
Equipment	512	546
Marketing	440	442
Professional fees	421	558
Amortization of intangibles	213	239
Data processing	852	833
Telecommunications	171	370
Other general operating	2,445	8,386
Total noninterest expense	\$15,695	\$22,238

Noninterest expense decreased \$6.5 billion to \$15.7 billion for the three months ended March 31, 2015 compared to the same period in 2014, primarily driven by declines in litigation expense as well as in certain other noninterest expense categories. Litigation expense, which is included in other general operating expense, decreased \$5.6 billion to \$370 million as the first quarter of 2014 included costs associated with the settlement with the Federal Housing Finance Agency and the establishment of additional reserves primarily for legacy mortgage-related matters.

Telecommunications expense decreased \$199 million due to efficiencies gained as we have simplified our operating model, including in-sourcing certain functions. Professional fees decreased \$137 million primarily due to lower default-related servicing expenses and legal fees. Personnel expense decreased \$135 million as we have continued to streamline processes and achieve cost savings. Personnel expense included approximately \$1.0 billion of annual retirement-eligible incentive costs in both periods.

Income Tax Expense

Table 5

Income Tax Expense (Benefit)

(Dollars in millions)	Three Months Ended March 31	
	2015	2014
Income (loss) before income taxes	\$4,742	\$(681)
Income tax expense (benefit)	1,385	(405)
Effective tax rate	29.2	% 59.5

The effective tax rates for the three months ended March 31, 2015 and 2014 were primarily driven by our recurring tax preference items. The effective tax rate for the three months ended March 31, 2014 was also impacted by certain nondeductible accruals, 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, for the remainder of 2015.

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	March 31 2015	December 31 2014	% Change	Average Balance Three Months Ended		% Change		
				March 31 2015	2014			
Assets								
Cash and cash equivalents	\$ 162,543	\$ 138,589	17	%	\$ 153,884	\$ 140,828	9	%
Federal funds sold and securities borrowed or purchased under agreements to resell	206,708	191,823	8		213,931	212,504	1	
Trading account assets	186,860	191,785	(3)	)	194,391	203,836	(5))
Debt securities	383,989	380,461	1		383,120	329,711	16	
Loans and leases	877,956	881,391	—		872,393	919,482	(5))
Allowance for loan and lease losses	(13,676)	(14,419)	(5)	)	(14,247)	(17,144)	(17))
All other assets	339,165	334,904	1		335,102	350,049	(4))
Total assets	\$ 2,143,545	\$ 2,104,534	2		\$ 2,138,574	\$ 2,139,266	—	
Liabilities								
Deposits	\$ 1,153,168	\$ 1,118,936	3		\$ 1,130,725	\$ 1,118,178	1	
Federal funds purchased and securities loaned or sold under agreements to repurchase	203,758	201,277	1		214,722	204,804	5	
Trading account liabilities	74,791	74,192	1		78,787	90,449	(13))
Short-term borrowings	33,270	31,172	7		29,412	48,168	(39))
Long-term debt	237,858	243,139	(2)	)	240,127	253,678	(5))
All other liabilities	190,512	192,347	(1)	)	199,057	187,430	6	
Total liabilities	1,893,357	1,861,063	2		1,892,830	1,902,707	(1))
Shareholders' equity	250,188	243,471	3		245,744	236,559	4	
Total liabilities and shareholders' equity	\$ 2,143,545	\$ 2,104,534	2		\$ 2,138,574	\$ 2,139,266	—	

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

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Balance Sheet Analysis

Assets

At March 31, 2015, total assets were approximately \$2.1 trillion, up \$39.0 billion from December 31, 2014. The key drivers were increased cash and cash equivalents primarily due to higher interest-bearing deposits with the Federal Reserve as a result of strong domestic deposit inflows driven by seasonality related to income tax refunds and growth in customer and client activity, higher securities borrowed or purchased under agreements to resell due to a shift in mix between reverse repos and debt securities 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.

Average total assets remained relatively unchanged for the three months ended March 31, 2015 compared to the same period in 2014. Consumer loans declined primarily due to loan sales and continued portfolio run-off. There were also declines in all other assets primarily due to decreases in other nonearning assets, time deposits placed and customer receivables as well as lower trading account assets primarily due to a reduction in non-U.S. sovereign debt inventory. These decreases were largely offset by increases in debt securities due to a shift from whole loans to securities, an increase in U.S. Treasury holdings and increases in the valuation of the debt securities portfolio. There were also increases in cash and cash equivalents primarily driven by higher interest-bearing deposits with the Federal Reserve and non-U.S. central banks and increases in derivative dealer assets.

Liabilities and Shareholders' Equity

At March 31, 2015, total liabilities were approximately \$1.9 trillion, up \$32.3 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. The increases were partially offset by declines in long-term debt and all other liabilities.

Average total liabilities decreased \$9.9 billion for the three months ended March 31, 2015 compared to the same period in 2014. The decline was primarily driven by planned reductions in short-term borrowings driving decreases in Federal Home Loan Bank (FHLB) advances, decreases in long-term debt as maturities outpaced new issuances, and decreases in trading account liabilities primarily due to lower levels of short U.S. Treasury and non-U.S. sovereign debt positions. These decreases were partially offset by growth in deposits, increases in securities loaned or sold under agreements to repurchase and all other liabilities.

Shareholders' equity of \$250.2 billion at March 31, 2015 increased \$6.7 billion from December 31, 2014 driven by preferred stock issuances, earnings and an increase in accumulated other comprehensive income (OCI) due to a positive net change in the fair value of available-for-sale (AFS) debt securities.

Average shareholders' equity of \$245.7 billion for the three months ended March 31, 2015 increased \$9.2 billion from the same period in 2014 driven by preferred stock issuances, earnings and an increase in accumulated OCI due to a positive net change in the fair value of AFS debt securities. These increases were partially offset by common share repurchases.

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Selected Quarterly Financial Data

(In millions, except per share information)	2015	2014 Quarters			
	Quarter	Fourth	Third	Second	First
	First				
Income statement					
Net interest income	\$9,451	\$9,635	\$10,219	\$10,013	\$10,085
Noninterest income	11,751	9,090	10,990	11,734	12,481
Total revenue, net of interest expense	21,202	18,725	21,209	21,747	22,566
Provision for credit losses	765	219	636	411	1,009
Noninterest expense	15,695	14,196	20,142	18,541	22,238
Income (loss) before income taxes	4,742	4,310	431	2,795	(681)
Income tax expense (benefit)	1,385	1,260	663	504	(405)
Net income (loss)	3,357	3,050	(232)	2,291	(276)
Net income (loss) applicable to common shareholders	2,975	2,738	(470)	2,035	(514)
Average common shares issued and outstanding	10,519	10,516	10,516	10,519	10,561
Average diluted common shares issued and outstanding ⁽¹⁾	11,267	11,274	10,516	11,265	10,561
Performance ratios					
Return on average assets	0.64	% 0.57	% n/m	0.42	% n/m
Four quarter trailing return on average assets ⁽²⁾	0.39	0.23	0.24	% 0.37	0.45 %
Return on average common shareholders' equity	5.35	4.84	n/m	3.68	n/m
Return on average tangible common shareholders' equity ⁽³⁾	7.88	7.15	n/m	5.47	n/m
Return on average tangible shareholders' equity ⁽³⁾	7.85	7.08	n/m	5.64	n/m
Total ending equity to total ending assets	11.67	11.57	11.24	10.94	10.79
Total average equity to total average assets	11.49	11.39	11.14	10.87	11.06
Dividend payout	17.68	19.21	n/m	5.16	n/m
Per common share data					
Earnings (loss)	\$0.28	\$0.26	\$(0.04)	\$0.19	\$(0.05)
Diluted earnings (loss) ⁽¹⁾	0.27	0.25	(0.04)	0.19	(0.05)
Dividends paid	0.05	0.05	0.05	0.01	0.01
Book value	21.66	21.32	20.99	21.16	20.75
Tangible book value ⁽³⁾	14.79	14.43	14.09	14.24	13.81
Market price per share of common stock					
Closing	\$15.39	\$17.89	\$17.05	\$15.37	\$17.20
High closing	17.90	18.13	17.18	17.34	17.92
Low closing	15.15	15.76	14.98	14.51	16.10
Market capitalization	\$161,909	\$188,141	\$179,296	\$161,628	\$181,117

⁽¹⁾ The diluted earnings (loss) per common share excluded the effect of any equity instruments that are antidilutive to earnings per share. There were no potential common shares that were dilutive in the third and first quarters 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 14.

- (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 65.
- (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 82 and corresponding Table 43, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 52.
- (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 \$288 million, \$13 million, \$246 million, \$160 million and \$391 million of write-offs in the purchased credit-impaired loan portfolio in the first quarter of 2015 and in the fourth, third, second and first quarters of 2014, respectively. These write-offs decreased the purchased credit-impaired valuation allowance
- (8) 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 77.

n/m = not meaningful

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Table 7
Selected Quarterly Financial Data (continued)

(Dollars in millions)	2015	2014 Quarters				
	Quarter First	Fourth	Third	Second	First	
Average balance sheet						
Total loans and leases	\$872,393	\$884,733	\$899,241	\$912,580	\$919,482	
Total assets	2,138,574	2,137,551	2,136,109	2,169,555	2,139,266	
Total deposits	1,130,725	1,122,514	1,127,488	1,128,563	1,118,178	
Long-term debt	240,127	249,221	251,772	259,825	253,678	
Common shareholders' equity	225,357	224,479	222,374	222,221	223,207	
Total shareholders' equity	245,744	243,454	238,040	235,803	236,559	
Asset quality ⁽⁴⁾						
Allowance for credit losses ⁽⁵⁾	\$14,213	\$14,947	\$15,635	\$16,314	\$17,127	
Nonperforming loans, leases and foreclosed properties ⁽⁶⁾	12,101	12,629	14,232	15,300	17,732	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ⁽⁶⁾	1.57	% 1.65	% 1.71	% 1.75	% 1.84	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ⁽⁶⁾	122	121	112	108	97	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio ⁽⁶⁾	110	107	100	95	85	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ⁽⁷⁾	\$5,492	\$5,944	\$6,013	\$6,488	\$7,143	
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)	73	% 71	% 67	% 64	% 55	%
Net charge-offs ⁽⁸⁾	\$1,194	\$879	\$1,043	\$1,073	\$1,388	
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(6, 8)	0.56	% 0.40	% 0.46	% 0.48	% 0.62	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio ⁽⁶⁾	0.57	0.41	0.48	0.49	0.64	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding ⁽⁶⁾	0.70	0.40	0.57	0.55	0.79	
Nonperforming loans and leases as a percentage of total loans and leases outstanding ⁽⁶⁾	1.29	1.37	1.53	1.63	1.89	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties ⁽⁶⁾	1.39	1.45	1.61	1.70	1.96	

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Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽⁸⁾	2.82	4.14	3.65	3.67	2.95	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.55	3.66	3.27	3.25	2.58	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.28	4.08	2.95	3.20	2.30	
Capital ratios at period end						
Risk-based capital under Basel 3 Standardized – Transition:						
Common equity tier 1 capital	11.1	% 12.3	% 12.0	% 12.0	% 11.8	%
Tier 1 capital	12.3	13.4	12.8	12.5	11.9	
Total capital	15.3	16.5	15.8	15.3	14.8	
Tier 1 leverage	8.4	8.2	7.9	7.7	7.4	
Tangible equity ⁽³⁾	8.6	8.4	8.1	7.8	7.6	
Tangible common equity ⁽³⁾	7.5	7.5	7.2	7.1	7.0	
For footnotes see page 12.						

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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 7 and 8.

We evaluate our business segment results based on measures that utilize average allocated capital. Return on average allocated capital is calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital. Allocated capital and the related return both represent non-GAAP financial measures. 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 22 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

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(Dollars in millions)	2015	2014 Quarters			
	Quarter First	Fourth	Third	Second	First
Fully taxable-equivalent basis data					
Net interest income	\$9,670	\$9,865	\$10,444	\$10,226	\$10,286
Total revenue, net of interest expense	21,421	18,955	21,434	21,960	22,767
Net interest yield	2.17	% 2.18	% 2.29	% 2.22	% 2.29
Efficiency ratio	73.27	74.90	93.97	84.43	97.68

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Table 8

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

(Dollars in millions)	2015	2014 Quarters			
	Quarter First	Fourth	Third	Second	First
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	\$9,451	\$9,635	\$10,219	\$10,013	\$10,085
Fully taxable-equivalent adjustment	219	230	225	213	201
Net interest income on a fully taxable-equivalent basis	\$9,670	\$9,865	\$10,444	\$10,226	\$10,286
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	\$21,202	\$18,725	\$21,209	\$21,747	\$22,566
Fully taxable-equivalent adjustment	219	230	225	213	201
Total revenue, net of interest expense on a fully taxable-equivalent basis	\$21,421	\$18,955	\$21,434	\$21,960	\$22,767
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	\$1,385	\$1,260	\$663	\$504	\$(405)
Fully taxable-equivalent adjustment	219	230	225	213	201
Income tax expense (benefit) on a fully taxable-equivalent basis	\$1,604	\$1,490	\$888	\$717	\$(204)
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	\$225,357	\$224,479	\$222,374	\$222,221	\$223,207
Goodwill	(69,776)	(69,782)	(69,792)	(69,822)	(69,842)
Intangible assets (excluding MSRs)	(4,518)	(4,747)	(4,992)	(5,235)	(5,474)
Related deferred tax liabilities	1,959	2,019	2,077	2,100	2,165
Tangible common shareholders' equity	\$153,022	\$151,969	\$149,667	\$149,264	\$150,056
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	\$245,744	\$243,454	\$238,040	\$235,803	\$236,559
Goodwill	(69,776)	(69,782)	(69,792)	(69,822)	(69,842)
Intangible assets (excluding MSRs)	(4,518)	(4,747)	(4,992)	(5,235)	(5,474)
Related deferred tax liabilities	1,959	2,019	2,077	2,100	2,165
Tangible shareholders' equity	\$173,409	\$170,944	\$165,333	\$162,846	\$163,408
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	\$227,915	\$224,162	\$220,768	\$222,565	\$218,536
Goodwill	(69,776)	(69,777)	(69,784)	(69,810)	(69,842)
Intangible assets (excluding MSRs)	(4,391)	(4,612)	(4,849)	(5,099)	(5,337)
Related deferred tax liabilities	1,900	1,960	2,019	2,078	2,100
Tangible common shareholders' equity	\$155,648	\$151,733	\$148,154	\$149,734	\$145,457

Reconciliation of period-end shareholders' equity
to period-end tangible shareholders' equity

Shareholders' equity	\$250,188	\$243,471	\$238,681	\$237,411	\$231,888
Goodwill	(69,776)	(69,777)	(69,784)	(69,810)	(69,842)
Intangible assets (excluding MSRs)	(4,391)	(4,612)	(4,849)	(5,099)	(5,337)
Related deferred tax liabilities	1,900	1,960	2,019	2,078	2,100
Tangible shareholders' equity	\$177,921	\$171,042	\$166,067	\$164,580	\$158,809

Reconciliation of period-end assets to period-end
tangible assets

Assets	\$2,143,545	\$2,104,534	\$2,123,613	\$2,170,557	\$2,149,851
Goodwill	(69,776)	(69,777)	(69,784)	(69,810)	(69,842)
Intangible assets (excluding MSRs)	(4,391)	(4,612)	(4,849)	(5,099)	(5,337)
Related deferred tax liabilities	1,900	1,960	2,019	2,078	2,100
Tangible assets	\$2,071,278	\$2,032,105	\$2,050,999	\$2,097,726	\$2,076,772

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Table 9

Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures ⁽¹⁾

(Dollars in millions)	Three Months Ended March 31	
	2015	2014
Consumer Banking		
Reported net income	\$1,475	\$1,468
Adjustment related to intangibles ⁽²⁾	1	1
Adjusted net income	\$1,476	\$1,469
Average allocated equity ⁽³⁾	\$59,348	\$60,417
Adjustment related to goodwill and a percentage of intangibles	(30,348)	(30,417)
Average allocated capital	\$29,000	\$30,000
Deposits		
Reported net income	\$538	\$561
Adjustment related to intangibles ⁽²⁾	—	—
Adjusted net income	\$538	\$561
Average allocated equity ⁽³⁾	\$30,424	\$29,425
Adjustment related to goodwill and a percentage of intangibles	(18,424)	(18,425)
Average allocated capital	\$12,000	\$11,000
Consumer Lending		
Reported net income	\$937	\$907
Adjustment related to intangibles ⁽²⁾	1	1
Adjusted net income	\$938	\$908
Average allocated equity ⁽³⁾	\$28,923	\$30,993
Adjustment related to goodwill and a percentage of intangibles	(11,923)	(11,993)
Average allocated capital	\$17,000	\$19,000
Global Wealth & Investment Management		
Reported net income	\$651	\$729
Adjustment related to intangibles ⁽²⁾	3	3
Adjusted net income	\$654	\$732
Average allocated equity ⁽³⁾	\$22,168	\$22,243
Adjustment related to goodwill and a percentage of intangibles	(10,168)	(10,243)
Average allocated capital	\$12,000	\$12,000
Global Banking		
Reported net income	\$1,365	\$1,291
Adjustment related to intangibles ⁽²⁾	—	1
Adjusted net income	\$1,365	\$1,292
Average allocated equity ⁽³⁾	\$58,944	\$57,453
Adjustment related to goodwill and a percentage of intangibles	(23,944)	(23,953)

Average allocated capital	\$35,000	\$33,500
Global Markets		
Reported net income	\$945	\$1,313
Adjustment related to intangibles ⁽²⁾	2	2
Adjusted net income	\$947	\$1,315
Average allocated equity ⁽³⁾		
Adjustment related to goodwill and a percentage of intangibles	(5,364)	(5,377)
Average allocated capital	\$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 intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 22 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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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 33, 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 10 provides additional clarity in assessing our results.

Table 10

Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	Three Months Ended March 31	
	2015	2014
Net interest income (FTE basis)		
As reported	\$9,670	\$10,286
Impact of trading-related net interest income	(917)	(905)
Net interest income excluding trading-related net interest income ⁽¹⁾	\$8,753	\$9,381
Average earning assets		
As reported	\$1,804,399	\$1,803,297
Impact of trading-related earning assets	(418,214)	(442,700)
Average earning assets excluding trading-related earning assets ⁽¹⁾	\$1,386,185	\$1,360,597
Net interest yield contribution (FTE basis) ⁽²⁾		
As reported	2.17	% 2.29 %
Impact of trading-related activities	0.38	0.48
Net interest yield on earning assets excluding trading-related activities ⁽¹⁾	2.55	% 2.77 %

⁽¹⁾ Represents a non-GAAP financial measure.

⁽²⁾ Calculated on an annualized basis.

For the three months ended March 31, 2015, net interest income excluding trading-related net interest income decreased \$628 million to \$8.8 billion compared to the same period in 2014. The decrease was due to the negative market-related adjustments, lower loan yields and consumer loan balances, and lower net interest income from the ALM portfolio. Market-related adjustments on debt securities resulted in an expense of \$484 million compared to an expense of \$273 million for the same period in 2014. Partially offsetting the decrease were reductions in funding yields, lower long-term debt balances and commercial loan growth. For more information on the impact of interest rates, see Interest Rate Risk Management for Non-trading Activities on page 108.

Average earning assets excluding trading-related earning assets for the three months ended March 31, 2015 increased \$25.6 billion to \$1,386.2 billion compared to the same period in 2014. The increase was primarily in debt securities and interest-bearing deposits with the Federal Reserve, partially offset by a decline in consumer loans.

For the three months ended March 31, 2015, net interest yield on earning assets excluding trading-related activities decreased 22 bps to 2.55 percent compared to the same period in 2014 due to the same factors as described above.

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Table 11

Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	First Quarter 2015			Fourth Quarter 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	\$126,189	\$84	0.27 %	\$109,042	\$74	0.27 %
Time deposits placed and other short-term investments	8,379	33	1.61	9,339	41	1.73
Federal funds sold and securities borrowed or purchased under agreements to resell	213,931	231	0.44	217,982	237	0.43
Trading account assets	138,946	1,122	3.26	144,147	1,142	3.15
Debt securities	383,120	1,898	2.01	371,014	1,687	1.82
Loans and leases ⁽¹⁾ :						
Residential mortgage ⁽²⁾	215,030	1,851	3.45	223,132	1,946	3.49
Home equity	84,915	770	3.66	86,825	808	3.70
U.S. credit card	88,695	2,027	9.27	89,381	2,087	9.26
Non-U.S. credit card	10,002	262	10.64	10,950	280	10.14
Direct/Indirect consumer ⁽³⁾	80,713	491	2.47	83,121	522	2.49
Other consumer ⁽⁴⁾	1,847	15	3.29	2,031	85	16.75
Total consumer	481,202	5,416	4.54	495,440	5,728	4.60
U.S. commercial	234,907	1,645	2.84	231,215	1,648	2.83
Commercial real estate ⁽⁵⁾	48,234	347	2.92	46,996	360	3.04
Commercial lease financing	24,495	216	3.53	24,238	199	3.28
Non-U.S. commercial	83,555	485	2.35	86,844	527	2.41
Total commercial	391,191	2,693	2.79	389,293	2,734	2.79
Total loans and leases	872,393	8,109	3.75	884,733	8,462	3.80
Other earning assets	61,441	705	4.66	65,864	739	4.46
Total earning assets ⁽⁶⁾	1,804,399	12,182	2.73	1,802,121	12,382	2.73
Cash and due from banks	27,695			27,590		
Other assets, less allowance for loan and lease losses	306,480			307,840		
Total assets	\$2,138,574			\$2,137,551		

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 the first quarter of 2015, and \$3 million, \$3 million, \$2 million and \$0 million in the fourth, third, second and first quarters of 2014, respectively.

⁽³⁾ Includes non-U.S. consumer loans of \$4.0 billion in the first quarter of 2015, and \$4.2 billion, \$4.3 billion, \$4.4 billion and \$4.6 billion in the fourth, third, second and first quarters of 2014, respectively.

