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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2016
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact name of registrant as specified in its charter:
Bank of America Corporation
State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

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

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

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

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

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

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

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

Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior-period amounts have been reclassified to conform to current period presentation. Throughout the MD&A, the Corporation uses certain acronyms and abbreviations which are defined in the Glossary.

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Executive Summary

Business Overview

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

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

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First-Quarter 2016 Economic and Business Environment

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

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

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

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

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Recent Events

Resolution Plan

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

Capital Management

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

Selected Financial Data

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

Table 1
Selected Financial Data

	Three Months Ended March 31	
(Dollars in millions, except per share information)	2016	2015
Income statement		
Revenue, net of interest expense (FTE basis) [1]	$19,727	$21,129
Net income	2,680	3,097
Diluted earnings per common share	0.21	0.25
Dividends paid per common share	0.05	0.05
Performance ratios		
Return on average assets	0.50 %	0.59 %
Return on average tangible common shareholders' equity [1]	5.41	7.19
Efficiency ratio (FTE basis) [1]	75.11	74.91

	March 31 2016	December 31 2015
Balance sheet		
Total loans and leases [2]	$901,113	$896,983
Total assets	2,185,498	2,144,316
Total deposits	1,217,261	1,197,259
Total common shareholders' equity	238,434	233,932
Total shareholders' equity	262,776	256,205

(1)

Fully taxable-equivalent (FTE) basis, return on average tangible common shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 14.

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

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Financial Highlights

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

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

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

Table 2
Summary Income Statement

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

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

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Net Interest Income

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

Noninterest Income

Table 3
Noninterest Income

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

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

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

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

- Trading account profits decreased $585 million. Debit valuation adjustments (DVA) gains were $184 million in the three months ended March 31, 2016 compared to losses of $46 million in the same period in 2015. Excluding DVA, trading account profits decreased $815 million driven by declines in credit-related products and equities due to challenging market conditions, and lower revenue in currencies which performed strongly in the same period in 2015. These decreases were partially offset by an improved performance in rates and client financing. For more information on trading account profits, see Global Markets on page 33.

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

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

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Provision for Credit Losses

Table 4
Credit Quality Data

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

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

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

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

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

Noninterest Expense

Table 5
Noninterest Expense

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

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

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Income Tax Expense

Table 6
Income Tax Expense

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

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

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

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Balance Sheet Overview

Table 7
Selected Balance Sheet Data

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

Assets

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

Liabilities and Shareholders' Equity

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

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

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Table 8
Selected Quarterly Financial Data

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

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

(2) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 14.

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

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

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

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

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

(7) Net charge-offs exclude $105 million, $82 million, $148 million, $290 million and $288 million of write-offs in the PCI loan portfolio in the first quarter of 2016 and in the fourth, third, second and first quarters of 2015, respectively. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

(8) Risk-based capital ratios reported under Basel 3 Advanced - Transition beginning in the fourth quarter of 2015. Prior to the fourth quarter of 2015, we were required to report risk-based capital ratios under Basel 3 Standardized - Transition only. For additional information, see Capital Management on page 45.

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Table 8
Selected Quarterly Financial Data (continued)

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

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

For footnotes see page 12.

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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 Table 8.

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

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

Table 9
Supplemental Financial Data

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

Net interest yield	2.05 %	2.16 %
Efficiency ratio	75.11	74.91

Tables 10, 11 and 12 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

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Table 10
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

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

Table 11
Period-end and Average Supplemental Financial Data and Reconciliations to GAAP Financial Measures

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

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

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

Adjustment related to goodwill and a percentage of intangibles	(23,937)	(23,877)
Average allocated capital	$37,000	$35,000
Global Markets		
Reported net income	$984	$677
Adjustment related to intangibles [2]	2	2
Adjusted net income	$986	$679
Average allocated equity [3]	$42,332	$40,416
Adjustment related to goodwill and a percentage of intangibles	(5,332)	(5,416)
Average allocated capital	$37,000	$35,000

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

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

(3) Average allocated equity is comprised of average allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 21.

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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. We evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on an FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 13 provides additional clarity in assessing our results.