⁽⁴⁾ Includes consumer finance loans of \$661 million in the first quarter of 2015, and \$907 million, \$1.1 billion, \$1.1 billion and \$1.2 billion in the fourth, third, second and first quarters of 2014, respectively; consumer leases of \$1.0 billion in the first quarter of 2015, and \$965 million, \$887 million, \$762 million and \$656 million in the fourth, third, second and first quarters of 2014, respectively; and consumer overdrafts of \$141 million in the first quarter of 2015, and \$156 million, \$161 million, \$137 million and \$140 million in the fourth, third, second and first quarters of 2014, respectively.

⁽⁵⁾ Includes U.S. commercial real estate loans of \$45.6 billion in the first quarter of 2015, and \$45.1 billion, \$45.0 billion, \$46.7 billion and \$47.0 billion in the fourth, third, second and first quarters of 2014, respectively; and

non-U.S. commercial real estate loans of \$2.7 billion in the first quarter of 2015, and \$1.9 billion, \$1.0 billion, \$1.6 billion and \$1.8 billion in the fourth, third, second and first quarters of 2014, respectively.

Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$11 million in the first quarter of 2015, and \$10 million, \$30 million, \$13 million and \$5 million in the fourth, third, second and first quarters of 2014, respectively. Interest expense includes the impact of ⁽⁶⁾ interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$582 million in the first quarter of 2015, and \$659 million, \$602 million, \$621 million and \$592 million in the fourth, third, second and first quarters of 2014, respectively. For more information on interest rate contracts, see Interest Rate Risk Management for Non-trading Activities on page 108.

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Table 11

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

(Dollars in millions)	Third Quarter 2014			Second Quarter 2014			First 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	\$ 110,876	\$ 77	0.28 %	\$ 123,582	\$ 85	0.28 %	\$ 112,570	\$ 72	0.26 %
Time deposits placed and other short-term investments	10,457	41	1.54	10,509	40	1.51	13,879	49	1.43
Federal funds sold and securities borrowed or purchased under agreements to resell	223,978	239	0.42	235,393	298	0.51	212,504	265	0.51
Trading account assets	143,282	1,147	3.18	147,798	1,214	3.29	147,583	1,213	3.32
Debt securities	359,653	2,236	2.48	345,889	2,133	2.46	329,711	2,005	2.41
Loans and leases ⁽¹⁾ :									
Residential mortgage ⁽²⁾	235,272	2,083	3.54	243,406	2,195	3.61	247,560	2,238	3.62
Home equity	88,590	836	3.76	90,729	842	3.72	92,755	853	3.71
U.S. credit card	88,866	2,093	9.34	88,058	2,042	9.30	89,545	2,092	9.48
Non-U.S. credit card	11,784	304	10.25	11,759	308	10.51	11,554	308	10.79
Direct/Indirect consumer ⁽³⁾	82,669	523	2.51	82,102	524	2.56	81,728	530	2.63
Other consumer ⁽⁴⁾	2,110	19	3.44	2,011	18	3.60	1,962	18	3.66
Total consumer	509,291	5,858	4.58	518,065	5,929	4.58	525,104	6,039	4.64
U.S. commercial	230,891	1,660	2.86	230,486	1,670	2.91	228,059	1,650	2.93
Commercial real estate ⁽⁵⁾	46,069	347	2.98	48,315	357	2.97	48,753	368	3.06
Commercial lease financing	24,325	212	3.48	24,409	193	3.16	24,727	234	3.78
Non-U.S. commercial	88,665	555	2.48	91,305	571	2.51	92,839	544	2.37
Total commercial	389,950	2,774	2.83	394,515	2,791	2.84	394,378	2,796	2.87
Total loans and leases	899,241	8,632	3.82	912,580	8,720	3.83	919,482	8,835	3.88
Other earning assets	65,995	710	4.27	65,099	665	4.09	67,568	697	4.18
Total earning assets ⁽⁶⁾	1,813,482	13,082	2.87	1,840,850	13,155	2.86	1,803,297	13,136	2.94
Cash and due from banks	25,120			27,377			28,258		
Other assets, less allowance for loan and lease losses	297,507			301,328			307,711		
Total assets	\$ 2,136,109			\$ 2,169,555			\$ 2,139,266		

For footnotes see page 18.

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Table 11

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

(Dollars in millions)	First Quarter 2015			Fourth Quarter 2014		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$46,224	\$2	0.02 %	\$45,621	\$1	0.01 %
NOW and money market deposit accounts	531,827	67	0.05	515,995	76	0.06
Consumer CDs and IRAs	58,704	45	0.31	61,880	52	0.33
Negotiable CDs, public funds and other deposits	28,796	22	0.31	30,950	22	0.29
Total U.S. interest-bearing deposits	665,551	136	0.08	654,446	151	0.09
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,544	8	0.74	5,415	9	0.63
Governments and official institutions	1,382	1	0.21	1,647	1	0.18
Time, savings and other	54,276	75	0.55	57,029	76	0.53
Total non-U.S. interest-bearing deposits	60,202	84	0.56	64,091	86	0.53
Total interest-bearing deposits	725,753	220	0.12	718,537	237	0.13
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings						
Trading account liabilities	78,787	373	1.92	78,174	350	1.78
Long-term debt	240,127	1,313	2.20	249,221	1,315	2.10
Total interest-bearing liabilities ⁽⁶⁾	1,288,801	2,512	0.79	1,297,364	2,517	0.77
Noninterest-bearing sources:						
Noninterest-bearing deposits	404,972			403,977		
Other liabilities	199,057			192,756		
Shareholders' equity	245,744			243,454		
Total liabilities and shareholders' equity	\$2,138,574			\$2,137,551		
Net interest spread			1.94 %			1.96 %
Impact of noninterest-bearing sources			0.23			0.22
Net interest income/yield on earning assets		\$9,670	2.17 %		\$9,865	2.18 %
For footnotes see page 18.						

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Table 11

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

(Dollars in millions)	Third Quarter 2014			Second Quarter 2014			First 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	\$46,803	\$1	0.01 %	\$47,450	\$—	— %	\$45,196	\$1	0.01 %
NOW and money market deposit accounts	517,043	78	0.06	519,399	79	0.06	523,237	83	0.06
Consumer CDs and IRAs	65,579	59	0.35	68,706	70	0.41	71,140	84	0.48
Negotiable CDs, public funds and other deposits	31,806	27	0.34	33,426	30	0.35	29,826	27	0.37
Total U.S. interest-bearing deposits	661,231	165	0.10	668,981	179	0.11	669,399	195	0.12
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	8,022	21	1.05	10,537	15	0.56	11,071	16	0.59
Governments and official institutions	1,706	1	0.14	1,754	1	0.12	1,857	1	0.12
Time, savings and other	61,331	83	0.54	64,078	87	0.55	60,507	79	0.53
Total non-U.S. interest-bearing deposits	71,059	105	0.59	76,369	103	0.54	73,435	96	0.53
Total interest-bearing deposits	732,290	270	0.15	745,350	282	0.15	742,834	291	0.16
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	255,111	590	0.92	271,247	765	1.13	252,972	609	0.97
Trading account liabilities	84,989	392	1.83	95,154	398	1.68	90,449	435	1.95
Long-term debt	251,772	1,386	2.19	259,825	1,484	2.29	253,678	1,515	2.41
Total interest-bearing liabilities ⁽⁶⁾	1,324,162	2,638	0.79	1,371,576	2,929	0.86	1,339,933	2,850	0.86
Noninterest-bearing sources:									
Noninterest-bearing deposits	395,198			383,213			375,344		
Other liabilities	178,709			178,963			187,430		
Shareholders' equity	238,040			235,803			236,559		
	\$2,136,109			\$2,169,555			\$2,139,266		

Total liabilities and shareholders' equity			
Net interest spread	2.08 %	2.00 %	2.08 %
Impact of noninterest-bearing sources	0.21	0.22	0.21
Net interest income/yield on earning assets	\$10,444 2.29 %	\$10,226 2.22 %	\$10,286 2.29 %
For footnotes see page 18.			

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Business Segment Operations

Segment Description and Basis of Presentation

Effective January 1, 2015, to align the segments with how we manage the businesses in 2015, we changed our basis of presentation, and following such change, 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. For more information on our segment realignment, see Note 1 – Summary of Significant Accounting Principles 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 14. Table 12 provides selected summary financial data for our business segments and All Other for the three months ended March 31, 2015 compared to the same period in 2014. For additional detailed information on these results, see the business segment and All Other discussions which follow.

Table 12
Business Segment Results

	Three Months Ended March 31							
	Total Revenue ⁽¹⁾		Provision for Credit Losses		Noninterest Expense		Net Income (Loss)	
	2015	2014	2015	2014	2015	2014	2015	2014
(Dollars in millions)								
Consumer Banking	\$7,450	\$7,651	\$716	\$809	\$4,389	\$4,495	\$1,475	\$1,468
Global Wealth & Investment Management	4,517	4,547	23	23	3,459	3,359	651	729
Global Banking	4,289	4,535	96	281	2,022	2,190	1,365	1,291
Global Markets	4,603	5,017	21	19	3,120	3,075	945	1,313
Legacy Assets & Servicing	914	686	91	12	1,201	7,401	(238)	(4,880)
All Other	(352)	331	(182)	(135)	1,504	1,718	(841)	(197)
Total FTE basis	21,421	22,767	765	1,009	15,695	22,238	3,357	(276)
FTE adjustment	(219)	(201)	—	—	—	—	—	—
Total Consolidated	\$21,202	\$22,566	\$765	\$1,009	\$15,695	\$22,238	\$3,357	\$(276)

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 14.

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 46. The capital allocated to the business segments is referred to as allocated capital, which represents a non-GAAP financial measure. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For additional information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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 negative market-related adjustments to net interest income, and reconciliations to consolidated total revenue, net income (loss) 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 March 31						
	Deposits		Consumer Lending		Total Consumer Banking		% Change
(Dollars in millions)	2015	2014	2015	2014	2015	2014	
Net interest income (FTE basis)	\$2,297	\$ 2,340	\$2,574	\$ 2,731	\$4,871	\$ 5,071	(4)%
Noninterest income:							
Card income	3	2	1,164	1,146	1,167	1,148	2
Service charges	966	993	—	—	966	993	(3)
Mortgage banking income	—	—	288	178	288	178	62
All other income	103	91	55	170	158	261	(39)
Total noninterest income	1,072	1,086	1,507	1,494	2,579	2,580	—
Total revenue, net of interest expense (FTE basis)	3,369	3,426	4,081	4,225	7,450	7,651	(3)
Provision for credit losses	63	64	653	745	716	809	(11)
Noninterest expense	2,451	2,465	1,938	2,030	4,389	4,495	(2)
Income before income taxes (FTE basis)	855	897	1,490	1,450	2,345	2,347	—
Income tax expense (FTE basis)	317	336	553	543	870	879	(1)
Net income	\$538	\$ 561	\$937	\$ 907	\$1,475	\$ 1,468	—
Net interest yield (FTE basis)	1.74	% 1.87	% 5.32	% 5.72	% 3.54	% 3.85	%
Return on average allocated capital	18	21	22	19	21	20	
Efficiency ratio (FTE basis)	72.76	71.97	47.49	48.05	58.92	58.76	

Balance Sheet

Average	Three Months Ended March 31						
	2015	2014	2015	2014	2015	2014	% Change
Total loans and leases	\$5,879	\$ 6,092	\$193,702	\$ 190,333	\$199,581	\$ 196,425	2 %
Total earning assets ⁽¹⁾	535,555	508,332	196,044	193,671	558,833	533,751	5
Total assets ⁽¹⁾	562,314	535,023	205,368	202,879	594,916	569,650	4
Total deposits	530,289	504,065	n/m	n/m	531,365	504,849	5
Allocated capital	12,000	11,000	17,000	19,000	29,000	30,000	(3)
Period end	March 31	December 31	March 31	December 31	March 31	December 31	% Change
Total loans and leases	\$5,824	\$ 5,951	\$194,329	\$ 196,049	\$200,153	\$ 202,000	(1)%
Total earning assets ⁽¹⁾	553,574	527,045	197,738	199,097	576,868	552,117	4
Total assets ⁽¹⁾	580,337	554,344	207,237	208,729	613,130	589,048	4
Total deposits	548,303	523,348	n/m	n/m	549,489	524,413	5

⁽¹⁾In segments and businesses where the total of liabilities and equity exceeds assets, we allocate assets from All Other to match the segments' and businesses' liabilities and allocated shareholders' equity. As a result, total earning assets

and total assets of the businesses may not equal total Consumer Banking.
n/m = not meaningful

Consumer Banking, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 32 states and the District of Columbia. The franchise network includes approximately 4,800 financial centers, 15,900 ATMs, nationwide call centers, and online and mobile platforms.

Consumer Banking Results

Net income for Consumer Banking of \$1.5 billion remained relatively unchanged in the three months ended March 31, 2015 compared to the same period in 2014 as lower noninterest expense and lower provision for credit losses were offset by lower net interest income. Net interest income decreased \$200 million to \$4.9 billion primarily due to the allocation of negative market-related adjustments, lower card yields and card loan balances, partially offset by the beneficial impact of an increase in investable assets as a result of higher deposit balances. Noninterest income of \$2.6 billion remained relatively unchanged as higher mortgage banking income and card income offset lower service charges and other income which included a portfolio divestiture gain in 2014.

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The provision for credit losses decreased \$93 million to \$716 million primarily as a result of continued improvement in credit quality within the credit card portfolio, partially offset by a slower pace of credit quality improvement within the consumer real estate portfolio. Noninterest expense decreased \$106 million to \$4.4 billion primarily driven by lower personnel and operating expenses.

The return on average allocated capital was 21 percent, up from 20 percent, reflecting a small decrease in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 22.

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 27.

Net income for Deposits decreased \$23 million to \$538 million in the three months ended March 31, 2015 compared to the same period in 2014 driven by lower revenue, partially offset by lower noninterest expense. Net interest income declined \$43 million to \$2.3 billion due to the allocation of negative market-related adjustments, partially offset by the beneficial impact of an increase in investable assets as a result of higher deposit balances. Noninterest income decreased \$14 million to \$1.1 billion primarily due to lower deposit service charges.

The provision for credit losses of \$63 million remained relatively unchanged. Noninterest expense decreased \$14 million to \$2.5 billion due to lower operating expenses.

Average deposits increased \$26.2 billion to \$530.3 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 \$37.1 billion was partially offset by a decline in time deposits of \$10.9 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by two bps to five bps.

Key Statistics – Deposits

	Three Months Ended			
	March 31			
	2015	2014		
Total deposit spreads (excludes noninterest costs)	1.62	% 1.57		%
Period end				
Client brokerage assets (in millions)	\$ 118,492	\$ 100,206		
Online banking active accounts (units in thousands)	31,479	30,470		

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Mobile banking active accounts (units in thousands)	16,943	14,986
Financial centers	4,835	5,095
ATMs	15,915	16,214

Client brokerage assets increased \$18.3 billion driven by new accounts, increased account flows and higher market valuations. Mobile banking active accounts increased 2.0 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined 260 and ATMs declined 299 as we continue to optimize our consumer banking network and improve our cost-to-serve.

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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 27.

Net income for Consumer Lending increased \$30 million to \$937 million in the three months ended March 31, 2015 compared to the same period in 2014 primarily due to lower provision for credit losses and noninterest expense, partially offset by lower net interest income. Net interest income decreased \$157 million to \$2.6 billion driven by the impact of lower card yields and lower average card loan balances. Noninterest income of \$1.5 billion remained relatively unchanged as mortgage banking income and card income increased while the prior-year period included a portfolio divestiture gain.

The provision for credit losses decreased \$92 million to \$653 million driven by continued improvement in credit quality within the credit card portfolio, partially offset by a slower pace of credit quality improvement within the consumer real estate portfolio. Noninterest expense decreased \$92 million to \$1.9 billion primarily driven by lower personnel expense.

Average loans increased \$3.4 billion to \$193.7 billion primarily driven by an increase in residential mortgages, 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.

Key Statistics – Consumer Lending

(Dollars in millions)	Three Months Ended			
	March 31			
	2015	2014		
Total U.S. credit card ⁽¹⁾				
Gross interest yield	9.27	% 9.48	%	%
Risk-adjusted margin	9.05	9.49		
New accounts (in thousands)	1,161	1,027		
Purchase volumes	\$50,178	\$48,863		
Debit card purchase volumes	\$66,898	\$65,890		

⁽¹⁾ Total U.S. credit card includes portfolios in Consumer Banking and GWIM.

During the three months ended March 31, 2015, the total U.S. credit card risk-adjusted margin decreased 44 bps compared to the same period in 2014 due to a portfolio divestiture gain 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 \$1.3 billion to \$50.2 billion and debit card purchase volumes increased \$1.0 billion to \$66.9 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.

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The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	Three Months Ended	
	March 31	
	2015	2014
Consumer Lending:		
Core production revenue	\$ 300	\$ 189
Representations and warranties provision	6	7
Other consumer mortgage banking income ⁽¹⁾	(18	) (18
Total Consumer Lending mortgage banking income	288	178
LAS mortgage banking income ⁽²⁾	461	291
Eliminations ⁽³⁾	(55	) (57
Total consolidated mortgage banking income	\$694	\$412

(1) Primarily intercompany charge 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 mortgage loans from Consumer Banking to the ALM portfolio included in All Other and intercompany charges for loan servicing.

Core production revenue increased \$111 million to \$300 million due to higher first mortgage origination volumes, and to a lesser extent, an industry-wide increase in margins.

Key Statistics

(Dollars in millions)	Three Months Ended	
	March 31	
	2015	2014
Loan production ⁽¹⁾ :		
Total ⁽²⁾		
First mortgage	\$13,713	\$8,850
Home equity	3,217	1,984
Consumer Banking:		
First mortgage	\$9,854	\$6,702
Home equity	3,017	1,791

(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 months ended March 31, 2015 compared to the same period in 2014 reflecting growth in the overall mortgage market as lower interest rates beginning in late 2014 drove an increase in refinances.

During the three months ended March 31, 2015, 73 percent of the total Corporation first mortgage production volume was for refinance originations and 27 percent was for purchase originations compared to 66 percent and 34 percent for the same period in 2014. Home Affordable Refinance Program (HARP) refinance originations were three percent of all refinance originations compared to nine percent for the same period in 2014. Making Home Affordable non-HARP refinance originations were 10 percent of all refinance originations compared to 22 percent for the same period in

2014. The remaining 87 percent of refinance originations were conventional refinances compared to 69 percent for the same period in 2014.

Home equity production for the total Corporation was \$3.2 billion for the three months ended March 31, 2015 compared to \$2.0 billion for the same period in 2014, with the increase due to a higher demand in the market based on improving housing trends, and increased market share driven by improved financial center engagement with customers and more competitive pricing.

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Global Wealth & Investment Management

	Three Months Ended March 31		
(Dollars in millions)	2015	2014	% Change
Net interest income (FTE basis)	\$1,351	\$1,485	(9)%
Noninterest income:			
Investment and brokerage services	2,723	2,604	5
All other income	443	458	(3)
Total noninterest income	3,166	3,062	3
Total revenue, net of interest expense (FTE basis)	4,517	4,547	(1)
Provision for credit losses	23	23	—
Noninterest expense	3,459	3,359	3
Income before income taxes (FTE basis)	1,035	1,165	(11)
Income tax expense (FTE basis)	384	436	(12)
Net income	\$651	\$729	(11)
Net interest yield (FTE basis)	2.13	% 2.40	%
Return on average allocated capital	22	25	
Efficiency ratio (FTE basis)	76.57	73.86	

Balance Sheet

	Three Months Ended March 31		
Average	2015	2014	% Change
Total loans and leases	\$126,129	\$115,945	9 %
Total earning assets	257,625	250,732	3
Total assets	275,130	270,275	2
Total deposits	243,561	242,792	—
Allocated capital	12,000	12,000	—
Period end	March 31	December 31	% Change
	2015	2014	
Total loans and leases	\$127,556	\$125,431	2 %
Total earning assets	255,840	256,519	—
Total assets	272,777	274,887	(1)
Total deposits	244,080	245,391	(1)

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

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

Net income for GWIM decreased \$78 million to \$651 million in the three months ended March 31, 2015 compared to the same period in 2014 driven by a decline in net interest income and an increase in noninterest expense, partially offset by higher noninterest income. Net interest income decreased \$134 million to \$1.4 billion due to the allocation of negative market-related adjustments and other ALM results, partially offset by higher net interest income from loan growth. Noninterest income, primarily investment and brokerage services, increased \$104 million to \$3.2 billion driven by increased asset management fees due to the impact of long-term AUM flows and higher

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market levels, partially offset by lower transactional revenue. Noninterest expense increased \$100 million to \$3.5 billion primarily due to higher revenue-related incentive compensation and investment in client-facing professionals.

Return on average allocated capital was 22 percent, down from 25 percent, due to a decrease in net income. For more information on capital allocated to the business segments, see Business Segment Operations on page 22.

Key Indicators and Metrics

(Dollars in millions, except as noted)	Three Months Ended March 31	
	2015	2014
Revenue by Business		
Merrill Lynch Global Wealth Management	\$3,748	\$3,764
U.S. Trust	751	768
Other ⁽¹⁾	18	15
Total revenue, net of interest expense (FTE basis)	\$4,517	\$4,547
Client Balances by Business		
Merrill Lynch Global Wealth Management	\$2,043,447	\$1,946,922
U.S. Trust	391,105	378,177
Other ⁽¹⁾	75,295	70,720
Client Balances by Type		
Assets under management	\$917,257	\$841,818
Brokerage assets	1,076,277	1,054,052
Assets in custody	141,273	136,342
Deposits	244,080	244,051
Loans and leases ⁽²⁾	130,960	119,556
Total client balances	\$2,509,847	\$2,395,819
Assets Under Management Flows		
Liquidity assets under management ⁽³⁾	\$(1,493)	\$(2,429)
Long-term assets under management ⁽⁴⁾	14,654	17,382
Total assets under management flows	\$13,161	\$14,953
Associates ⁽⁵⁾		
Number of Financial Advisors	16,175	15,323
Total Wealth Advisors	17,508	16,481
Total Client-Facing Professionals	20,018	19,199
Merrill Lynch Global Wealth Management Metrics		
Financial Advisor Productivity ⁽⁶⁾ (in thousands)	\$1,041	\$1,056
U.S. Trust Metrics		
Client-Facing Professionals	2,157	2,117

(1) Includes the results of BofA Global Capital Management and certain administrative items.

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

- Defined as assets under advisory and discretion of GWIM in which the investment strategy seeks a high level of
- (3) income while maintaining liquidity and capital preservation. The duration of these strategies is primarily less than one year.
 - (4) Defined as assets under advisory and discretion of GWIM in which the duration of the investment strategy is longer than one year.
 - (5) Includes Financial Advisors in the Consumer Banking segment of 1,992 and 1,598 at March 31, 2015 and 2014. Financial Advisor Productivity is defined as annualized Merrill Lynch Global Wealth Management total revenue
 - (6) 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.

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Revenue from MLGWM of \$3.7 billion remained relatively unchanged as higher net interest income from loan growth was more than offset by the allocation of negative market-related adjustments and other ALM results. Additionally, increased asset management fees due to the impact of long-term AUM flows and higher market levels were partially offset by lower transactional revenue. Revenue from U.S. Trust of \$751 million decreased two percent driven by the allocation of negative market-related adjustments and other ALM results, partially offset by increased asset management fees due to the impact of higher market levels and long-term AUM flows.

Client balances increased \$114 billion, or five percent, to over \$2.5 trillion as a result of higher market levels and AUM and loan flows.

The number of client-facing professionals increased four percent due to increases in Merrill Edge financial solutions advisors, financial advisor development program participants and experienced financial advisors.

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	
	March 31	
	2015	2014
Total deposits, net – (from) to GWIM	\$(483) \$1,144
Total loans, net – (from) to GWIM	(26) (1
Total brokerage, net – (from) to GWIM	(582) (191

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Global Banking

(Dollars in millions)	Three Months Ended March 31		
	2015	2014	% Change
Net interest income (FTE basis)	\$2,265	\$2,507	(10)%
Noninterest income:			
Service charges	710	733	(3)
Investment banking fees	852	822	4
All other income	462	473	(2)
Total noninterest income	2,024	2,028	—
Total revenue, net of interest expense (FTE basis)	4,289	4,535	(5)
Provision for credit losses	96	281	(66)
Noninterest expense	2,022	2,190	(8)
Income before income taxes (FTE basis)	2,171	2,064	5
Income tax expense (FTE basis)	806	773	4
Net income	\$1,365	\$1,291	6
Net interest yield (FTE basis)	2.87	% 3.23	%
Return on average allocated capital	16	16	
Efficiency ratio (FTE basis)	47.15	48.30	

Balance Sheet

Average	Three Months Ended March 31		
	2015	2014	% Change
Total loans and leases	\$289,524	\$287,920	1 %
Total earning assets	320,443	314,685	2
Total assets	365,355	362,264	1
Total deposits	289,935	285,594	2
Allocated capital	35,000	33,500	4
Period end	March 31	December 31	% Change
	2015	2014	
Total loans and leases	\$295,653	\$288,905	2 %
Total earning assets	322,242	311,782	3
Total assets	368,595	357,081	3
Total deposits	293,846	283,191	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.

Net income for Global Banking increased \$74 million to \$1.4 billion for the three months ended March 31, 2015 compared to the same period in 2014 primarily driven by a reduction in the provision for credit losses and lower noninterest expense, partially offset by lower revenue.

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Revenue decreased \$246 million to \$4.3 billion for the three months ended March 31, 2015 compared to the same period in 2014 primarily due to lower net interest income. The decline in net interest income reflects the allocation of negative market-related adjustments and costs for maintaining High Quality Liquid Assets (HQLA) under the Liquidity Coverage Ratio (LCR) requirements, and loan spread compression. Noninterest income remained relatively unchanged as higher investment banking fees were offset by a gain on sale of an equity investment in the prior-year period.

The provision for credit losses decreased \$185 million to \$96 million, primarily in the U.S. commercial portfolio. Noninterest expense decreased \$168 million to \$2.0 billion primarily due to lower technology initiative costs, litigation expense and incentive compensation expense.

Return on average allocated capital of 16 percent remained relatively unchanged as growth in earnings was offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 22.

Global Corporate, Global Commercial and Business Banking

Global Corporate, Global Commercial and Business Banking each include Business Lending and Global Transaction Services (formerly Global Treasury 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 and custody solutions. The table below presents a summary of the results, which exclude certain capital markets activity in Global Banking.

Global Corporate, Global Commercial and Business Banking

	Three Months Ended March 31							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
(Dollars in millions)								
Revenue								
Business Lending	\$889	\$912	\$912	\$1,011	\$87	\$89	\$1,888	\$2,012
Global Transaction Services	667	736	655	733	165	177	1,487	1,646
Total revenue, net of interest expense	\$1,556	\$1,648	\$1,567	\$1,744	\$252	\$266	\$3,375	\$3,658
Balance Sheet								
Average								
Total loans and leases	\$131,315	\$131,209	\$141,772	\$140,258	\$16,432	\$16,445	\$289,519	\$287,912
Total deposits	136,522	140,456	121,527	115,975	31,888	29,165	289,937	285,596
Period end								
Total loans and leases	\$134,464	\$131,522	\$144,654	\$141,709	\$16,539	\$16,406	\$295,657	\$289,637
Total deposits	138,914	143,510	122,135	113,797	32,801	28,981	293,850	286,288

Business Lending revenue declined \$124 million for the three months ended March 31, 2015 compared to the same period in 2014 due to the allocation of negative market-related adjustments, loan spread compression and a gain on sale of an equity investment in Global Commercial Banking in the prior-year period.

Global Transaction Services revenue decreased \$159 million for the three months ended March 31, 2015 compared to the same period in 2014 primarily due to the allocation of negative market-related adjustments and costs for maintaining HQLA under the LCR requirements.

Average loans and leases remained relatively unchanged for the three months ended March 31, 2015 compared to the same period in 2014 as growth in the commercial and industrial portfolio was offset by a decline in the commercial real estate portfolio. Average deposits remained relatively unchanged for the three months ended March 31, 2015 compared to the same period in 2014.

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Global Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of 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 March 31			
	Global Banking		Total Corporation	
	2015	2014	2015	2014
Products				
Advisory	\$387	\$257	\$428	\$286
Debt issuance	335	447	781	1,025
Equity issuance	130	118	345	313
Gross investment banking fees	852	822	1,554	1,624
Self-led deals	(22)	(35)	(67)	(82)
Total investment banking fees	\$830	\$787	\$1,487	\$1,542

Total Corporation investment banking fees of \$1.5 billion, excluding self-led deals, included within Global Banking and Global Markets decreased four percent for the three months ended March 31, 2015 compared to the same period in 2014 as strong advisory and equity underwriting fees were offset 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.

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Global Markets

(Dollars in millions)	Three Months Ended March		
	31 2015	2014	% Change
Net interest income (FTE basis)	\$1,004	\$1,002	—
Noninterest income:			
Investment and brokerage services	562	561	—
Investment banking fees	630	736	(14)%
Trading account profits	2,127	2,367	(10)
All other income	280	351	(20)
Total noninterest income	3,599	4,015	(10)
Total revenue, net of interest expense (FTE basis)	4,603	5,017	(8)
Provision for credit losses	21	19	11
Noninterest expense	3,120	3,075	1
Income before income taxes (FTE basis)	1,462	1,923	(24)
Income tax expense (FTE basis)	517	610	(15)
Net income	\$945	\$1,313	(28)
Return on average allocated capital	11	% 16	%
Efficiency ratio (FTE basis)	67.80	61.30	

Balance Sheet

Average	Three Months Ended March		
	31 2015	2014	% Change
Trading-related assets:			
Trading account securities	\$193,491	\$203,281	(5)%
Reverse repurchases	115,328	109,271	6
Securities borrowed	78,713	80,981	(3)
Derivative assets	56,419	43,595	29
Total trading-related assets ⁽¹⁾	443,951	437,128	2
Total loans and leases	56,990	63,696	(11)
Total earning assets ⁽¹⁾	434,914	456,879	(5)
Total assets	598,503	601,427	—
Allocated capital	35,000	34,000	3
Period end	March 31 2015	December 31 2014	% Change
Total trading-related assets ⁽¹⁾	\$424,996	\$418,860	1 %
Total loans and leases	63,019	59,388	6
Total earning assets ⁽¹⁾	421,520	421,799	—
Total assets	586,737	579,512	1

⁽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, mortgage-backed securities (MBS), commodities and asset-backed securities (ABS). The economics of most investment banking and underwriting activities are shared primarily between Global Markets and Global Banking

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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 32.

Net income for Global Markets decreased \$368 million to \$945 million for the three months ended March 31, 2015 compared to the same period in 2014. Excluding net DVA, net income decreased \$310 million to \$933 million primarily driven by lower trading account profits due to declines in mortgage and credit-related products and a decline in investment banking fees primarily from lower debt issuance. Net DVA gains were \$19 million in the three months ended March 31, 2015 compared to gains of \$112 million in the same period in 2014. Noninterest expense increased \$45 million to \$3.1 billion as a reduction in revenue-related incentive compensation was more than offset by higher litigation expense.

Average earning assets decreased \$22.0 billion to \$434.9 billion largely driven by a decrease in trading account securities as well as a decrease in low-margin prime brokerage loans.

Period-end loans and leases increased \$3.6 billion from December 31, 2014 due to higher mortgage finance balances as a result of strong client demand.

The return on average allocated capital was 11 percent, down from 16 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 22.

Sales and Trading Revenue

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Sales and trading revenue is segregated into fixed-income (government debt obligations, investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities, residential mortgage-backed securities (RMBS), collateralized 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 March 31	
	2015	2014
Sales and trading revenue		
Fixed income, currencies and commodities	\$2,749	\$3,024
Equities	1,165	1,193
Total sales and trading revenue	\$3,914	\$4,217
Sales and trading revenue, excluding net DVA ⁽³⁾		
Fixed income, currencies and commodities	\$2,745	\$2,944
Equities	1,150	1,161
Total sales and trading revenue, excluding net DVA ⁽³⁾	\$3,895	\$4,105

- Includes FTE adjustments of \$47 million for the three months ended March 31, 2015 compared to \$40 million for
- (1) the same period 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 \$76 million for the three months ended March 31, 2015 compared to \$85 million for the same period in 2014.
FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net
 - (3) DVA gains were \$4 million for the three months ended March 31, 2015 compared to net DVA gains of \$80 million for the same period in 2014. Equities net DVA gains were \$15 million for the three months ended March 31, 2015 compared to net DVA gains of \$32 million for the same period in 2014.

Fixed-income, currency and commodities (FICC) revenue, excluding net DVA, decreased \$199 million to \$2.7 billion for the three months ended March 31, 2015 compared to the same period in 2014 primarily driven by declines in mortgage and credit-related businesses due to lower trading volumes driven by client flows. These declines were partially offset by stronger results in foreign exchange as increased volatility led to higher client flows and revenue. Equities revenue, excluding net DVA, was relatively flat compared to the same period in 2014.

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Legacy Assets & Servicing

(Dollars in millions)	Three Months Ended March 31		
	2015	2014	% Change
Net interest income (FTE basis)	\$428	\$377	14 %
Noninterest income:			
Mortgage banking income	461	291	58
All other income	25	18	39
Total noninterest income	486	309	57
Total revenue, net of interest expense (FTE basis)	914	686	33
Provision for credit losses	91	12	n/m
Noninterest expense	1,201	7,401	(84)
Loss before income taxes (FTE basis)	(378)	(6,727)	(94)
Income tax benefit (FTE basis)	(140)	(1,847)	(92)
Net loss	\$(238)	\$(4,880)	(95)
Net interest yield (FTE basis)	4.19	% 3.82	%

Balance Sheet

Average	Three Months Ended March 31		
	2015	2014	% Change
Total loans and leases	\$32,411	\$38,104	(15)%
Total earning assets	41,371	40,026	3
Total assets	52,617	57,400	(8)
Allocated capital	24,000	17,000	41
Period end	March 31	December 31	%
	2015	2014	Change
Total loans and leases	\$31,690	\$33,055	(4)%
Total earning assets	42,590	33,923	26
Total assets	53,538	45,958	16

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 36. In addition, LAS is responsible for managing certain legacy exposures related to mortgage originations, sales and servicing activities (e.g., litigation, representations and warranties). LAS also includes the financial results of the home equity portfolio selected as part of the Legacy Owned Portfolio and the results of MSR activities, including net hedge results.

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

The net loss for LAS decreased \$4.6 billion to a net loss of \$238 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 \$170 million primarily due to higher servicing income and lower representations and warranties provision. The provision for credit losses increased \$79 million driven by a slower pace of credit quality improvement. Noninterest expense decreased \$6.2 billion primarily due to a \$5.7 billion decrease in litigation expense. Excluding litigation, noninterest expense decreased \$542 million to \$1.0 billion 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.

The increase in allocated capital for LAS reflects higher Basel 3 Advanced approaches operational risk capital in 2014.

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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 26 percent and 29 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at March 31, 2015 and 2014. In addition, LAS is responsible for managing subservicing agreements.

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 \$4.3 billion during the three months ended March 31, 2015 to \$85.6 billion, of which \$31.7 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 24 percent and 27 percent of the total residential mortgage serviced portfolio of \$588 billion and \$693 billion, as measured by unpaid principal balance, at March 31, 2015 and 2014. The decline in the Legacy Residential Mortgage Serviced Portfolio was due to paydowns and payoffs, and MSR and loan sales.

Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio ^(1, 2)

	March 31	
(Dollars in billions)	2015	2014
Unpaid principal balance		
Residential mortgage loans		

Total	\$141	\$189
60 days or more past due	21	42

Number of loans serviced (in thousands)

Residential mortgage loans

Total	764	1,022
60 days or more past due	109	216

(1) Excludes loans for which servicing transferred to third parties as of March 31, 2015 with an effective MSR sale date of April 1, 2015, totaling \$39 million.

(2) Excludes \$32 billion and \$37 billion of home equity loans and HELOCs at March 31, 2015 and 2014.

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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 76 percent and 73 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at March 31, 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)

(Dollars in billions)	March 31	
	2015	2014
Unpaid principal balance		
Residential mortgage loans		
Total	\$447	\$504
60 days or more past due	8	11
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	2,868	3,196
60 days or more past due	44	61

⁽¹⁾ Excludes loans for which servicing transferred to third parties as of March 31, 2015 with an effective MSR sale date of April 1, 2015, totaling \$235 million.

⁽²⁾ Excludes \$49 billion and \$50 billion of home equity loans and HELOCs at March 31, 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.

LAS Mortgage Banking Income

(Dollars in millions)	Three Months Ended	
	March 31	
	2015	2014
Servicing income:		
Servicing fees	\$430	\$533
Amortization of expected cash flows ⁽¹⁾	(198	) (210
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks ⁽²⁾	250	66
Other servicing-related revenue	—	4
Total net servicing income	482	393
Representations and warranties provision	(90	) (185
Other mortgage banking income ⁽³⁾	69	83
Total LAS mortgage banking income	\$461	\$291

⁽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.

LAS mortgage banking income increased \$170 million primarily driven by improved MSR net-of-hedge performance and lower representations and warranties provision, partially offset by lower servicing fees due to a smaller servicing portfolio.

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Key Statistics

(Dollars in millions, except as noted)	March 31 2015	December 31 2014
Mortgage serviced portfolio (in billions) ^(1, 2)	\$669	\$693
Mortgage loans serviced for investors (in billions) ⁽¹⁾	459	474
Mortgage servicing rights:		
Balance ⁽³⁾	3,108	3,271
Capitalized mortgage servicing rights (% of loans serviced for investors)	68 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 March 31, 2015 and December 31, 2014, excludes \$286 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 March 31, 2015, the balance of consumer MSRs managed within LAS, which excludes \$286 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was \$3.1 billion, which represented 68 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 \$163 million in the three months ended March 31, 2015 primarily driven by a decrease in value due to lower mortgage rates at March 31, 2015 compared to December 31, 2014, which resulted in higher forecasted prepayment speeds, and the recognition of modeled cash flows, partially offset by additions to the portfolio and changes to other model and cash flow assumptions. For more information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 44. 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		
	March 31		
	2015	2014	% Change
Net interest income (FTE basis)	\$ (249)	) \$ (156)	) 60 %
Noninterest income:			
Card income	69	87	(21)
Equity investment income	1	696	(100)
Gains on sales of debt securities	263	357	(26)
All other loss	(436)	) (653)	) (33)
Total noninterest income	(103)	) 487	n/m
Total revenue, net of interest expense (FTE basis)	(352)	) 331	n/m
Provision (benefit) for credit losses	(182)	) (135)	) 35
Noninterest expense	1,504	1,718	(12)
Loss before income taxes (FTE basis)	(1,674)	) (1,252)	) 34
Income tax benefit (FTE basis)	(833)	) (1,055)	) (21)
Net loss	\$ (841)	) \$ (197)	) n/m

Balance Sheet

Average	Three Months Ended		
	March 31		
	2015	2014	% Change
Loans and leases:			
Residential mortgage	\$ 151,305	\$ 193,989	(22)%
Non-U.S. credit card	10,002	11,554	(13)
Other	6,451	11,849	(46)
Total loans and leases	167,758	217,392	(23)
Total assets ⁽¹⁾	252,053	278,250	(9)
Total deposits	19,405	34,982	(45)
Period end	March 31	December 31	% Change
	2015	2014	
Loans and leases:			
Residential mortgage	\$ 144,098	\$ 155,595	(7)%
Non-U.S. credit card	9,660	10,465	(8)
Other	6,127	6,552	(6)
Total loans and leases	159,885	172,612	(7)
Total equity investments	4,716	4,886	(3)
Total assets ⁽¹⁾	248,768	258,048	(4)
Total deposits	19,467	19,242	1

In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, (1) we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were \$505.2 billion and \$476.3 billion for the three months ended March 31, 2015 and 2014, and \$516.0 billion and \$478.2 billion at March 31, 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 mortgage securities, 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 108 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.

The net loss for All Other increased \$644 million to \$841 million for the three months ended March 31, 2015 due to a decrease in equity investment income and lower net interest income, partially offset by gains on sales of residential mortgage loans, lower noninterest expense and an increased benefit in the provision for credit losses. Equity investment income decreased \$695 million primarily due to the sale of a portion of an equity investment in the first quarter of 2014. Gains on the sales of residential mortgage loans, net of hedges, were \$217 million compared to gains of \$12 million a year ago.

The provision (benefit) for credit losses improved \$47 million to a benefit of \$182 million primarily driven by the impact of recoveries on nonperforming loan sales.

Noninterest expense decreased \$214 million to \$1.5 billion primarily driven by lower litigation expense and infrastructure and support costs. Annual retirement-eligible incentive costs of \$1.0 billion were recorded on a consolidated basis in both the three months ended March 31, 2015 and 2014. These costs are allocated to the business segments ratably over the year. The income tax benefit was \$833 million compared to a benefit of \$1.1 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 Freddie Mac (FHLMC) and Fannie Mae (FNMA), or by the Government National Mortgage Association (GNMA) in the case of Federal Housing Administration (FHA)-insured, U.S. Department of Veterans Affairs (VA)-guaranteed and Rural Housing Service-guaranteed mortgage loans, and sell pools of first-lien residential mortgage loans in the form of whole loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (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 make or have 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 (HUD) with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, 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 when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached settlements, certain of which have been for significant amounts, in lieu of a loan-by-loan review process, including with the GSEs, four monoline insurers and BNY Mellon, as trustee.

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 not to approve the Trustee's conduct with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. The deadline for further appeal has passed. The BNY Mellon Settlement remains subject to certain conditions, including that an IRS private letter ruling be obtained confirming that the settlement will not impact the REMIC tax status of the trusts. There can be no assurance as to when or whether such conditions to the BNY Mellon Settlement will be satisfied. 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 Mortgage-related Settlements – Servicing Matters on page 45.

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.

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 or the 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.

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At March 31, 2015, we had \$25.8 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 include claims in the amount of \$6.4 billion and \$4.7 billion at March 31, 2015 and December 31, 2014, net of duplicate claims, where we believe the statute of limitations has expired under current law, and \$4.1 billion and \$4.0 billion in 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 continued increase in the notional amount of unresolved repurchase claims during the three months ended March 31, 2015 is primarily due to: (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, (3) the lack of an established process to resolve disputes related to these claims, (4) the submission of claims where we believe the statute of limitations has expired under current law and (5) the submission of duplicate claims, often in multiple submissions, on the same loan. For example, claims submitted without individual file reviews generally lack the level of detail and analysis of individual loans found in other claims that is necessary to evaluate a claim. Absent any settlements, we expect unresolved repurchase claims related to private-label securitizations to continue to increase as such claims continue to be submitted and there is not an established process for the ultimate resolution of such claims on which there is a disagreement.

During the three months ended March 31, 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. For more information on the monolines and experience with 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 indicating that we may owe indemnity obligations pertaining to loans for which we have not received a repurchase request from sponsors of third-party securitizations with whom we engaged in whole-loan transactions. These notifications totaled \$2.0 billion at both March 31, 2015 and December 31, 2014.

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 to such correspondence.

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 obligations under 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 44.

At March 31, 2015 and December 31, 2014, the liability for representations and warranties was \$12.0 billion and \$12.1 billion. For the three months ended March 31, 2015, the representations and warranties provision was \$84 million compared to \$178 million for the same period in 2014.

Our liability at March 31, 2015 for obligations under representations and warranties is necessarily dependent on, and limited by a number of factors including for private-label securitizations the implied repurchase experience based on the BNY Mellon Settlement, as well as certain other assumptions and judgmental factors. Where relevant, we also consider more recent experience, such as claim activity, notification of potential indemnification obligations, our experience with various counterparties, 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. Although we have not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where the applicable statute of limitations has expired under current law, these exposures are considered in the determination of the estimated range of possible loss.

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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 GSEs (although the GSEs are investors in certain private-label securitizations). 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, \$578 billion in principal has been paid, \$203 billion in principal has defaulted, \$42 billion in principal was severely delinquent, and \$147 billion in principal was current or less than 180 days past due at March 31, 2015 as summarized in Table 13.