Table 13
Net Interest Income Excluding Trading-related Net Interest Income

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

(1) Represents a non-GAAP financial measure.
(2) Calculated on an annualized basis.

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

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

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

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Table 14
Quarterly Average Balances and Interest Rates – FTE Basis

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

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

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

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

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

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

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

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

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

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

For footnotes see page 18.

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

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

For footnotes see page 18.

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

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

For footnotes see page 18.

Business Segment Operations

Segment Description and Basis of Presentation

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

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

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

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Consumer Banking

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

Balance Sheet

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

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

n/m = not meaningful

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

Consumer Banking Results

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

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

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

Deposits

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

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

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

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

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

Key Statistics – Deposits

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

ATMs	16,003	15,903

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

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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, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions, late fees, cash advance fees, annual credit card fees, mortgage banking fee income and other miscellaneous fees. Consumer Lending products are available to our customers through our retail network, direct telephone, and online and mobile channels.

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

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

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

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

Key Statistics – Consumer Lending

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

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

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

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Mortgage Banking Income

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

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

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

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

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

(3) Includes the effect of transfers of mortgage loans from Consumer Banking to the asset and liability management (ALM) portfolio included in All Other, intercompany charges for loan servicing and net gains or losses on intercompany trades related to mortgage servicing rights risk management.

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

Key Statistics

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

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

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

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

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

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Global Wealth & Investment Management

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

Balance Sheet

Average	Three Months Ended March 31 2016	2015	% Change
Total loans and leases	$ 137,868	$ 126,129	9 %
Total earning assets	279,471	257,625	8
Total assets	295,576	275,130	7
Total deposits	260,482	243,561	7
Allocated capital	13,000	12,000	8

Period end	March 31 2016	December 31 2015	% Change
Total loans and leases	$ 138,418	$ 137,847	<1%
Total earning assets	279,980	279,465	<1
Total assets	296,062	296,139	<(1)
Total deposits	260,565	260,893	<(1)

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

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

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

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

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

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

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

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

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Key Indicators and Metrics

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

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

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

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

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

(5) Financial advisor productivity is defined as annualized Merrill Lynch Global Wealth Management total revenue, excluding the allocation of certain ALM activities, divided by the total number of financial advisors (excluding financial advisors in the Consumer Banking segment).

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

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

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

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

Net Migration Summary

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

Net Migration Summary [(1)]

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

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

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Global Banking

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

Balance Sheet

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

n/m = not meaningful

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

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

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

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

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

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

Global Corporate, Global Commercial and Business Banking

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

Global Corporate, Global Commercial and Business Banking

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

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

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

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

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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 under an internal revenue-sharing arrangement. To provide a complete discussion of our consolidated investment banking fees, the following table presents total Corporation investment banking fees and the portion attributable to Global Banking.

Investment Banking Fees

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

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

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Global Markets

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

Balance Sheet

	Three Months Ended March 31		
Average	2016	2015	% Change
Trading-related assets:			
Trading account securities	$187,930	$193,491	(3)%
Reverse repurchases	85,501	115,309	(26)
Securities borrowed	80,807	78,713	3
Derivative assets	53,514	56,417	(5)
Total trading-related assets [1]	407,752	443,930	(8)
Total loans and leases	69,283	56,601	22
Total earning assets [1]	419,144	433,061	(3)
Total assets	582,226	596,806	(2)
Total deposits	36,173	39,587	(9)
Allocated capital	37,000	35,000	6

Period end	March 31 2016	December 31 2015	% Change
Total trading-related assets [1]	$408,309	$373,950	9 %
Total loans and leases	73,446	73,208	<1
Total earning assets [1]	423,118	385,157	10
Total assets	582,048	549,952	6
Total deposits	34,486	37,256	(7)

[1] Trading-related assets include derivative assets, which are considered non-earning assets.
n/m = not meaningful

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

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

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

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

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Sales and Trading Revenue

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

Sales and Trading Revenue [1, 2]

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Sales and trading revenue		
Fixed-income, currencies and commodities	$2,404	$2,352
Equities	1,037	1,137
Total sales and trading revenue	$3,441	$3,489
Sales and trading revenue, excluding net DVA [3]		
Fixed-income, currencies and commodities	$2,264	$2,744
Equities	1,023	1,146
Total sales and trading revenue, excluding net DVA [3]	$3,287	$3,890

(1) Includes FTE adjustments of $44 million and $48 million for the three months ended March 31, 2016 and 2015. For more information on sales and trading revenue, see Note 2 – Derivatives to the Consolidated Financial Statements.