Table 13

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 March 31 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	409	94	21	87	108	16	26	25	41
Settlement									
Other	307	55	12	65	77	8	18	19	32
Total	716	149	33	152	185	24	44	44	73
Countrywide									
Merrill Lynch	72	13	3	18	21	3	4	3	11
First Franklin	82	13	3	26	29	5	6	5	13
Total ^(1, 2)	\$970	\$189	\$42	\$203	\$245	\$33	\$56	\$54	\$102
By Product									
Prime	\$302	\$53	\$7	\$27	\$34	\$2	\$6	\$7	\$19
Alt-A	173	43	9	41	50	7	12	11	20
Pay option	150	32	9	45	54	5	13	15	21
Subprime	251	49	14	71	85	17	20	15	33
Home equity	88	9	—	18	18	2	5	4	7
Other	6	3	3	1	4	—	—	2	2
Total	\$970	\$189	\$42	\$203	\$245	\$33	\$56	\$54	\$102

(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, we believe 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).

Legacy entities, and to a lesser extent Bank of America, sold loans to investors via private-label securitizations or as whole loans. 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. Loans originated between 2004 and 2008 and sold without monoline insurance had an original total principal balance of \$786 billion included in Table 13. Of the \$786 billion, \$472 billion have been paid in full and \$193 billion were defaulted or severely delinquent at March 31, 2015. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans.

We have received approximately \$37 billion of representations and warranties repurchase claims related to loans originated between 2004 and 2008, including \$28 billion from private-label securitization trustees and a financial guarantee provider, \$8 billion from whole-loan investors and \$815 million from one private-label securitization counterparty. Continued high levels of 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. We have resolved \$9 billion of these claims with losses of \$2 billion. The majority of these resolved claims were from third-party whole-loan investors. Approximately \$4 billion of these claims were resolved through repurchase or indemnification, \$5 billion

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were rescinded by the investor and \$335 million were resolved through settlements. As of March 31, 2015, 15 percent of the whole-loan claims for these vintages that we initially denied have subsequently been resolved through repurchase or make-whole payments and 44 percent have been resolved through rescission of the claim by the counterparty or repayment in full by the borrower. At March 31, 2015, for these vintages, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and others was \$28 billion, including \$4 billion of duplicate claims primarily submitted without a loan file review. 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.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to \$4 billion over existing accruals at March 31, 2015. 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 obligations under 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.

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.

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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.

Other Mortgage-related Matters

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current origination, servicing, transfer of servicing and servicing rights, servicing compliance obligations, and foreclosure activities, including those claims not covered by the National Mortgage Settlement or the settlement with the Department of Justice (DoJ). This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. 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

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

BANA has agreed to implement uniform servicing standards established under the National Mortgage Settlement. These standards are intended to strengthen procedural safeguards and documentation requirements associated with foreclosure, bankruptcy and loss mitigation activities, as well as addressing the imposition of fees and the integrity of documentation, with a goal of ensuring greater transparency for borrowers. These uniform servicing standards also obligate us to implement compliance processes reasonably designed to provide assurance of the achievement of these objectives. Compliance with the uniform servicing standards is subject to ongoing review by the independent monitor. Implementation of these uniform servicing standards has contributed to elevated costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures.

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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.

Capital Management

The Corporation manages its capital position to maintain sufficient capital to support its business activities and maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain safety and soundness at all times 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 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 22.

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CCAR and Capital Planning

The Federal Reserve requires BHCs to submit a capital plan and requests for capital actions on an annual basis, consistent with the rules governing the 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 we 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 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 begun a review of our entire CCAR process with a goal of assuring better alignment with regulator expectations.

Pending the resubmission of our capital plan, we are permitted, and have proceeded with our stock repurchase program and to maintain our common stock dividend at the current rate. The timing and amount of 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.

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 (Basel 3 Standardized – Transition). Basel 3 generally continues to be subject to interpretation and clarification by U.S. banking regulators. Basel 3 expanded and modified the calculation of risk-weighted assets for credit and market risk (applicable to banks that meet the definition as an advanced approaches bank), and introduced a Standardized approach for the calculation of risk-weighted assets, which serves as a minimum. The Corporation and its primary affiliated banking entity, BANA, meet the definition of an advanced approaches bank and measure regulatory capital adequacy based on Basel 3.

Risk-weighted assets are calculated for credit risk for all on- and off-balance sheet credit exposures and for market risk on trading assets and liabilities, including derivative exposures. Credit risk-weighted assets are calculated by assigning a prescribed risk weight to all on-balance sheet assets and to the credit equivalent amount of certain off-balance sheet exposures. Off-balance sheet exposures include financial guarantees, unfunded lending commitments, letters of credit and derivatives. Market risk-weighted assets are calculated using risk models for trading account positions, including all foreign exchange and commodity positions, regardless of the applicable accounting guidance. Any assets that are a direct deduction from the computation of capital are excluded from risk-weighted assets and adjusted average total assets, consistent with regulatory guidance. For more information on

the regulatory capital amounts and calculations, see Basel 3 below.

Basel 3

Basel 3 provides Tier 1 and Total capital calculations and establishes a Common equity tier 1 capital ratio. Basel 3 also includes minimum capital ratios and buffer requirements and a supplementary leverage ratio (SLR), and addresses the composition of regulatory capital and the adequately capitalized minimum requirements under the Prompt Corrective Action (PCA) framework. The composition of regulatory capital under Basel 3 is subject to a transition period as described below. The new minimum capital ratio requirements and related buffers are being phased in from January 1, 2014 through January 1, 2019. For more information on the SLR, see Capital Management – Other Regulatory Capital Requirements on page 53.

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As an advanced approaches bank, under Basel 3, we are required to complete a qualification period (parallel run) to demonstrate compliance with the Basel 3 rules to the satisfaction of U.S. banking regulators. Upon notification of approval by U.S. banking regulators to exit our parallel run, 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.

Effective January 1, 2015, the PCA framework was amended to reflect the new capital requirements under Basel 3. The PCA framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for "well-capitalized" banking organizations, which included BANA at March 31, 2015. Effective January 1, 2015, Common equity tier 1 capital is included in the measurement of "well capitalized."

Regulatory Capital Composition – Transition

Basel 3 requires deductions from capital related to MSRs, deferred tax assets and defined benefit pension assets. Basel 3 also provides for the inclusion in capital of unrealized gains and losses on AFS debt and certain marketable equity securities recorded in accumulated OCI. These changes will be impacted by, among other things, fluctuations in interest rates, earnings performance and corporate actions. Changes to the composition of regulatory capital under Basel 3 are recognized in 20 percent annual increments, and will be fully recognized as of January 1, 2018.

Table 14 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 14

Summary of Certain Basel 3 Regulatory Capital Transition Provisions

Beginning on January 1 of each year	2014	2015	2016	2017	2018
Common equity tier 1 capital					
Percent of total amount deducted from Common equity tier 1 capital includes:	20%	40%	60%	80%	100%
Deferred tax assets arising from net operating loss and tax credit carryforwards; intangibles, other than mortgage servicing rights and goodwill; defined benefit pension fund net assets; net unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value; direct and indirect investments in own Common equity tier 1 capital instruments; certain amounts exceeding the threshold by 10 percent individually and 15 percent in aggregate					
Percent of total amount used to adjust Common equity tier 1 capital includes	80%	60%	40%	20%	0%
(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					
Tier 1 capital					
Percent of total amount deducted from Tier 1 capital includes:	80%	60%	40%	20%	0%
Deferred tax assets arising from net operating loss and tax credit carryforwards; defined benefit pension fund net assets; net unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value					

(1) Represents the phase-out percentage of the exclusion by year (e.g., 20 percent of net unrealized gains (losses) on AFS debt and certain marketable equity securities recorded in accumulated OCI was included in 2014).

Additionally, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and

transitioned from Tier 2 capital beginning in 2016 with the full amount excluded in 2022. As of March 31, 2015, our qualifying Trust Securities were \$1.4 billion (approximately 10 bps of the Tier 1 capital ratio).

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Standardized Approach

Under the Basel 3 Standardized approach, credit risk-weighted assets are measured by applying fixed risk weights to each exposure (excluding securitizations), determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development (OECD) country risk code and maturity, among others. 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. We estimate that our Common equity tier 1 capital ratio under the Basel 3 Standardized approach, on a fully phased-in basis, would have been 10.3 percent at March 31, 2015. As of March 31, 2015, we estimate that our Basel 3 Standardized Common equity tier 1 capital would have been \$147.2 billion and total risk-weighted assets would have been \$1,431 billion, on a fully phased-in basis. For a reconciliation of Basel 3 Standardized – Transition to Basel 3 Standardized estimates on a fully phased-in basis for Common equity tier 1 capital, see Table 18. Our estimates under the Basel 3 Standardized approach may be refined over time as a result of further rulemaking or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve. Actual results could differ from those estimates and assumptions.

Advanced Approaches

In addition to the exposures calculated under the Basel 3 Standardized approach, the Basel 3 Advanced approaches include measures of operational risk and risks related to the credit valuation adjustment (CVA) for over-the-counter (OTC) derivative exposures. The Advanced approaches rely on internal analytical models to measure risk weights for credit risk exposures and allow the use of models to estimate the exposure at default (EAD) for certain exposure types. Market risk capital measurements are consistent with the Standardized approach, except for securitization exposures, where the Supervisory Formula Approach (SFA) is also permitted. Credit risk for securitization exposures is based on the SSFA if an SFA approach 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.

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 10.1 percent at March 31, 2015. As of March 31, 2015, we estimate that our Basel 3 Advanced Common equity tier 1 capital would have been \$147.2 billion and total risk-weighted assets would have been \$1,461 billion, on a fully phased-in basis. These estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the internal models methodology, but do not include the benefit of the removal of the surcharge applicable to the Comprehensive Risk Measure (CRM). 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 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, including our Common equity tier 1 ratio by approximately 100 bps. We are currently working with the U.S. banking regulators in order to exit parallel run.

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Capital Composition and Ratios

Table 15 presents Bank of America Corporation's capital ratios and related information in accordance with Basel 3 Standardized – Transition as measured at March 31, 2015 and December 31, 2014.

Table 15

Bank of America Corporation Regulatory Capital

(Dollars in millions)	March 31, 2015		December 31, 2014	
	Ratio ⁽¹⁾	Amount	Ratio ⁽¹⁾	Amount
Common equity tier 1 capital	11.1	% \$155,438	12.3	% \$155,361
Tier 1 capital	12.3	173,155	13.4	168,973
Total capital	15.3	214,481	16.5	208,670
Tier 1 leverage	8.4	173,155	8.2	168,973

	March 31 2015	December 31 2014
Risk-weighted assets (in billions) ⁽²⁾	\$1,405	\$1,262
Adjusted quarterly average total assets (in billions) ⁽³⁾	2,060	2,060

When presented on a fully phased-in basis, beginning January 1, 2019, the minimum Basel 3 Common equity tier 1, Tier 1 and Total capital ratio requirements for the Corporation are expected to significantly increase and will be

- ⁽¹⁾ comprised of the minimum ratio for Common equity tier 1, Tier 1 and Total capital, plus a capital conservation buffer and the G-SIB buffer. For more information on these buffers, see Capital Management – Other Regulatory Capital Requirements on page 53.
- ⁽²⁾ On a pro-forma basis, under the Basel 3 Standardized – Transition as measured at January 1, 2015, the December 31, 2014 risk-weighted assets would have been \$1,392 billion.
- ⁽³⁾ Reflects adjusted average total assets for the three months ended March 31, 2015 and December 31, 2014.

Table 16 presents regulatory minimum and "well-capitalized" ratio requirements in accordance with Basel 3 Standardized – Transition as measured at March 31, 2015 and December 31, 2014.

Table 16

Bank of America Corporation Regulatory Capital Ratio Requirements

	March 31, 2015		December 31, 2014	
	Regulatory Minimum	Well-capitalized ⁽¹⁾	Regulatory Minimum	Well-capitalized ⁽¹⁾
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

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

- ⁽¹⁾ maintain these ratios or greater and not be subject to a Federal Reserve Board order or directive to maintain higher capital levels.

n/a = not applicable

Common equity tier 1 capital under Basel 3 Standardized – Transition of \$155.4 billion at March 31, 2015 remained relatively unchanged compared to December 31, 2014 as earnings and an improvement in accumulated OCI were largely offset by the impact of certain transition provisions under Basel 3 Standardized – Transition. For more information on Basel 3 transition provisions, see Table 14. During the three months ended March 31, 2015, Total capital increased \$5.8 billion primarily driven by earnings and issuances of preferred stock and subordinated debt. The

Tier 1 leverage ratio increased 21 bps for the three months ended March 31, 2015 compared to December 31, 2014 primarily driven by an increase in Tier 1 capital. For additional information, see Tables 15 and 17.

Risk-weighted assets increased \$144 billion during the three months ended March 31, 2015 to \$1,405 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.

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At March 31, 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 \$920 million, respectively. An increase in our Tier 1 leverage ratio by one bp on such date would require \$206 million of additional Tier 1 capital or a reduction of \$2.4 billion in adjusted average assets.

Table 17 presents the capital composition as measured under Basel 3 Standardized – Transition at March 31, 2015 and December 31, 2014.

Table 17

Capital Composition

(Dollars in millions)	March 31 2015	December 31 2014
Total common shareholders' equity	\$227,915	\$ 224,162
Goodwill	(69,231)	(69,234)
Intangibles, other than mortgage servicing rights and goodwill	(1,214)	(639)
Net unrealized gains (losses) on AFS debt securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	—	573
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,995	2,680
DVA related to liabilities and derivatives ⁽¹⁾	332	231
Deferred tax assets arising from net operating loss and tax credit carryforwards	(4,021)	(2,226)
Other	(338)	(186)
Common equity tier 1 capital	155,438	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 under transition	(6,031)	(8,905)
DVA related to liabilities and derivatives under transition	498	925
Defined benefit pension fund assets	(459)	(599)
Trust preferred securities	1,447	2,893
Other	(11)	(10)
Total Tier 1 capital	173,155	168,973
Long-term debt qualifying as Tier 2 capital	19,538	17,953
Nonqualifying trust preferred securities subject to phase out from Tier 2 capital	4,843	3,881
Qualifying allowance for credit losses	14,213	14,634
Other	2,732	3,229
Total capital	\$214,481	\$ 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 18 presents a reconciliation of our Common equity tier 1 capital in accordance with the Basel 3 Standardized – Transition to the Basel 3 Standardized approach fully phased-in estimates and Basel 3 Advanced approaches fully phased-in estimates at March 31, 2015 and December 31, 2014. Basel 3 regulatory capital ratios on a fully phased-in basis 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 18
Regulatory Capital Reconciliation ⁽¹⁾

(Dollars in millions)	March 31 2015	December 31 2014
Regulatory capital – Basel 3 transition to fully phased-in		
Common equity tier 1 capital (transition)	\$ 155,438	\$ 155,361
Deferred tax assets arising from net operating loss and tax credit carryforwards phased in during transition	(6,031)	(8,905)
DVA related to liabilities and derivatives phased in during transition	498	925
Defined benefit pension fund assets phased in during transition	(459)	(599)
Accumulated OCI phased in during transition	(378)	(1,592)
Intangibles phased in during transition	(1,821)	(2,556)
Other adjustments and deductions phased in during transition	(48)	(1,417)
Common equity tier 1 capital (fully phased-in)	\$ 147,199	\$ 141,217
Regulatory capital ratios		
Basel 3 Standardized approach Common equity tier 1 (transition)	11.1	% 12.3 %
Basel 3 Standardized approach Common equity tier 1 (fully phased-in)	10.3	10.0
Basel 3 Advanced approaches Common equity tier 1 (fully phased-in) ⁽²⁾	10.1	9.6

Fully phased-in Basel 3 estimates are based on our current understanding of the Standardized and Advanced ⁽¹⁾ approaches under Basel 3. The Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, and do not include the benefit of the removal of the surcharge applicable to the CRM. The U.S. banking regulators have requested modifications to certain internal analytical models including the ⁽²⁾ wholesale (e.g., commercial) and other credit models which would increase our risk-weighted assets and is estimated to negatively impact the Common equity tier 1 capital ratio by approximately 100 bps. We are currently working with the U.S. banking regulators in order to exit parallel run.

Bank of America, N.A. Regulatory Capital

Table 19 presents regulatory capital information for BANA in accordance with Basel 3 Standardized – Transition as measured at March 31, 2015 and December 31, 2014.

Table 19
Bank of America, N.A. Regulatory Capital

(Dollars in millions)	March 31, 2015			December 31, 2014		
	Ratio	Amount	Minimum Required ⁽¹⁾	Ratio	Amount	Minimum Required ⁽¹⁾
Common equity tier 1 capital	12.6	% \$ 145,042	6.5 %	13.1	% \$ 145,150	4.0 %
Tier 1 capital	12.6	145,042	8.0	13.1	145,150	6.0
Total capital	14.0	161,662	10.0	14.6	161,623	10.0
Tier 1 leverage	9.5	145,042	5.0	9.6	145,150	5.0

⁽¹⁾ Percent required to meet guidelines to be considered "well capitalized" under the Prompt Corrective Action framework, except for the December 31, 2014 Common equity tier 1 capital which reflects capital adequacy

minimum requirements as an advanced approaches bank under Basel 3 during a transition period that ended in 2014.

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BANA's Common equity tier 1 capital ratio under Basel 3 Standardized – Transition was 12.6 percent at March 31, 2015, a decrease of 54 bps from December 31, 2014, primarily driven by dividends to the parent company and the change in the calculation of risk-weighted assets from the general risk-based approach at December 31, 2014 to the Basel 3 Standardized approach, partially offset by earnings. The Total capital ratio decreased 59 bps to 14.0 percent at March 31, 2015 compared to December 31, 2014 and the Tier 1 leverage ratio decreased 11 bps to 9.5 percent. The decrease in the Total capital ratio was driven by the same factors as the Common equity tier 1 capital ratio. The decrease in the Tier 1 leverage ratio was primarily driven by an increase in adjusted quarterly average total assets.

Other Regulatory Capital Requirements

Supplementary Leverage Ratio

Basel 3 also requires the calculation of a SLR. The numerator of the SLR is quarter-end Basel 3 Tier 1 capital. The denominator is supplementary 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 include lending commitments, letters of credit, OTC derivatives, repo-style transactions and margin loan commitments. 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 institutions, including BANA, will be required to maintain a minimum 6.0 percent SLR to be considered "well capitalized."

As of March 31, 2015, the Corporation's SLR was 6.3 percent, which exceeds the 5.0 percent threshold that represents the minimum plus the supplementary leverage buffer for BHCs. The SLR for BANA was 7.1 percent, which exceeds the 6.0 percent "well-capitalized" level for insured depository institutions of BHCs.

Global Systemically Important Bank Surcharge

In November 2011, the Basel Committee on Banking Supervision (Basel Committee) published a methodology to identify global systemically important banks (G-SIBs) and impose an additional loss absorbency requirement through the introduction of a surcharge of up to 3.5 percent, which must be satisfied with Common equity tier 1 capital. The assessment methodology relies on an indicator-based measurement approach to determine a score relative to the global banking industry. The chosen indicators are size, complexity, cross-jurisdictional activity, inter-connectedness and substitutability/financial institution infrastructure. Institutions with the highest scores are designated as G-SIBs and are assigned to one of four loss absorbency buckets from 1.0 percent to 2.5 percent, in 0.5 percent increments based on each institution's relative score and supervisory judgment. A fifth loss absorbency bucket of 3.5 percent is currently empty and serves to discourage banks from becoming more systemically important. Also in November 2011, the Financial Stability Board (FSB) published an integrated set of policy measures and identified an initial group of G-SIBs, which included the Corporation.

In July 2013, the Basel Committee updated the November 2011 methodology to recalibrate the substitutability/financial institution infrastructure indicator by introducing a cap on the weighting of that component, and requiring the annual publication by the FSB of key information necessary to permit each G-SIB to calculate its score and observe its position within the buckets and relative to the industry total for each indicator. Every three years, beginning on January 1, 2016, the Basel Committee will reconsider and recalibrate the bucket thresholds. The Basel Committee and FSB expect banks to change their behavior in response to the incentives of the G-SIB framework, as

well as other aspects of Basel 3 and jurisdiction-specific regulations.

In November 2014, the Basel Committee published an updated list of G-SIBs and their respective loss absorbency buckets. As of March 31, 2015, we estimated our surcharge at 1.5 percent based on this information and the FSB's report, "2014 update of list of global systemically important banks (G-SIBs)." Our surcharge could change each year based on our actions and those of our peers, as the scoring methods utilize data from the Corporation in combination with the industry. If our score were to increase, we could be subject to a higher G-SIB surcharge.

In December 2014, the Federal Reserve proposed a regulation that would implement G-SIB surcharge requirements for the largest U.S. BHCs. Under the proposal, assignment to loss absorbency buckets would be determined by the higher score as calculated according to two methods. Method 1 is substantially similar to the Basel Committee's methodology, whereas Method 2 replaces the substitutability/financial institution infrastructure indicator with a measure of short-term wholesale funding and then multiplies the overall score by two. The Federal Reserve estimates that Method 2 will yield a higher surcharge, currently ranging from 1.0 percent to 4.5 percent.

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Under the proposed U.S. rules, the G-SIB surcharge requirement will begin to phase in effective January 2016, with full implementation in January 2019. Data from the Basel Committee's original five indicators, measured as of December 31, 2014, combined with short-term wholesale funding data covering the third quarter of 2015, is expected to be used to determine the G-SIB surcharge that will be effective in 2016.

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

Capital Conservation and Countercyclical Capital Buffers

Beginning January 1, 2016, we will be subject to capital conservation and countercyclical capital buffers. The Corporation will be required to maintain a capital conservation buffer greater than 2.5 percent, plus any applicable countercyclical capital buffer once fully phased in, in order to avoid certain restrictions on capital distributions and bonus payments. The capital conservation buffer will 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 banks will have one year to implement.

Minimum Total Loss Absorbing Capacity

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

Broker-dealer Regulatory Capital and Securities Regulation

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

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At March 31, 2015, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was \$10.5 billion and exceeded the minimum requirement of \$1.5 billion by \$9.0 billion. MLPCC's net capital of \$3.3 billion exceeded the minimum requirement of \$518 million by \$2.7 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of \$1.0 billion, net capital in excess of \$500 million and notify the SEC in the event its tentative net capital is less than \$5.0 billion. At March 31, 2015, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At March 31, 2015, MLI's capital resources were \$34.4 billion which exceeded the minimum requirement of \$19.7 billion.

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Common and Preferred Stock Dividends

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

Table 20 is a summary of our cash dividend declarations on preferred stock during the first quarter of 2015 and through April 29, 2015. During the first quarter of 2015, we declared \$382 million of cash dividends on preferred stock, of which \$319 million was paid during the quarter with the remainder paid in April 2015. For more information on preferred stock, including the preferred issuances of Series AA, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 20

Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B ⁽¹⁾	\$ 1	February 10, 2015	April 10, 2015	April 24, 2015	7.00	% \$1.75
		April 16, 2015	July 10, 2015	July 24, 2015	7.00	1.75
Series D ⁽²⁾	\$ 654	January 9, 2015	February 27, 2015	March 16, 2015	6.204	% \$0.38775
		April 13, 2015	May 29, 2015	June 15, 2015	6.204	0.38775
Series E ⁽²⁾	\$ 317	January 9, 2015	January 30, 2015	February 17, 2015	Floating	\$0.25556
		April 13, 2015	April 30, 2015	May 15, 2015	Floating	0.24722
Series F	\$ 141	January 9, 2015	February 27, 2015	March 16, 2015	Floating	\$1,000.00
		April 13, 2015	May 29, 2015	June 15, 2015	Floating	1,022.22222
Series G	\$ 493	January 9, 2015	February 27, 2015	March 16, 2015	Adjustable	\$1,000.00
		April 13, 2015	May 29, 2015	June 15, 2015	Adjustable	1,022.22222
Series I ⁽²⁾	\$ 365	January 9, 2015	March 15, 2015	April 1, 2015	6.625	% \$0.4140625
		April 13, 2015	June 15, 2015	July 1, 2015	6.625	0.4140625
Series K ^(3, 4)	\$ 1,544	January 9, 2015	January 15, 2015	January 30, 2015	Fixed-to-floating	\$40.00
Series L	\$ 3,080	March 18, 2015	April 1, 2015	April 30, 2015	7.25	% \$18.125
Series M ^(3, 4)	\$ 1,310	April 13, 2015	April 30, 2015	May 15, 2015	Fixed-to-floating	\$40.625
Series T	\$ 5,000	February 10, 2015	March 26, 2015	April 10, 2015	6.00	% \$1,500.00
		April 16, 2015	June 25, 2015	July 10, 2015	6.00	1,500.00
Series U ^(3, 4)	\$ 1,000	April 13, 2015	May 15, 2015	June 1, 2015	Fixed-to-floating	\$26.00
Series V ^(3, 4)	\$ 1,500	April 13, 2015	June 1, 2015	June 17, 2015	Fixed-to-floating	\$25.625
Series W ⁽²⁾	\$ 1,100	January 9, 2015		March 9, 2015	6.625	% \$0.4140625

			February 15, 2015				
		April 13, 2015	May 15, 2015	June 9, 2015	6.625		0.4140625
Series X ^(3, 4)	\$ 2,000	January 9, 2015	February 15, 2015	March 5, 2015	Fixed-to-floating		\$31.25
Series Y ⁽²⁾	\$ 1,100	March 18, 2015	April 1, 2015	April 27, 2015	6.50	%	\$0.40625
Series Z ⁽⁴⁾	\$ 1,400	March 18, 2015	April 1, 2015	April 23, 2015	Fixed-to-floating		\$32.50

(1) Dividends are cumulative.

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

(3) Initially pays dividends semi-annually.

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

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Table 20

Preferred Stock Cash Dividend Summary (continued)

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series 1 ⁽⁵⁾	\$ 98	January 9, 2015	February 15, 2015	February 27, 2015	Floating	\$0.18750
		April 13, 2015	May 15, 2015	May 28, 2015	Floating	0.18750
Series 2 ⁽⁵⁾	\$ 299	January 9, 2015	February 15, 2015	February 27, 2015	Floating	\$0.19167
		April 13, 2015	May 15, 2015	May 28, 2015	Floating	0.18542
Series 3 ⁽⁵⁾	\$ 653	January 9, 2015	February 15, 2015	March 2, 2015	6.375	% \$0.3984375
		April 13, 2015	May 15, 2015	May 28, 2015	6.375	0.3984375
Series 4 ⁽⁵⁾	\$ 210	January 9, 2015	February 15, 2015	February 27, 2015	Floating	\$0.25556
		April 13, 2015	May 15, 2015	May 28, 2015	Floating	0.24722
Series 5 ⁽⁵⁾	\$ 422	January 9, 2015	February 1, 2015	February 23, 2015	Floating	\$0.25556
		April 13, 2015	May 1, 2015	May 21, 2015	Floating	0.24722

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

Liquidity Risk

Funding and Liquidity Risk Management

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity risk management objective is to meet all contractual and contingent financial obligations at all times, including during periods of stress. To achieve that objective, we analyze and monitor our liquidity risk under expected and stressed conditions, maintain excess liquidity and access to diverse funding sources, including our stable deposit base, and seek to align liquidity-related incentives and risks.

We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our contractual and contingent financial obligations as those obligations arise. We manage our liquidity position through line of business and asset-liability management activities, as well as through our legal entity funding strategy, on both a forward and current (including intraday) basis under both expected and stressed conditions. We believe that a centralized approach to funding and liquidity risk management within Corporate Treasury enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For more information regarding global funding and liquidity risk management, see Liquidity Risk – Funding and Liquidity Risk Management on page 65 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. Our liquidity buffer, or Global Excess Liquidity Sources, is comprised of assets that are readily available to the parent company and selected

subsidiaries, including bank and broker-dealer subsidiaries, even during stressed market conditions. Our cash is primarily on deposit with the Federal Reserve and, to a lesser extent, central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed conditions, through repurchase agreements or outright sales. We hold our Global Excess Liquidity Sources in legal entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities. Our Global Excess Liquidity Sources are substantially the same in composition to what qualifies as High Quality Liquid Assets (HQLA) under the final LCR rules. For more information on the final rules, see Liquidity Risk – Basel 3 Liquidity Standards on page 58.

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Our Global Excess Liquidity Sources were \$478 billion and \$439 billion at March 31, 2015 and December 31, 2014 and were maintained as presented in Table 21.

Table 21
Global Excess Liquidity Sources

(Dollars in billions)	March 31 2015	December 31 2014	Average for Three Months Ended March 31, 2015
Parent company	\$93	\$ 98	\$92
Bank subsidiaries	354	306	339
Other regulated entities	31	35	35
Total Global Excess Liquidity Sources	\$478	\$ 439	\$466

As shown in Table 21, parent company Global Excess Liquidity Sources totaled \$93 billion and \$98 billion at March 31, 2015 and December 31, 2014. The decrease in parent company liquidity was primarily due to derivative collateral outflows and incentive compensation funding. Typically, parent company excess liquidity is in the form of cash deposited with BANA.

Global Excess Liquidity Sources available to our bank subsidiaries totaled \$354 billion and \$306 billion at March 31, 2015 and December 31, 2014. The increase in bank subsidiaries' liquidity was primarily due to deposit inflows and a shift from less liquid mortgage loans into more liquid securities, partially offset by dividends to the parent company. Global Excess Liquidity Sources at bank subsidiaries exclude the cash deposited by the parent company. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately \$190 billion and \$214 billion at March 31, 2015 and December 31, 2014. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined in guidelines from the FHLBs and the Federal Reserve and is subject to change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can generally be used only to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

Global Excess Liquidity Sources available to our other regulated entities, comprised primarily of broker-dealer subsidiaries, totaled \$31 billion and \$35 billion at March 31, 2015 and December 31, 2014. Our other regulated entities also held other unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in an other regulated entity is primarily available to meet the obligations of that entity and transfers to the parent company or to any other subsidiary may be subject to prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 22 presents the composition of Global Excess Liquidity Sources at March 31, 2015 and December 31, 2014.

Table 22
Global Excess Liquidity Sources Composition

(Dollars in billions)	March 31 2015	December 31 2014
Cash on deposit	\$122	\$ 97
U.S. Treasury securities	60	74
U.S. agency securities and mortgage-backed securities	274	252

Non-U.S. government and supranational securities	22	16
Total Global Excess Liquidity Sources	\$478	\$ 439

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Time-to-required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is "time-to-required funding." This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our time-to-required funding was 37 months at March 31, 2015. For purposes of calculating time-to-required funding at March 31, 2015, we have included in the amount of unsecured contractual obligations \$8.6 billion related to the BNY Mellon Settlement. The BNY Mellon Settlement is subject to final approval and the timing of this payment is not certain. For more information on the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

We also utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. These models are risk sensitive and have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the time-to-required funding analysis. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. The scenarios we consider and utilize incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries, and are based on historical experience, regulatory guidance, and both expected and unexpected future events.

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

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

Basel 3 Liquidity Standards

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

In 2014, the U.S. banking regulators finalized LCR requirements for the largest U.S. financial institutions on a consolidated basis and for their subsidiary depository institutions with total assets greater than \$10 billion. The LCR is calculated as the amount of a financial institution's unencumbered HQLA relative to the estimated net cash outflows the institution could encounter over a 30-day period of significant liquidity stress, expressed as a percentage. Under the final rule, an initial minimum LCR of 80 percent was required as of January 2015, and will increase thereafter in 10 percentage point increments annually through January 2017. These minimum requirements are applicable to the

Corporation on a consolidated basis and to our insured depository institutions. As of March 31, 2015, we estimate the consolidated Corporation was above the 2017 LCR requirements.

In 2014, the Basel Committee issued a final standard for the NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. The final standard aligns the NSFR to the LCR and gives more credit to a wider range of funding. The final standard also includes adjustments to the stable funding required for certain types of assets, some of which reduce the stable funding requirement and some of which increase it. Basel Committee standards generally do not apply directly to U.S. financial institutions, but require adoption by U.S. banking regulators. The U.S. banking regulators are expected to propose a similar NSFR regulation applicable to U.S. financial institutions in the near future. We expect to meet the NSFR requirement within the regulatory timeline.

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Diversified Funding Sources

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

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

We fund a substantial portion of our lending activities through our deposits, which were \$1.15 trillion and \$1.12 trillion at March 31, 2015 and December 31, 2014. Deposits are primarily generated by our Consumer Banking, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the Federal Deposit Insurance Corporation. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

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

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

During the three months ended March 31, 2015, we issued \$9.3 billion of long-term debt, consisting of \$4.2 billion for Bank of America Corporation, \$3.4 billion for Bank of America, N.A. and \$1.7 billion of other debt.

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Table 23 presents the carrying value of aggregate annual contractual maturities of long-term debt as of March 31, 2015. During the three months ended March 31, 2015, we had total long-term debt maturities and purchases of \$11.7 billion consisting of \$7.2 billion for Bank of America Corporation, \$2.3 billion for Bank of America, N.A. and \$2.2 billion of other debt.

Table 23
Long-term Debt By Maturity

(Dollars in millions)	Remainder of						Total
	2015	2016	2017	2018	2019	Thereafter	
Bank of America Corporation							
Senior notes	\$ 11,420	\$ 16,954	\$ 18,463	\$ 19,941	\$ 15,929	\$ 40,547	\$ 123,254
Senior structured notes	3,333	3,290	1,520	1,830	1,389	6,945	18,307
Subordinated notes	1,210	4,992	4,995	2,632	1,473	15,654	30,956
Junior subordinated notes	—	—	—	—	—	7,284	7,284
Total Bank of America Corporation	15,963	25,236	24,978	24,403	18,791	70,430	179,801
Bank of America, N.A.							
Senior notes	22	3,057	5,167	1,751	15	106	10,118
Subordinated notes	—	1,066	3,535	—	1	1,756	6,358
Advances from Federal Home Loan Banks	3,003	6,003	10	10	16	139	9,181
Securitized and other Bank VIEs ⁽¹⁾	1,134	1,290	3,550	1,100	2,450	1,410	10,934
Total Bank of America, N.A.	4,159	11,416	12,262	2,861	2,482	3,411	36,591
Other debt							
Senior notes	21	—	1	—	—	—	22
Structured liabilities	1,454	2,328	2,014	1,316	996	7,979	16,087
Junior subordinated notes	—	—	—	—	—	405	405
Nonbank VIEs ⁽¹⁾	5	461	245	92	27	2,178	3,008
Other	202	924	428	32	6	352	1,944
Total other debt	1,682	3,713	2,688	1,440	1,029	10,914	21,466
Total long-term debt	\$ 21,804	\$ 40,365	\$ 39,928	\$ 28,704	\$ 22,302	\$ 84,755	\$ 237,858

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

Table 24 presents our long-term debt by major currency at March 31, 2015 and December 31, 2014.

Table 24
Long-term Debt By Major Currency

(Dollars in millions)	March 31 2015	December 31 2014
U.S. Dollar	\$ 190,892	\$ 191,264
Euro	27,773	30,687
British Pound	7,596	7,881
Japanese Yen	4,780	6,058
Australian Dollar	1,990	2,135
Canadian Dollar	1,619	1,779
Swiss Franc	916	897

Other	2,292	2,438
Total long-term debt	\$237,858	\$ 243,139

Total long-term debt decreased \$5.3 billion, or two percent, during the three months ended March 31, 2015, primarily driven by maturities outpacing new issuances. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for investors. For more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see page 65 of the MD&A of the Corporation's 2014 Annual Report on Form 10-K.

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We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Non-trading Activities on page 108.

We may also issue unsecured debt in the form of structured notes for client purposes. During the three months ended March 31, 2015, we issued \$872 million of structured notes, a majority of which was issued by Bank of America Corporation. Structured notes are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivatives and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured liability obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a carrying value of \$34.6 billion and \$38.8 billion at March 31, 2015 and December 31, 2014.

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

Contingency Planning

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

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

Credit Ratings

Our borrowing costs and ability to raise funds are impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including OTC derivatives. Thus, it is our objective to maintain high-quality credit ratings, and management maintains an active dialogue with the rating agencies.

Credit ratings and outlooks are opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the rating agencies, and they consider a number of factors, including our own financial strength, performance, prospects and operations, as well as factors not under our control. The rating agencies could make adjustments to our ratings at any time, and they provide no assurances that they will maintain our ratings at current levels.

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types, the rating agencies' assessment of the general operating environment for financial services companies, the sovereign credit ratings of the U.S. government, our mortgage exposures (including litigation), our

relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, funding costs, the level and volatility of earnings, corporate governance and risk management policies, capital position, capital management practices, and current or future regulatory and legislative initiatives.

All three agencies have indicated that, as a systemically important financial institution, the senior credit ratings of the Corporation and Bank of America, N.A. (or in the case of Moody's Investors Service, Inc. (Moody's), only the ratings of Bank of America, N.A.) currently reflect the expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments.

On March 17, 2015, Moody's announced several rating actions affecting banks globally following the publication of its new bank rating methodology. As a result, certain ratings of Bank of America have been placed on review for upgrade, including the long-term senior debt and preferred stock ratings of Bank of America Corporation and the long-term senior debt and long-term deposit ratings of Bank of America, N.A. Moody's has indicated that Bank of America Corporation's and Bank of America, N.A.'s long-term senior debt ratings could each increase by one notch to Baa1 and A1, respectively, as a result of this review. The ratings and outlook of the short-term and long-term subordinated debt of Bank of America Corporation and the short-term debt of Bank of America, N.A. remain unchanged. Moody's indicated that it expects to conclude its review in the coming few months.

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On December 2, 2014, Standard & Poor's Ratings Services (S&P) affirmed the ratings of Bank of America, and revised the outlook on our core operating subsidiaries, including Bank of America, N.A., MLPF&S and MLI, to stable from negative. The negative outlook on the ratings of Bank of America Corporation reflects S&P's ongoing evaluation of whether to continue to include uplift for extraordinary U.S. government support in the ratings of systematically important BHCs. S&P currently includes two notches of uplift for extraordinary U.S. government support in its senior debt rating for Bank of America Corporation.

On November 25, 2014, Fitch Ratings (Fitch) concluded its periodic review of 12 large, complex securities trading and universal banks, including Bank of America Corporation. As a result of this review, Fitch affirmed all of the Corporation's credit ratings and retained a negative outlook. The negative outlook reflects Fitch's expectation that the probability of the U.S. government providing support to a systemically important financial institution during a crisis is likely to decline due to the orderly liquidation provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Fitch has stated that it is likely to remove its support-driven rating floor of A for systemically important U.S. BHCs during the first half of 2015; such removal would likely result in a one-notch downgrade to Bank of America Corporation's long-term senior debt rating.

Table 25 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies.

Table 25
Senior Debt Ratings

	Moody's Investors Service			Standard & Poor's			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Bank of America Corporation	Baa2	P-2 ⁽¹⁾	Review for upgrade	A-	A-2	Negative	A	F1	Negative
Bank of America, N.A.	A2	P-1 ⁽¹⁾	Review for upgrade	A	A-1	Stable	A	F1	Negative
Merrill Lynch, Pierce, Fenner & Smith	NR	NR	NR	A	A-1	Stable	A	F1	Negative
Merrill Lynch International	NR	NR	NR	A	A-1	Stable	A	F1	Negative

⁽¹⁾ The short-term ratings are not on review for upgrade.

NR = not rated

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

Table 26 presents the amount of additional collateral that would have been contractually required by derivative contracts and other trading agreements at March 31, 2015 if the rating agencies had downgraded their long-term senior

debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Table 26
Additional Collateral Required to be Posted Upon Downgrade

(Dollars in millions)	March 31, 2015	
	One incremental notch	Second incremental notch
Bank of America Corporation	\$1,358	\$ 2,714
Bank of America, N.A. and subsidiaries ⁽¹⁾	1,087	1,877

⁽¹⁾ Included in Bank of America Corporation collateral requirements in this table.

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Table 27 presents the derivative liabilities that would be subject to unilateral termination by counterparties and the amounts of collateral that would have been contractually required at March 31, 2015 if the long-term senior debt ratings for the Corporation or certain subsidiaries had been lower by one incremental notch and by an additional second incremental notch.

Table 27

Derivative Liability Subject to Unilateral Termination Upon Downgrade

(Dollars in millions)	March 31, 2015	
	One incremental notch	Second incremental notch
Derivative liability	\$1,364	\$ 4,724
Collateral posted	1,106	3,922

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit rating downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a company's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time-to-required Funding and Stress Modeling on page 58.

For more information on the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit rating downgrade, see Note 2 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2014 Annual Report on Form 10-K.

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Credit Risk Management

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

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

We have non-U.S. exposure largely in Europe and Asia Pacific. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 96 and Item 1A. Risk Factors of the Corporation's 2014 Annual Report on Form 10-K.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 65, Commercial Portfolio Credit Risk Management on page 85, Non-U.S. Portfolio on page 96, Provision for Credit Losses on page 98, Allowance for Credit Losses on page 98, and Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

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Consumer Portfolio Credit Risk Management

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

During the three months ended March 31, 2015, we completed approximately 16,400 customer loan modifications with a total unpaid principal balance of approximately \$3 billion, including approximately 5,700 permanent modifications, under the U.S. government's Making Home Affordable Program. Of the loan modifications completed during the three months ended March 31, 2015, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, more than half were in the Corporation's held-for-investment (HFI) portfolio. For modified loans on our balance sheet, these modification types are generally considered troubled debt restructurings (TDRs). For more information on TDRs and portfolio impacts, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 82 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

Improvement in the U.S. unemployment rate continued during the three months ended March 31, 2015 resulting in improved credit quality and lower credit losses across most major consumer portfolios compared to the same period in 2014. Nearly all consumer loan portfolios 30 days or more past due and all consumer loan portfolios 90 days or more past due declined during the three months ended March 31, 2015 as a result of improved delinquency trends. Although home prices have shown steady improvement since the beginning of 2012, they have not fully recovered to their 2006 levels.

Improved credit quality and continued loan balance run-off across the consumer portfolio drove a \$803 million decrease in the consumer allowance for loan and lease losses during the three months ended March 31, 2015 to \$9.2 billion at March 31, 2015. For additional information, see Allowance for Credit Losses on page 98.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K. For more information on representations and warranties related to our residential mortgage and home equity portfolios, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 41 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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Table 28 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 28, PCI loans are also shown separately, net of purchase accounting adjustments, in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 77 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 28
Consumer Loans and Leases

	Outstandings		Purchased Credit-impaired Loan Portfolio	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014
(Dollars in millions)				
Residential mortgage ⁽¹⁾	\$207,925	\$ 216,197	\$14,185	\$ 15,152
Home equity	83,571	85,725	5,354	5,617
U.S. credit card	87,288	91,879	n/a	n/a
Non-U.S. credit card	9,660	10,465	n/a	n/a
Direct/Indirect consumer ⁽²⁾	82,141	80,381	n/a	n/a
Other consumer ⁽³⁾	1,842	1,846	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	472,427	486,493	19,539	20,769
Loans accounted for under the fair value option ⁽⁴⁾	2,055	2,077	n/a	n/a
Total consumer loans and leases	\$474,482	\$ 488,570	\$19,539	\$ 20,769

⁽¹⁾ Outstandings include pay option loans of \$2.9 billion and \$3.2 billion at March 31, 2015 and December 31, 2014. We no longer originate pay option loans.

⁽²⁾ Outstandings include auto and specialty lending loans of \$38.9 billion and \$37.7 billion, unsecured consumer lending loans of \$1.3 billion and \$1.5 billion, U.S. securities-based lending loans of \$36.6 billion and \$35.8 billion, non-U.S. consumer loans of \$4.0 billion and \$4.0 billion, student loans of \$611 million and \$632 million and other consumer loans of \$743 million and \$761 million at March 31, 2015 and December 31, 2014.

⁽³⁾ Outstandings include consumer finance loans of \$646 million and \$676 million, consumer leases of \$1.1 billion and \$1.0 billion and consumer overdrafts of \$120 million and \$162 million at March 31, 2015 and December 31, 2014.

Consumer loans accounted for under the fair value option include residential mortgage loans of \$1.9 billion and \$1.9 billion and home equity loans of \$205 million and \$196 million at March 31, 2015 and December 31, 2014.

⁽⁴⁾ For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 81 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

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Table 29 presents consumer nonperforming loans and accruing consumer loans past due 90 days or more. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the FHA or individually insured under long-term standby agreements with FNMA and FHLMC (collectively, the fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily from our repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due.

Table 29
Consumer Credit Quality

(Dollars in millions)	Nonperforming		Accruing Past Due 90 Days or More		
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	
Residential mortgage ⁽¹⁾	\$6,421	\$6,889	\$9,912	\$11,407	
Home equity	3,759	3,901	—	—	
U.S. credit card	n/a	n/a	795	866	
Non-U.S. credit card	n/a	n/a	88	95	
Direct/Indirect consumer	28	28	51	64	
Other consumer	1	1	1	1	
Total ⁽²⁾	\$10,209	\$10,819	\$10,847	\$12,433	
Consumer loans and leases as a percentage of outstanding consumer loans and leases ⁽²⁾	2.16	% 2.22	% 2.30	% 2.56	%
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios ⁽²⁾	2.58	2.70	0.24	0.26	

Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At March 31, 2015 and ⁽¹⁾ December 31, 2014, residential mortgage included \$6.2 billion and \$7.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and \$3.7 billion and \$4.1 billion of loans on which interest was still accruing.

Balances exclude consumer loans accounted for under the fair value option. At March 31, 2015 and December 31, ⁽²⁾ 2014, \$380 million and \$392 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

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Table 30 presents net charge-offs and related ratios for consumer loans and leases.

Table 30
Consumer Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs ⁽¹⁾		Net Charge-off Ratios (1, 2)	
(Dollars in millions)	2015	2014	2015	2014
Residential mortgage	\$197	\$127	0.37	% 0.21
Home equity	172	302	0.82	1.32
U.S. credit card	621	718	2.84	3.25
Non-U.S. credit card	44	76	1.80	2.66
Direct/Indirect consumer	34	58	0.17	0.29
Other consumer	49	58	10.88	12.07
Total	\$1,117	\$1,339	0.95	1.04

Net charge-offs exclude write-offs in the PCI loan portfolio of \$188 million and \$281 million in residential mortgage and \$100 million and \$110 million in home equity for the three months ended March 31, 2015 and 2014.

- (1) These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 77.
- (2) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.59 percent and 0.36 percent for residential mortgage, 0.88 percent and 1.42 percent for home equity, and 1.14 percent and 1.31 percent for the total consumer portfolio for the three months ended March 31, 2015 and 2014, respectively. These are the only product classifications that include PCI and fully-insured loans for these periods.

Net charge-offs exclude write-offs in the PCI loan portfolio of \$188 million and \$281 million in residential mortgage and \$100 million and \$110 million in home equity for the three months ended March 31, 2015 and 2014. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. Net charge-off ratios including the PCI write-offs were 0.73 percent and 0.67 percent for residential mortgage and 1.30 percent and 1.81 percent for home equity for the three months ended March 31, 2015 and 2014. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 77.

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Table 31 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the Core portfolio and the Legacy Assets & Servicing portfolio within the consumer real estate portfolio. For more information on the Legacy Assets & Servicing portfolio, see LAS on page 35.

Table 31

Consumer Real Estate Portfolio ^(1, 2)

	Outstandings		Nonperforming		Net Charge-offs ⁽³⁾ Three Months Ended March 31	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	2015	2014
(Dollars in millions)						
Core portfolio						
Residential mortgage	\$ 156,888	\$ 162,220	\$ 2,278	\$ 2,398	\$ 51	\$ 39
Home equity	51,029	51,887	1,473	1,496	51	85
Total Core portfolio	207,917	214,107	3,751	3,894	102	124
Legacy Assets & Servicing portfolio						
Residential mortgage	51,037	53,977	4,143	4,491	146	88
Home equity	32,542	33,838	2,286	2,405	121	217
Total Legacy Assets & Servicing portfolio	83,579	87,815	6,429	6,896	267	305
Consumer real estate portfolio						
Residential mortgage	207,925	216,197	6,421	6,889	197	127
Home equity	83,571	85,725	3,759	3,901	172	302
Total consumer real estate portfolio	\$ 291,496	\$ 301,922	\$ 10,180	\$ 10,790	\$ 369	\$ 429
			Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses Three Months Ended March 31	
			March 31 2015	December 31 2014	2015	2014
Core portfolio						
Residential mortgage			\$ 547	\$ 593	\$ 5	\$(44)
Home equity			699	702	48	10
Total Core portfolio			1,246	1,295	53	(34)
Legacy Assets & Servicing portfolio						
Residential mortgage			1,879	2,307	(94)	(120)
Home equity			2,125	2,333	13	13
Total Legacy Assets & Servicing portfolio			4,004	4,640	(81)	(107)
Consumer real estate portfolio						
Residential mortgage			2,426	2,900	(89)	(164)
Home equity			2,824	3,035	61	23
Total consumer real estate portfolio			\$ 5,250	\$ 5,935	\$(28)	\$(141)

⁽¹⁾ Formerly referred to as the home loans portfolio.

Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of \$1.9 billion and \$1.9 billion and

⁽²⁾ home equity loans of \$205 million and \$196 million at March 31, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 81 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

Net charge-offs exclude write-offs in the PCI loan portfolio of \$188 million and \$281 million in residential mortgage and \$100 million and \$110 million in home equity for the three months ended March 31, 2015 and 2014, (3) which are included in the Legacy Assets & Servicing portfolio. Write-offs in the PCI loan portfolio decrease the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 77.

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We believe that the presentation of information adjusted to exclude the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage and home equity portfolios, we provide information that excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 77.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 44 percent of consumer loans and leases at March 31, 2015. Nearly 70 percent of the residential mortgage portfolio is in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties. Approximately 25 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages originated for the home purchase and refinancing needs of our wealth management clients and the remaining portion of the portfolio is primarily in Consumer Banking.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, decreased \$8.3 billion during the three months ended March 31, 2015 due to loan sales including \$5.3 billion of loans with standby insurance agreements and \$1.0 billion of nonperforming and other delinquent loans, and to a lesser extent, runoff outpacing the retention of new originations. These declines were partially offset by repurchases of delinquent loans pursuant to our servicing agreements with GNMA, which are part of our mortgage banking activities.

At March 31, 2015 and December 31, 2014, the residential mortgage portfolio included \$57.5 billion and \$65.0 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term standby agreements with FNMA and FHLMC. At March 31, 2015 and December 31, 2014, \$45.2 billion and \$47.8 billion had FHA insurance with the remainder protected by long-term standby agreements. At March 31, 2015 and December 31, 2014, \$14.9 billion and \$15.9 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

The long-term standby agreements with FNMA and FHLMC reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At March 31, 2015, these programs had the cumulative effect of reducing our risk-weighted assets by \$3.7 billion, increasing both our Tier 1 capital ratio and Common equity tier 1 capital ratio by three bps under the Basel 3 Standardized – Transition. This compared to reducing our risk-weighted assets by \$5.2 billion, increasing both our Tier 1 capital ratio and Tier 1 Common capital ratio by five bps at December 31, 2014 under Basel 3 Standardized – Transition.

Table 32 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 77.

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Residential Mortgage – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired and Fully-insured Loans		
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	
Outstandings	\$207,925	\$216,197	\$136,229	\$136,075	
Accruing past due 30 days or more	14,422	16,485	1,679	1,868	
Accruing past due 90 days or more	9,912	11,407	—	—	
Nonperforming loans	6,421	6,889	6,421	6,889	
Percent of portfolio					
Refreshed LTV greater than 90 but less than or equal to 100	9	% 9	% 6	% 6	%
Refreshed LTV greater than 100	12	12	7	7	
Refreshed FICO below 620	16	16	7	8	
2006 and 2007 vintages ⁽²⁾	19	19	21	22	
	Three Months Ended March 31				
	2015	2014	2015	2014	
Net charge-off ratio ⁽³⁾	0.37	% 0.21	% 0.59	% 0.36	%

Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were \$1.9 billion of residential mortgage loans accounted for under the fair value option at both March 31, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 81 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

These vintages of loans account for \$2.5 billion, or 39 percent, and \$2.8 billion, or 41 percent of nonperforming residential mortgage loans at March 31, 2015 and December 31, 2014. For the three months ended March 31, 2015 and 2014, these vintages accounted for \$47 million, or 24 percent, and \$64 million, or 51 percent of total residential mortgage net charge-offs.

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

Nonperforming residential mortgage loans decreased \$468 million during the three months ended March 31, 2015 including sales of \$371 million, partially offset by a \$130 million net increase related to the settlement with the DoJ for those loans that are no longer fully insured. Excluding these items, nonperforming residential mortgage loans decreased as outflows, including the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows. Of the nonperforming residential mortgage loans at March 31, 2015, \$2.1 billion, or 33 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, as well as loans that have not yet demonstrated a sustained period of payment performance. In addition, \$3.1 billion, or 48 percent of nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans past due 30 days or more decreased \$189

million during the three months ended March 31, 2015.

Net charge-offs increased \$70 million to \$197 million for the three months ended March 31, 2015, or 0.59 percent of total average residential mortgage loans, compared to net charge-offs of \$127 million, or 0.36 percent, for the same period in 2014. The increase in net charge-offs was primarily driven by \$185 million of charge-offs related to the consumer relief portion of the settlement with the DoJ, partially offset by recoveries of \$40 million related to nonperforming loan sales. Excluding these items, losses declined driven by favorable portfolio trends and decreased write-downs on loans greater than 180 days past due, which were written down to the estimated fair value of the collateral, less costs to sell, due in part to improvement in home prices and the U.S. economy.

Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed loan-to-value (LTV) represented six percent of the residential mortgage portfolio at both March 31, 2015 and December 31, 2014. Loans with a refreshed LTV greater than 100 percent represented seven percent of the residential mortgage loan portfolio at both March 31, 2015 and December 31, 2014. Of the loans with a refreshed LTV greater than 100 percent, 96 percent were performing at both March 31, 2015 and December 31, 2014. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, somewhat mitigated by subsequent appreciation. Loans to borrowers with refreshed FICO scores below 620 represented seven percent and eight percent of the residential mortgage portfolio at March 31, 2015 and December 31, 2014.

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Of the \$136.2 billion in total residential mortgage loans outstanding at March 31, 2015, as shown in Table 33, 40 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was \$12.7 billion, or 23 percent, at March 31, 2015. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At March 31, 2015, \$248 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to \$1.7 billion, or one percent for the entire residential mortgage portfolio. In addition, at March 31, 2015, \$907 million, or seven percent of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming, of which \$462 million were contractually current, compared to \$6.4 billion, or five percent for the entire residential mortgage portfolio, of which \$2.1 billion were contractually current. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to ten years and more than 90 percent of these loans have yet to enter the amortization period and will not be required to make a fully-amortizing payment until 2016 or later.

Table 33 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 13 percent of outstandings at both March 31, 2015 and December 31, 2014. For both the three months ended March 31, 2015 and 2014, loans within this MSA contributed net recoveries of \$5 million within the residential mortgage portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstandings at both March 31, 2015 and December 31, 2014. For the three months ended March 31, 2015 and 2014, loans within this MSA contributed net charge-offs of \$39 million and \$22 million within the residential mortgage portfolio.

Table 33
Residential Mortgage State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾ Three Months	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	Ended March 31	
(Dollars in millions)					2015	2014
California	\$45,950	\$ 45,496	\$1,328	\$ 1,459	\$(9)	\$(8)
New York ⁽³⁾	12,091	11,826	470	477	13	13
Florida ⁽³⁾	10,119	10,116	799	858	24	5
Texas	6,231	6,635	244	269	5	1
Virginia	4,334	4,402	226	244	7	6
Other U.S./Non-U.S.	57,504	57,600	3,354	3,582	157	110
Residential mortgage loans ⁽⁴⁾	\$136,229	\$ 136,075	\$6,421	\$ 6,889	\$197	\$127
Fully-insured loan portfolio	57,511	64,970				
Purchased credit-impaired residential mortgage loan portfolio	14,185	15,152				
Total residential mortgage loan portfolio	\$207,925	\$ 216,197				

Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were \$1.9 billion of residential mortgage loans accounted for under the fair value option at both March 31, 2015 and

⁽¹⁾ December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 81 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

⁽²⁾ Net charge-offs exclude \$188 million and \$281 million of write-offs in the residential mortgage PCI loan portfolio for the three months ended March 31, 2015 and 2014. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer

Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 77.

- (3) In these states, foreclosure requires a court order following a legal proceeding (judicial states).
- (4) Amounts exclude the PCI residential mortgage and fully-insured loan portfolios.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was \$8.8 billion and \$9.0 billion at March 31, 2015 and December 31, 2014, or six percent and seven percent of the residential mortgage portfolio. The CRA portfolio included \$889 million and \$986 million of nonperforming loans at March 31, 2015 and December 31, 2014, representing 14 percent of total nonperforming residential mortgage loans for both periods. Net charge-offs in the CRA portfolio were \$34 million for both the three months ended March 31, 2015 and 2014, or 17 percent and 27 percent of total net charge-offs for the residential mortgage portfolio.

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Home Equity

At March 31, 2015, the home equity portfolio made up 18 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At March 31, 2015, our HELOC portfolio had an outstanding balance of \$72.4 billion, or 87 percent of the total home equity portfolio compared to \$74.2 billion, or 87 percent, at December 31, 2014. HELOCs generally have an initial draw period of 10 years. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At March 31, 2015, our home equity loan portfolio had an outstanding balance of \$9.4 billion, or 11 percent of the total home equity portfolio compared to \$9.8 billion, or 11 percent, at December 31, 2014. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the \$9.4 billion at March 31, 2015, 53 percent have 25- to 30-year terms. At March 31, 2015, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of \$1.8 billion, or two percent of the total home equity portfolio compared to \$1.7 billion, or two percent, at December 31, 2014. We no longer originate reverse mortgages.

At March 31, 2015, approximately 54 percent of the home equity portfolio was included in Consumer Banking, 37 percent was included in LAS and the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased \$2.2 billion during the three months ended March 31, 2015 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at March 31, 2015 and December 31, 2014, \$20.7 billion and \$20.6 billion, or 25 percent and 24 percent, were in first-lien positions (26 percent for both periods excluding the PCI home equity portfolio). At March 31, 2015, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled \$14.8 billion, or 19 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled \$53.4 billion at March 31, 2015 compared to \$53.7 billion at December 31, 2014. The decrease was primarily due to customers choosing to close accounts, which more than offset customer paydowns of principal balances, as well as the impact of new production. The HELOC utilization rate was 58 percent at both March 31, 2015 and December 31, 2014.

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Table 34 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 77.

Table 34
Home Equity – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired Loans		
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	
Outstandings	\$83,571	\$85,725	\$78,217	\$80,108	
Accruing past due 30 days or more ⁽²⁾	654	640	654	640	
Nonperforming loans ⁽²⁾	3,759	3,901	3,759	3,901	
Percent of portfolio					
Refreshed CLTV greater than 90 but less than or equal to 100	8	% 8	% 7	% 7	%
Refreshed CLTV greater than 100	17	16	15	14	
Refreshed FICO below 620	8	8	7	7	
2006 and 2007 vintages ⁽³⁾	45	46	43	43	
	Three Months Ended March 31				
	2015	2014	2015	2014	
Net charge-off ratio ⁽⁴⁾	0.82	% 1.32	% 0.88	% 1.42	%

Outstandings, accruing past due, nonperforming loans and percentages of the portfolio exclude loans accounted for under the fair value option. There were \$205 million and \$196 million of home equity loans accounted for under the fair value option at March 31, 2015 and December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 81 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

Accruing past due 30 days or more includes \$92 million and \$98 million and nonperforming loans includes \$491 million and \$505 million of loans where we serviced the underlying first-lien at March 31, 2015 and December 31, 2014.

These vintages of loans have higher refreshed combined LTV ratios and accounted for 46 percent and 47 percent of nonperforming home equity loans at March 31, 2015 and December 31, 2014, and 59 percent and 57 percent of net charge-offs for the three months ended March 31, 2015 and 2014.

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

Nonperforming outstanding balances in the home equity portfolio decreased \$142 million during the three months ended March 31, 2015 as outflows, including the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows. Of the nonperforming home equity portfolio at March 31, 2015, \$1.6 billion, or 43 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, junior-lien loans where the underlying first-lien is 90 days or more past due, as well as loans that have not yet demonstrated a sustained period of payment performance. In addition, \$1.5 billion, or 39 percent of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Outstanding balances accruing past due 30 days or more increased \$14 million during the

three months ended March 31, 2015.

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. For certain loans, we utilize a third-party vendor to combine credit bureau and public record data to better link a junior-lien loan with the underlying first-lien mortgage. At March 31, 2015, we estimate that \$1.5 billion of current and \$201 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on \$251 million of these combined amounts, with the remaining \$1.5 billion serviced by third parties. Of the \$1.7 billion of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately \$657 million had first-lien loans that were 90 days or more past due.

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Net charge-offs decreased \$130 million to \$172 million for the three months ended March 31, 2015, or 0.88 percent of the total average home equity portfolio, compared to \$302 million, or 1.42 percent for the same period in 2014. This decrease in net charge-offs for the three-month period was primarily driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy, partially offset by \$45 million of charge-offs related to the consumer relief portion of the settlement with the DoJ. The net charge-off ratios were also impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed combined loan-to-value (CLTVs) comprised seven percent of the home equity portfolio at both March 31, 2015 and December 31, 2014. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 15 percent and 14 percent of the home equity portfolio at March 31, 2015 and December 31, 2014. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Home price deterioration since 2006, partially mitigated by subsequent appreciation, has contributed to an increase in CLTV ratios. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 97 percent of the customers were current on their home equity loan and 93 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at March 31, 2015. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented seven percent of the home equity portfolio at both March 31, 2015 and December 31, 2014.

Of the \$78.2 billion in total home equity portfolio outstandings at March 31, 2015, as shown in Table 35, 74 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was \$6.2 billion, or nine percent of total HELOCs at March 31, 2015. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At March 31, 2015, \$152 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to \$599 million, or one percent for the entire HELOC portfolio. In addition, at March 31, 2015, \$937 million, or 15 percent of outstanding HELOCs that had entered the amortization period were nonperforming, of which \$421 million were contractually current, compared to \$3.4 billion, or five percent for the entire HELOC portfolio, of which \$1.4 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 75 percent of these loans have yet to enter the amortization period and will not be required to make a fully-amortizing payment until 2016 or later. We communicate to contractually current customers more than a year prior to the end of their draw period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended March 31, 2015, approximately 52 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

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Table 35 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 12 percent of the outstanding home equity portfolio at both March 31, 2015 and December 31, 2014. For the three months ended March 31, 2015 and 2014, loans within this MSA contributed 11 percent and 14 percent of net charge-offs within the home equity portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both March 31, 2015 and December 31, 2014. For three months ended March 31, 2015 and 2014, loans within this MSA contributed five percent and seven percent of net charge-offs within the home equity portfolio.

Table 35
Home Equity State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾ Three Months	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	Ended March 31	
(Dollars in millions)					2015	2014
California	\$22,652	\$ 23,250	\$993	\$ 1,012	\$24	\$58
Florida ⁽³⁾	9,383	9,633	569	574	30	47
New Jersey ⁽³⁾	5,814	5,883	283	299	13	22
New York ⁽³⁾	5,594	5,671	366	387	12	27
Massachusetts	3,578	3,655	138	148	5	8
Other U.S./Non-U.S.	31,196	32,016	1,410	1,481	88	140
Home equity loans ⁽⁴⁾	\$78,217	\$ 80,108	\$3,759	\$ 3,901	\$172	\$302
Purchased credit-impaired home equity portfolio	5,354	5,617				
Total home equity loan portfolio	\$83,571	\$ 85,725				

Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were \$205 million and \$196 million of home equity loans accounted for under the fair value option at March 31, 2015 and

⁽¹⁾ December 31, 2014. For more information on the fair value option, see Consumer Portfolio Credit Risk

Management – Consumer Loans Accounted for Under the Fair Value Option on page 81 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

Net charge-offs exclude \$100 million and \$110 million of write-offs in the home equity PCI loan portfolio for the ⁽²⁾ three months ended March 31, 2015 and 2014. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 77.

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

⁽⁴⁾ Amount excludes the PCI home equity portfolio.

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Purchased Credit-impaired Loan Portfolio

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

Table 36 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the PCI loan portfolio.

Table 36

Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	March 31, 2015				
	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
Residential mortgage	\$14,636	\$14,185	\$679	\$13,506	92.28 %
Home equity	5,418	5,354	635	4,719	87.10
Total purchased credit-impaired loan portfolio	\$20,054	\$19,539	\$1,314	\$18,225	90.88
	December 31, 2014				
Residential mortgage	\$15,726	\$15,152	\$880	\$14,272	90.75 %
Home equity	5,605	5,617	772	4,845	86.44
Total purchased credit-impaired loan portfolio	\$21,331	\$20,769	\$1,652	\$19,117	89.62

The total PCI unpaid principal balance decreased \$1.3 billion, or six percent, during the three months ended March 31, 2015 primarily driven by sales, payoffs, paydowns and write-offs. During the three months ended March 31, 2015, we sold PCI loans with a carrying value of \$586 million compared to sales of \$454 million for the same period in 2014.

Of the unpaid principal balance of \$20.1 billion at March 31, 2015, \$16.7 billion, or 83 percent, was current based on the contractual terms, \$1.4 billion, or seven percent, was in early stage delinquency, and \$1.5 billion was 180 days or more past due, including \$1.5 billion of first-lien mortgages and \$95 million of home equity loans.

During the three months ended March 31, 2015, we recorded a provision benefit of \$50 million for the PCI loan portfolio including \$13 million for residential mortgage and \$37 million for home equity. This compared to no provision expense for the three months ended March 31, 2014. The provision benefit for the three months ended March 31, 2015 was primarily driven by improved macro-economic conditions.

The PCI valuation allowance declined \$338 million during the three months ended March 31, 2015 due to write-offs in the PCI loan portfolio of \$188 million in residential mortgage and \$100 million in home equity, and a provision benefit of \$50 million.

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Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 73 percent of the total PCI loan portfolio at March 31, 2015. Those loans to borrowers with a refreshed FICO score below 620 represented 38 percent of the PCI residential mortgage loan portfolio at March 31, 2015. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 36 percent of the PCI residential mortgage loan portfolio and 46 percent based on the unpaid principal balance at March 31, 2015. Table 37 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 37

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

(Dollars in millions)	March 31 2015	December 31 2014
California	\$6,534	\$ 6,885
Florida ⁽¹⁾	1,170	1,289
Virginia	615	640
Maryland	549	602
Texas	292	318
Other U.S./Non-U.S.	5,025	5,418
Total	\$14,185	\$ 15,152

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

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

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

At March 31, 2015, the unpaid principal balance of pay option loans, which include pay option ARMs and payment advantage ARMs, was \$3.0 billion, with a carrying value of \$2.9 billion, including \$2.5 billion of loans that were credit-impaired upon acquisition and, accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was \$834 million, including \$49 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, one percent at both March 31, 2015 and December 31, 2014 elected to make only the minimum payment on pay option loans. We believe the majority of borrowers are now making scheduled payments primarily because the low

rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the PCI pay option loan portfolio and have taken into consideration in the evaluation several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at March 31, 2015 that have not already experienced a payment reset, two percent are expected to reset before 2016, 43 percent are expected to reset in 2016 and 18 percent are expected to reset thereafter. In addition, seven percent are expected to prepay and approximately 30 percent are expected to default prior to being reset, most of which were severely delinquent as of March 31, 2015. We no longer originate pay option loans.

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Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 27 percent of the total PCI loan portfolio at March 31, 2015. Those loans with a refreshed FICO score below 620 represented 15 percent of the PCI home equity portfolio at March 31, 2015. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 65 percent of the PCI home equity portfolio and 70 percent based on the unpaid principal balance at March 31, 2015. Table 38 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 38

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

(Dollars in millions)	March 31 2015	December 31 2014
California	\$1,572	\$ 1,646
Florida ⁽¹⁾	297	313
Virginia	254	265
Arizona	181	188
Colorado	140	151
Other U.S./Non-U.S.	2,910	3,054
Total	\$5,354	\$ 5,617

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

U.S. Credit Card

At March 31, 2015, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder managed in GWIM. Outstandings in the U.S. credit card portfolio decreased \$4.6 billion during the three months ended March 31, 2015 due to a seasonal decline in retail transaction volume. Net charge-offs decreased \$97 million to \$621 million during the three months ended March 31, 2015 compared to the same period in 2014 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased \$120 million while loans 90 days or more past due and still accruing interest decreased \$71 million during the three months ended March 31, 2015 as a result of the factors mentioned above that contributed to lower net charge-offs.

Table 39 presents certain key credit statistics for the U.S. credit card portfolio.

Table 39

U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	March 31 2015	December 31 2014
Outstandings	\$87,288	\$91,879
Accruing past due 30 days or more	1,581	1,701
Accruing past due 90 days or more	795	866
	Three Months Ended March 31	
Net charge-offs	\$621	\$718
Net charge-off ratios ⁽¹⁾	2.84	% 3.25
		%

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

Unused lines of credit for U.S. credit card totaled \$312.9 billion and \$305.9 billion at March 31, 2015 and December 31, 2014. The \$7.0 billion increase was driven by a seasonal decrease in line utilization due to lower transaction volumes and closures of inactive accounts.

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Table 40 presents certain state concentrations for the U.S. credit card portfolio.

Table 40
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
	March 31	December 31	March 31	December 31	Three Months Ended March 31	
	2015	2014	2015	2014	2015	2014
(Dollars in millions)						
California	\$ 13,096	\$ 13,682	\$ 118	\$ 127	\$ 94	\$ 114
Florida	7,210	7,530	78	89	67	76
Texas	6,318	6,586	53	58	41	49
New York	5,381	5,655	58	59	42	46
New Jersey	3,745	3,943	36	40	27	31
Other U.S.	51,538	54,483	452	493	350	402
Total U.S. credit card portfolio	\$ 87,288	\$ 91,879	\$ 795	\$ 866	\$ 621	\$ 718

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased \$805 million during the three months ended March 31, 2015 due to weakening of the British Pound against the U.S. Dollar and a seasonal decline in retail transaction volume. For the three months ended March 31, 2015, net charge-offs decreased \$32 million to \$44 million compared to the same period in 2014 due to improvement in delinquencies as a result of higher credit quality originations and an improved economic environment, as well as increased recoveries from the sale of previously charged-off loans.

Unused lines of credit for non-U.S. credit card totaled \$27.0 billion and \$28.2 billion at March 31, 2015 and December 31, 2014. The \$1.2 billion decrease was driven by weakening of the British Pound against the U.S. Dollar.

Table 41 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 41
Non-U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	March 31 2015	December 31 2014	
Outstandings	\$ 9,660	\$ 10,465	
Accruing past due 30 days or more	168	183	
Accruing past due 90 days or more	88	95	
	Three Months Ended March 31		
	2015	2014	
Net charge-offs	\$ 44	\$ 76	
Net charge-off ratios ⁽¹⁾	1.80	% 2.66	%

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

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Direct/Indirect Consumer

At March 31, 2015, approximately 50 percent of the direct/indirect portfolio was included in GWIM (principally securities-based lending loans), 49 percent was included in Consumer Banking (consumer auto and specialty lending (formerly referred to as dealer financial services) – automotive, marine, aircraft, recreational vehicle loans, and consumer personal loans) and the remainder was primarily student loans in All Other.

Outstandings in the direct/indirect portfolio increased \$1.8 billion during the three months ended March 31, 2015 as a bulk auto loan purchase and growth in the securities-based lending portfolio were partially offset by lower outstandings in the unsecured consumer lending portfolio.

For the three months ended March 31, 2015, net charge-offs decreased \$24 million to \$34 million, or 0.17 percent of total average direct/indirect loans, compared to \$58 million, 0.29 percent for the same period in 2014. This decrease in net charge-offs was primarily driven by improvements in delinquencies and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings in this portfolio.

Direct/indirect loans that were past due 90 days or more and still accruing interest declined \$13 million to \$51 million during the three months ended March 31, 2015 due to decreases in the unsecured consumer lending, and auto and specialty lending portfolios.

Table 42 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 42

Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
	March 31	December 31	March 31	December 31	Three Months Ended	
	2015	2014	2015	2014	March 31 2015	2014
(Dollars in millions)						
California	\$10,058	\$ 9,770	\$4	\$ 5	\$3	\$5
Florida	8,163	7,930	4	5	4	8
Texas	7,913	7,741	4	5	4	6
New York	4,585	4,458	2	2	1	4
New Jersey	2,649	2,625	1	2	1	2
Other U.S./Non-U.S.	48,773	47,857	36	45	21	33
Total direct/indirect loan portfolio	\$82,141	\$ 80,381	\$51	\$ 64	\$34	\$58

Other Consumer

At March 31, 2015, approximately 58 percent of the \$1.8 billion other consumer portfolio were consumer auto leases included in Consumer Banking. The remainder is primarily associated with certain consumer finance businesses that we previously exited.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option totaled \$2.1 billion at March 31, 2015 and were comprised of residential mortgage loans that were previously classified as held-for-sale, residential mortgage loans held in consolidated variable interest entities (VIEs) and repurchased home equity loans. The loans that were

previously classified as held-for-sale were transferred to the residential mortgage portfolio in connection with the decision to retain the loans. The fair value option had been elected at the time of origination and the loans continue to be measured at fair value after the reclassification. During the three months ended March 31, 2015, we recorded net gains of \$3 million resulting from changes in the fair value of these loans, including losses of \$3 million on loans held in consolidated VIEs that were offset by gains recorded on related long-term debt.

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Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 43 presents nonperforming consumer loans, leases and foreclosed properties activity for the three months ended March 31, 2015 and 2014. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. The charge-offs on these loans have no impact on nonperforming activity and, accordingly, are excluded from this table. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the PCI loan portfolio or loans accounted for under the fair value option. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K. During three months ended March 31, 2015, nonperforming consumer loans declined \$610 million to \$10.2 billion and included the impact of sales of \$371 million, partially offset by a net increase of \$85 million related to the impact of the consumer relief portion of the settlement with the DoJ for those loans that are no longer fully insured. Excluding these, nonperforming loans declined as outflows, including the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status outpaced new inflows.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At March 31, 2015, \$5.2 billion, or 48 percent of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less costs to sell, including \$4.5 billion of nonperforming loans 180 days or more past due and \$632 million of foreclosed properties. In addition, at March 31, 2015, \$3.8 billion, or 37 percent of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties increased \$2 million during the three months ended March 31, 2015 as additions outpaced liquidations. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties increased \$20 million during the three months ended March 31, 2015. Not included in foreclosed properties at March 31, 2015 was \$1.2 billion of real estate that was acquired upon foreclosure of certain delinquent government-guaranteed loans (principally FHA-insured loans). We exclude these amounts from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the guarantor for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For more information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 44.

Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 43.

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Table 43

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity ⁽¹⁾

(Dollars in millions)	Three Months Ended		
	March 31		
	2015	2014	
Nonperforming loans and leases, January 1	\$10,819	\$15,840	
Additions to nonperforming loans and leases:			
New nonperforming loans and leases	1,469	2,027	
Reductions to nonperforming loans and leases:			
Paydowns and payoffs	(253)	(468)	
Sales	(371)	—	
Returns to performing status ⁽²⁾	(867)	(800)	
Charge-offs	(460)	(583)	
Transfers to foreclosed properties ⁽³⁾	(128)	(172)	
Total net additions (reductions) to nonperforming loans and leases	(610)	4	
Total nonperforming loans and leases, March 31 ⁽⁴⁾	10,209	15,844	
Foreclosed properties, January 1	630	533	
Additions to foreclosed properties:			
New foreclosed properties ⁽³⁾	196	186	
Reductions to foreclosed properties:			
Sales	(168)	(159)	
Write-downs	(26)	(22)	
Total net additions to foreclosed properties	2	5	
Total foreclosed properties, March 31 ⁽⁵⁾	632	538	
Nonperforming consumer loans, leases and foreclosed properties, March 31	\$10,841	\$16,382	
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases ⁽⁶⁾	2.16	% 3.06	%
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties ⁽⁶⁾	2.29	3.16	

Balances do not include nonperforming LHFS of \$10 million and \$33 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of \$86 million and \$257 million at March 31, 2015 and 2014 as well as loans accruing past due 90 days or more as presented in Table 29 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

New foreclosed properties represents transfers of nonperforming loans to foreclosed properties net of charge-offs taken during the first 90 days after transfer of a loan to foreclosed properties. New foreclosed properties also includes properties obtained upon foreclosure of delinquent PCI loans, properties repurchased due to representations and warranties exposure and properties acquired with newly consolidated subsidiaries.

At March 31, 2015, 45 percent of nonperforming loans were 180 days or more past due.

Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured loans, that entered foreclosure of \$1.2 billion and \$1.1 billion at March 31, 2015 and 2014.

Outstanding consumer loans and leases exclude loans accounted for under the fair value option.

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, further losses in value as well as gains and losses on sale are recorded in noninterest expense. New foreclosed properties included in Table

43 are net of \$32 million and \$45 million of charge-offs for the three months ended March 31, 2015 and 2014, recorded during the first 90 days after transfer.

We classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At March 31, 2015 and December 31, 2014, \$657 million and \$800 million of such junior-lien home equity loans were included in nonperforming loans and leases. This decline was driven by overall portfolio improvement as well as \$45 million of charge-offs related to the consumer relief portion of the settlement with the DoJ.

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Table 44 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 43.

Table 44

Consumer Real Estate Troubled Debt Restructurings

(Dollars in millions)	March 31, 2015			December 31, 2014		
	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage ^(1, 2)	\$22,554	\$ 4,400	\$ 18,154	\$23,270	\$ 4,529	\$ 18,741
Home equity ⁽³⁾	2,437	1,592	845	2,358	1,595	763
Total consumer real estate troubled debt restructurings	\$24,991	\$ 5,992	\$ 18,999	\$25,628	\$ 6,124	\$ 19,504

Residential mortgage TDRs deemed collateral dependent totaled \$6.0 billion and \$5.8 billion, and included \$3.6 billion and \$3.6 billion of loans classified as nonperforming and \$2.4 billion and \$2.2 billion of loans classified as performing at March 31, 2015 and December 31, 2014.

⁽²⁾ Residential mortgage performing TDRs included \$11.3 billion and \$11.9 billion of loans that were fully-insured at March 31, 2015 and December 31, 2014.

⁽³⁾ Home equity TDRs deemed collateral dependent totaled \$1.6 billion and \$1.6 billion, and included \$1.4 billion and \$1.4 billion of loans classified as nonperforming and \$240 million and \$178 million of loans classified as performing at March 31, 2015 and December 31, 2014.

In addition to modifying consumer real estate loans, we work with customers who are experiencing financial difficulty by modifying credit card and other consumer loans. Credit card and other consumer loan modifications generally involve a reduction in the customer's interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs (the renegotiated TDR portfolio). In addition, the accounts of non-U.S. credit card customers who do not qualify for a fixed payment plan may have their interest rates reduced, as required by certain local jurisdictions. These modifications, which are also TDRs, tend to experience higher payment default rates given that the borrowers may lack the ability to repay even with the interest rate reduction. In all cases, the customer's available line of credit is canceled.

Modifications of credit card and other consumer loans are primarily made through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 43 as substantially all of the loans remain on accrual status until either charged off or paid in full. At March 31, 2015 and December 31, 2014, our renegotiated TDR portfolio was \$1.0 billion and \$1.1 billion, of which \$818 million and \$907 million were current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by paydowns and charge-offs as well as lower program enrollments. For more information on the renegotiated TDR portfolio, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our non-U.S. portfolio, we evaluate exposures by region and by country. Tables 49, 54 and 59 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.

For more information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2014 Annual Report on Form 10-K.

Commercial Credit Portfolio

As compared to 2014, during the three months ended March 31, 2015 credit quality among large corporate borrowers continued to improve despite some headwinds related to credit spreads and flat equity markets. Commercial real estate borrowers also showed improved credit quality as property valuations continue to increase and vacancy rates remain low. There were decreases in the credit quality of certain borrowers impacted by the sustained drop in oil prices.

Outstanding commercial loans and leases increased \$10.7 billion during the three months ended March 31, 2015, primarily in U.S. commercial and non-U.S. commercial. Nonperforming loans and leases decreased \$117 million during the three months ended March 31, 2015. As a percentage of outstanding loans and leases, nonperforming commercial loans and leases decreased during the three months ended March 31, 2015 to 0.25 percent from 0.28 percent (0.25 percent from 0.29 percent excluding loans accounted for under the fair value option) at December 31, 2014. Reservable criticized balances increased \$733 million during the three months ended March 31, 2015 as a result of downgrades outpacing paydowns and upgrades. The allowance for loan and lease losses for the commercial portfolio increased \$60 million to \$4.5 billion at March 31, 2015 compared to December 31, 2014 driven by loan growth and an increase in reservable criticized balances. For additional information, see Allowance for Credit Losses on page 98.

Table 45 presents our commercial loans and leases portfolio, and related credit quality information at March 31, 2015 and December 31, 2014.

Table 45

Commercial Loans and Leases

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	March 31 2015	December 31 2014
(Dollars in millions)						
U.S. commercial	\$225,081	\$ 220,293	\$680	\$ 701	\$22	\$ 110
Commercial real estate ⁽¹⁾	49,446	47,682	132	321	25	3
Commercial lease financing	24,468	24,866	16	3	9	41
Non-U.S. commercial	84,842	80,083	79	1	—	—
	383,837	372,924	907	1,026	56	154
U.S. small business commercial ⁽²⁾	13,226	13,293	89	87	65	67
Commercial loans excluding loans accounted for under the fair value	397,063	386,217	996	1,113	121	221

option

Loans accounted for under the fair value option ⁽³⁾	6,411	6,604	—	—	—	—
Total commercial loans and leases	\$403,474	\$ 392,821	\$996	\$ 1,113	\$121	\$ 221

(1) Includes U.S. commercial real estate loans of \$46.7 billion and \$45.2 billion and non-U.S. commercial real estate loans of \$2.8 billion and \$2.5 billion at March 31, 2015 and December 31, 2014.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of \$2.0 billion and \$1.9 billion and non-U.S. commercial loans of \$4.5 billion and \$4.7 billion at March 31, 2015 and December 31, 2014. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

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Table 46 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 2015 and 2014. The increase in net charge-offs for the three months ended March 31, 2015 compared to the same period in 2014 was primarily related to a net recovery in commercial real estate in the prior-year period.

Table 46
Commercial Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios (1)	
(Dollars in millions)	2015	2014	2015	2014
U.S. commercial	\$7	\$5	0.01	% 0.01
Commercial real estate	5	(37)	0.04	(0.31)
Commercial lease financing	5	(2)	0.09	(0.04)
Non-U.S. commercial	(2)	19	(0.01)	0.09
U.S. small business commercial	15	(15)	0.02	(0.02)
Total commercial	\$77	\$49	0.08	0.05

(1) 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.

Table 47 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes standby letters of credit (SBLCs) and financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified time period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes.

Total commercial utilized credit exposure increased \$15.9 billion during the three months ended March 31, 2015 primarily driven by loans and leases, and derivative assets, partially offset by decreases in LHFS, and debt securities and other investments. The utilization rate for loans and leases, SBLCs and financial guarantees, commercial letters of credit and bankers' acceptances, in the aggregate, was 57 percent at both March 31, 2015 and December 31, 2014.

Table 47
Commercial Credit Exposure by Type

	Commercial Utilized (1)		Commercial Unfunded (2, 3)		Total Commercial Committed	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	March 31 2015	December 31 2014
(Dollars in millions)						
Loans and leases	\$403,474	\$ 392,821	\$323,946	\$ 317,258	\$727,420	\$ 710,079
Derivative assets (4)	61,331	52,682	—	—	61,331	52,682
Standby letters of credit and financial guarantees	32,649	33,550	660	745	33,309	34,295
Debt securities and other investments	16,388	17,301	5,972	5,315	22,360	22,616
Loans held-for-sale	5,491	7,036	1,816	2,315	7,307	9,351
Commercial letters of credit	1,872	2,037	142	126	2,014	2,163
Bankers' acceptances	199	255	—	—	199	255
Foreclosed properties and other	1,125	960	—	—	1,125	960
Total	\$522,529	\$ 506,642	\$332,536	\$ 325,759	\$855,065	\$ 832,401

(1) Total commercial utilized exposure includes loans of \$6.4 billion and \$6.6 billion and issued letters of credit accounted for under the fair value option with a notional amount of \$469 million and \$535 million at March 31,

2015 and December 31, 2014.

- (2) Total commercial unfunded exposure includes loan commitments accounted for under the fair value option with a notional amount of \$8.4 billion and \$9.4 billion at March 31, 2015 and December 31, 2014.
- (3) Excludes unused business card lines which are not legally binding.
Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and
- (4) have been reduced by cash collateral of \$52.7 billion and \$47.3 billion at March 31, 2015 and December 31, 2014.
Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of \$21.8 billion and \$23.8 billion which consists primarily of other marketable securities.

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Table 48 presents commercial utilized reservable criticized exposure by loan type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure increased \$733 million, or six percent, during the three months ended March 31, 2015 driven by downgrades outpacing paydowns and upgrades. Approximately 87 percent of commercial utilized reservable criticized exposure was secured at both March 31, 2015 and December 31, 2014.

Table 48
Commercial Utilized Reservable Criticized Exposure

(Dollars in millions)	March 31, 2015		December 31, 2014	
	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	\$8,422	3.34 %	\$7,597	3.07 %
Commercial real estate	854	1.67	1,108	2.24
Commercial lease financing	1,067	4.36	1,034	4.16
Non-U.S. commercial	1,085	1.20	887	1.03
	11,428	2.73	10,626	2.60
U.S. small business commercial	875	6.62	944	7.10
Total commercial utilized reservable criticized exposure	\$12,303	2.85	\$11,570	2.74

(1) Total commercial utilized reservable criticized exposure includes loans and leases of \$10.9 billion and \$10.2 billion and commercial letters of credit of \$1.3 billion and \$1.3 billion at March 31, 2015 and December 31, 2014.

(2) Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.

U.S. Commercial

At March 31, 2015, 70 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 16 percent in Global Markets, 10 percent in GWIM (generally business-purpose loans for high net worth clients) and the remainder primarily in Consumer Banking. U.S. commercial loans, excluding loans accounted for under the fair value option, increased \$4.8 billion, or two percent, during the three months ended March 31, 2015 due to growth across all of the commercial businesses. Nonperforming loans and leases decreased \$21 million, or three percent, during the three months ended March 31, 2015. Net charge-offs increased \$2 million to \$7 million for the three months ended March 31, 2015 compared to the same period in 2014.

Commercial Real Estate

Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate and is dependent on the sale or lease of the real estate as the primary source of repayment. The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration at 21 percent and 22 percent of the commercial real estate loans and leases portfolio at March 31, 2015 and December 31, 2014. The commercial real estate portfolio is predominantly managed in Global Banking and consists of loans made primarily to public and private developers, and commercial real estate firms. Outstanding loans increased \$1.8 billion, or four percent, during the three months ended March 31, 2015 due to new originations primarily in major metropolitan markets.

For the three months ended March 31, 2015, we continued to see improvements in credit quality in both the residential and non-residential portfolios. We use a number of proactive risk mitigation initiatives to reduce adversely rated exposure in the commercial real estate portfolio including transfers of deteriorating exposures to management by independent special asset officers and the pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation.

Nonperforming commercial real estate loans and foreclosed properties increased \$8 million, or two percent, and reservable criticized balances decreased \$254 million, or 23 percent, during the three months ended March 31, 2015. Net charge-offs were \$5 million for the three months ended March 31, 2015 compared to a net recovery of \$37 million for the same period in 2014.

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Table 49 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type.

Table 49

Outstanding Commercial Real Estate Loans

(Dollars in millions)	March 31 2015	December 31 2014
By Geographic Region		
California	\$10,213	\$ 10,352
Northeast	9,249	8,781
Southwest	6,888	6,570
Southeast	5,849	5,495
Midwest	2,748	2,867
Florida	2,718	2,520
Illinois	2,371	2,785
Northwest	2,256	2,151
Midsouth	1,750	1,724
Non-U.S.	2,795	2,494
Other ⁽¹⁾	2,609	1,943
Total outstanding commercial real estate loans	\$49,446	\$ 47,682
By Property Type		
Non-residential		
Office	\$13,637	\$ 13,306
Multi-family rental	8,349	8,382
Shopping centers/retail	8,160	7,969
Industrial/warehouse	5,262	4,550
Hotels/motels	3,855	3,578
Multi-use	1,678	1,943
Land and land development	528	490
Other	6,163	5,754
Total non-residential	47,632	45,972
Residential	1,814	1,710
Total outstanding commercial real estate loans	\$49,446	\$ 47,682

(1) Includes unsecured loans to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions and properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.

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Tables 50 and 51 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables 49, 50 and 51 includes condominiums and other residential real estate. Other property types in Tables 49, 50 and 51 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants, as well as unsecured loans to borrowers whose primary business is commercial real estate.

Table 50

Commercial Real Estate Credit Quality Data

(Dollars in millions)	Nonperforming Loans and Foreclosed Properties ⁽¹⁾		Utilized Reservable Criticized Exposure ⁽²⁾	
	March 31	December 31	March 31	December 31
	2015	2014	2015	2014
Non-residential				
Office	\$145	\$ 177	\$91	\$ 235
Multi-family rental	21	21	135	125
Shopping centers/retail	44	46	320	350
Industrial/warehouse	70	42	30	67
Hotels/motels	19	3	20	26
Multi-use	19	11	61	55
Land and land development	48	51	28	63
Other	10	15	144	159
Total non-residential	376	366	829	1,080
Residential	20	22	25	28
Total commercial real estate	\$396	\$ 388	\$854	\$ 1,108

⁽¹⁾ Includes commercial foreclosed properties of \$264 million and \$67 million at March 31, 2015 and December 31, 2014.

⁽²⁾ Includes loans, SBLCs and bankers' acceptances and excludes loans accounted for under the fair value option.

Table 51

Commercial Real Estate Net Charge-offs and Related Ratios

(Dollars in millions)	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios ⁽¹⁾	
	2015	2014	2015	2014
Non-residential				
Office	\$4	\$(1)	0.12	% (0.04)%
Multi-family rental	—	(5)	—	(0.21)
Shopping centers/retail	—	2	—	0.12
Industrial/warehouse	(2)	(3)	(0.17)	(0.23)
Hotels/motels	5	—	0.58	—
Multi-use	(1)	(9)	(0.24)	(1.87)
Land and land development	—	1	—	0.29
Other	(1)	(22)	(0.08)	(1.43)
Total non-residential	5	(37)	0.04	(0.32)
Residential	—	—	—	—
Total commercial real estate	\$5	\$(37)	0.04	(0.31)

⁽¹⁾ Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

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At March 31, 2015, total committed non-residential exposure was \$69.2 billion compared to \$67.7 billion at December 31, 2014, of which \$47.6 billion and \$46.0 billion were funded secured loans. Non-residential nonperforming loans and foreclosed properties increased \$10 million, or three percent, to \$376 million at March 31, 2015 compared to \$366 million at December 31, 2014, which represented 0.79 percent of total non-residential loans and foreclosed properties for both periods. The increase in nonperforming loans and foreclosed properties in the non-residential portfolio was primarily in the industrial/warehouse and hotel/motels property types, largely offset by the office property type. Non-residential utilized reservable criticized exposure decreased \$251 million, or 23 percent, to \$829 million at March 31, 2015 compared to \$1.1 billion at December 31, 2014, which represented 1.69 percent and 2.27 percent of non-residential utilized reservable exposure. For the non-residential portfolio, net charge-offs were \$5 million for the three months ended March 31, 2015 compared to a net recovery of \$37 million for the same period in 2014.

At March 31, 2015, total committed residential exposure was \$3.7 billion compared to \$3.6 billion at December 31, 2014, of which \$1.8 billion and \$1.7 billion were funded secured loans at March 31, 2015 and December 31, 2014. Residential nonperforming loans and foreclosed properties decreased \$2 million, or nine percent, and residential utilized reservable criticized exposure decreased \$3 million, or 11 percent during the three months ended March 31, 2015. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 1.08 percent and 1.31 percent at March 31, 2015 compared to 1.28 percent and 1.51 percent at December 31, 2014.

At March 31, 2015 and December 31, 2014, the commercial real estate loan portfolio included \$7.0 billion and \$6.7 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. Reservable criticized construction and land development loans totaled \$102 million and \$164 million, and nonperforming construction and land development loans and foreclosed properties totaled \$55 million and \$80 million at March 31, 2015 and December 31, 2014. During a property's construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

At March 31, 2015, 76 percent of the non-U.S. commercial loan portfolio was managed in Global Banking and 24 percent in Global Markets. Outstanding loans, excluding loans accounted for under the fair value option, increased \$4.8 billion during the three months ended March 31, 2015 primarily due to growth in securitization finance on consumer loans and increased corporate demand. We had a net recovery of \$2 million for the three months ended March 31, 2015 compared to net charge-offs of \$19 million for the same period in 2014. For additional information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 96.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card loans and small business loans managed in Consumer Banking. Credit card-related products were 44 percent and 43 percent of the U.S. small business commercial portfolio at March 31, 2015 and December 31, 2014. Net charge-offs decreased \$2 million to \$62 million for the three months ended March 31, 2015 compared to the same period in 2014. Of the U.S. small business commercial net charge-offs, 77 percent were credit card-related products for the three months ended March 31, 2015 compared to 80 percent for the same period in 2014.

Commercial Loans Accounted for Under the Fair Value Option

The portfolio of commercial loans accounted for under the fair value option is held primarily in Global Markets and Global Banking. Outstanding commercial loans accounted for under the fair value option decreased \$193 million to an aggregate fair value of \$6.4 billion at March 31, 2015 compared to December 31, 2014 primarily due to decreased corporate borrowings under bank credit facilities. We recorded net losses of \$97 million during the three months ended March 31, 2015 compared to net gains of \$17 million for the same period in 2014 from changes in the fair value of this loan portfolio. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income and do not reflect the results of hedging activities.

In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of \$329 million and \$405 million at March 31, 2015 and December 31, 2014, which was recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was \$8.9 billion and \$9.9 billion at March 31, 2015 and December 31, 2014. We recorded net gains of \$118 million during the three months ended March 31, 2015 compared to \$9 million for the same period in 2014 from changes in the fair value of commitments and letters of credit. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income and do not reflect the results of hedging activities.

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Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 52 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three months ended March 31, 2015 and 2014. Nonperforming loans do not include loans accounted for under the fair value option. During the three months ended March 31, 2015, nonperforming commercial loans and leases decreased \$117 million to \$996 million driven by transfers to foreclosed properties, paydowns and charge-offs outpacing new nonperforming loans. Transfers to foreclosed properties of \$205 million were largely related to one client relationship. Approximately 96 percent of commercial nonperforming loans, leases and foreclosed properties were secured and approximately 52 percent were contractually current. Commercial nonperforming loans were carried at approximately 79 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less costs to sell.

Table 52

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity ^(1, 2)

	Three Months Ended March 31	
(Dollars in millions)	2015	2014
Nonperforming loans and leases, January 1	\$ 1,113	\$ 1,309
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	287	262
Advances	2	8
Reductions to nonperforming loans and leases:		
Paydowns	(110)	(171)
Sales	(16)	(27)
Returns to performing status ⁽³⁾	(24)	(63)
Charge-offs	(51)	(50)
Transfers to foreclosed properties ⁽⁴⁾	(205)	(3)
Total net reductions to nonperforming loans and leases	(117)	(44)
Total nonperforming loans and leases, March 31	996	1,265
Foreclosed properties, January 1	67	90
Additions to foreclosed properties:		
New foreclosed properties ⁽⁴⁾	200	2
Reductions to foreclosed properties:		
Sales	(2)	(5)
Write-downs	(1)	(2)
Total net additions (reductions) to foreclosed properties	197	(5)
Total foreclosed properties, March 31	264	85
Nonperforming commercial loans, leases and foreclosed properties, March 31	\$ 1,260	\$ 1,350
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases ⁽⁵⁾	0.25 %	0.33 %
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties ⁽⁵⁾	0.32	0.35

⁽¹⁾ Balances do not include nonperforming LHFS of \$334 million and \$259 million at March 31, 2015 and 2014.

⁽²⁾ Includes U.S. small business commercial activity. Small business card loans are excluded as they are not classified as nonperforming.

⁽³⁾ Commercial loans and leases may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.

- (4) New foreclosed properties represents transfers of nonperforming loans to foreclosed properties net of charge-offs recorded during the first 90 days after transfer of a loan to foreclosed properties.
- (5) Outstanding commercial loans exclude loans accounted for under the fair value option.

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Table 53 presents our commercial TDRs by product type and performing status. U.S. small business commercial TDRs are comprised of renegotiated small business card loans and are not classified as nonperforming as they are charged off no later than the end of the month in which the loan becomes 180 days past due. For more information on TDRs, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 53

Commercial Troubled Debt Restructurings

(Dollars in millions)	March 31, 2015			December 31, 2014		
	Total	Non-performing	Performing	Total	Non-performing	Performing
U.S. commercial	\$1,104	\$ 352	\$ 752	\$1,096	\$ 308	\$ 788
Commercial real estate	235	44	191	456	234	222
Non-U.S. commercial	51	8	43	43	—	43
U.S. small business commercial	29	—	29	35	—	35
Total commercial troubled debt restructurings	\$1,419	\$ 404	\$ 1,015	\$1,630	\$ 542	\$ 1,088

Industry Concentrations

Table 54 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. Total commercial committed credit exposure increased \$22.7 billion, or three percent, during the three months to March 31, 2015 to \$855.1 billion. Increases in commercial committed exposure were concentrated in diversified financials, banking, pharmaceuticals and biotechnology, and real estate, partially offset by lower exposure to healthcare equipment and services, and energy.

Industry limits are used internally to manage industry concentrations and are based on committed exposures and capital usage that are allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits as well as to provide ongoing monitoring. The Management Risk Committee (MRC) oversees industry limit governance.

Diversified financials, our largest industry concentration with committed exposure of \$111.3 billion, increased \$7.8 billion, or eight percent, during the three months ended March 31, 2015. The increase was driven by growth in loan and loan equivalent exposure to asset managers and capital markets.

Real estate, our second largest industry concentration with committed exposure of \$78.4 billion, increased \$2.2 billion, or three percent, during the three months ended March 31, 2015. The increase was primarily due to new originations and renewals outpacing paydowns and sales. Real estate construction and land development exposure represented 13 percent of the total real estate industry committed exposure at both March 31, 2015 and December 31, 2014. For more information on the commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 87.

The following changes in our industry concentrations occurred during the three months ended March 31, 2015. Committed exposure to healthcare equipment and services industry decreased \$3.4 billion, or seven percent, primarily driven by repayment of bridge financing for acquisitions. Banking committed exposure increased \$3.4 billion, or seven percent, primarily reflecting growth in mortgage banking exposure driven by increases in residential and commercial mortgage origination volume. Pharmaceuticals and biotechnology committed exposure increased \$3.3 billion, or 25 percent, primarily reflecting a bridge commitment for an acquisition. Energy committed exposure decreased \$2.3 billion, or five percent, primarily due to repayment of bridge financing.

Our committed state and municipal exposure of \$39.4 billion at March 31, 2015 consisted of \$32.3 billion of commercial utilized exposure (including \$19.1 billion of funded loans, \$6.4 billion of SBLCs and \$2.6 billion of derivative assets) and \$7.1 billion of unfunded commercial exposure (primarily unfunded loan commitments and letters of credit) and is reported in the government and public education industry in Table 54. With the U.S. economy gradually strengthening, most state and local governments are experiencing improved fiscal circumstances and continue to honor debt obligations as agreed. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications are regularly circulated such that exposure levels are maintained in compliance with established concentration guidelines.

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Table 54

Commercial Credit Exposure by Industry ⁽¹⁾

(Dollars in millions)	Commercial Utilized		Total Commercial Committed	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014
Diversified financials	\$65,579	\$ 63,306	\$111,306	\$ 103,528
Real estate ⁽²⁾	57,930	53,834	78,357	76,153
Retailing	34,612	33,683	58,701	58,043
Capital goods	29,254	29,028	54,171	54,653
Banking	46,539	42,330	51,732	48,353
Government and public education	42,894	42,095	51,066	49,937
Healthcare equipment and services	31,636	32,923	49,022	52,450
Materials	24,586	23,664	46,503	45,821
Energy	22,174	23,830	45,416	47,667
Food, beverage and tobacco	17,100	16,131	35,083	34,465
Consumer services	21,987	21,657	34,094	33,269
Commercial services and supplies	18,473	17,997	30,623	30,451
Utilities	10,559	9,399	25,679	25,235
Transportation	18,050	17,538	25,655	24,541
Media	11,615	11,128	21,596	21,502
Individuals and trusts	16,723	16,749	21,568	21,195
Pharmaceuticals and biotechnology	5,956	5,707	16,800	13,493
Software and services	5,542	5,927	15,052	14,071
Technology hardware and equipment	5,158	5,489	14,125	12,350
Consumer durables and apparel	6,457	6,111	10,827	10,613
Automobiles and components	5,203	4,114	10,479	9,683
Telecommunication services	3,991	3,814	10,407	9,295
Insurance, including monolines	4,758	5,204	10,402	11,252
Food and staples retailing	3,812	3,848	7,482	7,418
Religious and social organizations	4,692	4,881	6,215	6,548
Other	7,249	6,255	12,704	10,415
Total commercial credit exposure by industry	\$522,529	\$ 506,642	\$855,065	\$ 832,401
Net credit default protection purchased on total commitments ⁽³⁾			\$(6,720)	\$(7,302)

⁽¹⁾ Includes U.S. small business commercial exposure.

Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table,

⁽²⁾ the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.

⁽³⁾ Represents net notional credit protection purchased. For additional information, see Commercial Portfolio Credit Risk Management – Risk Mitigation on page 94.

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Risk Mitigation

We purchase credit protection to cover the funded portion as well as the unfunded portion of certain credit exposures. To lower the cost of obtaining our desired credit protection levels, we may add credit exposure within an industry, borrower or counterparty group by selling protection.

At March 31, 2015 and December 31, 2014, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was \$6.7 billion and \$7.3 billion. We recorded net losses of \$71 million for the three months ended March 31, 2015 compared to net losses of \$29 million for the same period in 2014 on these positions. The gains and losses on these instruments were offset by gains and losses on the related exposures. The Value-at-Risk (VaR) results for these exposures are included in the fair value option portfolio information in Table 62. For additional information, see Trading Risk Management on page 103.

Tables 55 and 56 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at March 31, 2015 and December 31, 2014.

Table 55

Net Credit Default Protection by Maturity

	March 31 2015		December 31 2014	
Less than or equal to one year	40	%	43	%
Greater than one year and less than or equal to five years	58		55	
Greater than five years	2		2	
Total net credit default protection	100	%	100	%

Table 56

Net Credit Default Protection by Credit Exposure Debt Rating
(Dollars in millions)

Ratings ^(1, 2)	March 31, 2015		December 31, 2014		
	Net Notional ⁽³⁾	Percent of Total	Net Notional ⁽³⁾	Percent of Total	
A	\$(1,363)	20.3	\$(1,310)	17.9	%
BBB	(3,603)	53.6	(4,207)	57.6	
BB	(1,011)	15.0	(1,001)	13.7	
B	(569)	8.5	(643)	8.8	
CCC and below	(168)	2.5	(131)	1.8	
NR ⁽⁴⁾	(6)	0.1	(10)	0.2	
Total net credit default protection	\$(6,720)	100.0	\$(7,302)	100.0	%

⁽¹⁾ Ratings are refreshed on a quarterly basis.

⁽²⁾ Ratings of BBB- or higher are considered to meet the definition of investment grade.

⁽³⁾ Represents net credit default protection (purchased) sold.

⁽⁴⁾ NR is comprised of index positions held and any names that have not been rated.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker-dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also subject to credit risk in the event that these counterparties fail to perform under the terms of these

contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required by the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

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Table 57 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts with the counterparty. For more information on our written credit derivatives, see Note 2 – Derivatives to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 57 take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in Note 2 – Derivatives to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 57
Credit Derivatives

(Dollars in millions)	March 31, 2015		December 31, 2014	
	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	\$1,054,657	\$3,925	\$1,094,796	\$3,833
Total return swaps/other	43,763	138	44,333	510
Total purchased credit derivatives	\$1,098,420	\$4,063	\$1,139,129	\$4,343
Written credit derivatives:				
Credit default swaps	\$1,032,418	n/a	\$1,073,101	n/a
Total return swaps/other	61,834	n/a	61,031	n/a
Total written credit derivatives	\$1,094,252	n/a	\$1,134,132	n/a
n/a = not applicable				

Counterparty Credit Risk Valuation Adjustments

We record counterparty credit risk valuation adjustments on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit risk of the counterparty, as presented in Table 58. We calculate CVA based on a modeled expected exposure that incorporates current market risk factors including changes in market spreads and non-credit related market factors that affect the value of a derivative. The exposure also takes into consideration credit mitigants such as legally enforceable master netting agreements and collateral. For additional information, see Note 2 – Derivatives to the Consolidated Financial Statements.

Table 58
Credit Valuation Gains and Losses

Gains (Losses)	Three Months Ended March 31					
	2015			2014		
(Dollars in millions)	Gross	Hedge	Net	Gross	Hedge	Net
Credit valuation	\$8	\$116	\$124	\$52	\$(12)	\$40

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Non-U.S. Portfolio

Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. Management oversight of country risk, including cross-border risk, is the responsibility of a subcommittee of the MRC. In addition to the direct risk of doing business in a country, we also are exposed to indirect country risks (e.g., related to the collateral received on secured financing transactions or related to client clearing activities). These indirect exposures are managed in the normal course of business through credit, market and operational risk governance, rather than through country risk governance.

Table 59 presents our 20 largest non-U.S. country exposures at March 31, 2015. These exposures accounted for 87 percent of our total non-U.S. exposure at March 31, 2015 and 88 percent at December 31, 2014. Net country exposure for these 20 countries increased \$1.5 billion from December 31, 2014 driven by higher derivatives exposure in the United Kingdom, Brazil and Germany, and reductions in hedges in the United Kingdom, France, Spain and Japan. These increases were partially offset by reductions in funded and unfunded loans and loan equivalents exposure in Germany, Japan, France, China and Russia, and decreases in securities exposure in the United Kingdom, Italy and Taiwan.

Non-U.S. exposure is presented on an internal risk management basis and includes sovereign and non-sovereign credit exposure, securities and other investments issued by or domiciled in countries other than the U.S. The risk assignments by country can be adjusted for external guarantees and certain collateral types. Exposures that are subject to external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities.

Funded loans and loan equivalents include loans, leases, and other extensions of credit and funds, including letters of credit and due from placements, which have not been reduced by collateral, hedges or credit default protection. Funded loans and loan equivalents are reported net of charge-offs but prior to any allowance for loan and lease losses. Unfunded commitments are the undrawn portion of legally binding commitments related to loans and loan equivalents.

Net counterparty exposure includes the fair value of derivatives, including the counterparty risk associated with credit default swaps (CDS), and secured financing transactions. Derivatives exposures are presented net of collateral, which is predominantly cash, pledged under legally enforceable master netting agreements. Secured financing transaction exposures are presented net of eligible cash or securities pledged as collateral.

Securities and other investments are carried at fair value and long securities exposures are netted against short exposures with the same underlying issuer to, but not below, zero (i.e., negative issuer exposures are reported as zero). Other investments include our GPI portfolio and strategic investments.

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Net country exposure represents country exposure less hedges and credit default protection purchased, net of credit default protection sold. We hedge certain of our country exposures with credit default protection primarily in the form of single-name, as well as indexed and tranching CDS. The exposures associated with these hedges represent the amount that would be realized upon the isolated default of an individual issuer in the relevant country assuming a zero recovery rate for that individual issuer, and are calculated based on the CDS notional amount adjusted for any fair value receivable or payable. Changes in the assumption of an isolated default can produce different results in a particular tranche.

Table 59

Top 20 Non-U.S. Countries Exposure

(Dollars in millions)	Funded Loans and Loan Equivalents	Unfunded Loan Commitments	Net Counterparty Exposure	Securities/ Other Investments	Country Exposure at March 31 2015	Hedges and Credit Default Protection	Net Country Exposure at March 31 2015	Increase (Decrease) from December 31 2014
United Kingdom	\$ 24,140	\$ 10,921	\$ 8,414	\$ 6,134	\$ 49,609	\$(3,285)	\$ 46,324	\$ 777
Canada	6,139	6,922	2,007	4,307	19,375	(1,798)	17,577	(963)
Brazil	10,400	777	1,198	4,437	16,812	(330)	16,482	1,498
Japan	11,068	482	4,127	1,546	17,223	(929)	16,294	(440)
Germany	4,902	4,788	4,159	4,996	18,845	(3,435)	15,410	2,851
India	6,496	369	247	4,622	11,734	(292)	11,442	856
China	9,698	600	795	1,242	12,335	(912)	11,423	(869)
France	2,590	4,956	1,370	4,625	13,541	(3,501)	10,040	(398)
Netherlands	3,076	3,808	1,320	1,556	9,760	(1,145)	8,615	480
Hong Kong	6,037	380	1,009	719	8,145	(13)	8,132	(476)
South Korea	3,607	1,081	956	2,596	8,240	(670)	7,570	1,121
Australia	3,415	1,598	809	2,070	7,892	(675)	7,217	(456)
Switzerland	2,933	3,402	1,084	707	8,126	(999)	7,127	596
Italy	3,151	930	2,430	501	7,012	(2,672)	4,340	(1,059)
Singapore	2,207	215	780	959	4,161	(55)	4,106	102
Spain	2,202							