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

(3) FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net DVA gains were $140 million for the three months ended March 31, 2016 compared to net DVA losses of $392 million for the same period in 2015. Equities net DVA gains were $14 million for the three months ended March 31, 2016 compared to net DVA losses of $9 million for the same period in 2015.

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

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Legacy Assets & Servicing

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

Balance Sheet

Average	Three Months Ended March 31 2016	2015	% Change
Total loans and leases	$25,878	$ 32,411	(20)%
Total earning assets	33,080	41,468	(20)
Total assets	41,821	52,713	(21)
Allocated capital	23,000	24,000	(4)

Period end	March 31 2016	December 31 2015	% Change
Total loans and leases	$25,115	$ 26,521	(5)%
Total earning assets	30,560	37,783	(19)
Total assets	38,928	47,292	(18)

n/m = not meaningful

LAS is responsible for our mortgage servicing activities related to residential first mortgage and home equity loans serviced for others and loans held by the Corporation, including loans that have been designated as the LAS Portfolios. The LAS Portfolios (both owned and serviced), herein referred to as the Legacy Owned and Legacy Serviced Portfolios, respectively (together, the Legacy Portfolios), and as further defined below, include those loans originated prior to January 1, 2011 that would not have been originated under our established underwriting standards as of December 31, 2010. For more information on our Legacy Portfolios, see page 37. In addition, LAS is responsible for managing certain legacy exposures related to mortgage origination, sales and servicing activities (e.g., litigation, representations and warranties). LAS also includes the financial results of the home equity portfolio selected as part of the Legacy Owned Portfolio and the results of MSR activities, including net hedge results.

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

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

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

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

Legacy Portfolios

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

Legacy Owned Portfolio

The Legacy Owned Portfolio includes those loans that met the criteria as described above and are on the balance sheet of the Corporation. Home equity loans in this portfolio are held on the balance sheet of LAS, and residential mortgage loans in this portfolio are included as part of All Other. The financial results of the on-balance sheet loans are reported in the segment that owns the loans or in All Other. Total loans in the Legacy Owned Portfolio decreased $4.3 billion during the three months ended March 31, 2016 to $67.4 billion, of which $25.1 billion was held on the LAS balance sheet and the remainder was included in All Other. The decrease was largely due to payoffs and paydowns, as well as loan sales.

Legacy Serviced Portfolio

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

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

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

Residential mortgage loans		
Total	$111	$141
60 days or more past due	11	21
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	607	764
60 days or more past due	61	109

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

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

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

	March 31	
(Dollars in billions)	2016	2015
Unpaid principal balance		
Residential mortgage loans		
Total	$368	$447
60 days or more past due	4	8
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	2,321	2,868
60 days or more past due	27	44

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

LAS Mortgage Banking Income

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

LAS Mortgage Banking Income

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

(1) Represents the net change in fair value of the MSR asset due to the recognition of modeled cash flows.

(2) Includes gains (losses) on sales of MSRs.

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

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

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Key Statistics

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

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

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

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

Mortgage Servicing Rights

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

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All Other

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

Balance Sheet

	Three Months Ended March 31		
Average	2016	2015	% Change
Loans and leases:			
Residential mortgage	$104,395	$151,305	(31)%
Non-U.S. credit card	9,822	10,002	(2)
Other	6,365	6,842	(7)
Total loans and leases	120,582	168,149	(28)
Total assets [(1)]	229,339	257,574	(11)
Total deposits	23,964	19,518	23

Period end	March 31 2016	December 31 2015	% Change
Loans and leases:			
Residential mortgage	$100,524	$109,030	(8)%
Non-U.S. credit card	9,977	9,975	<1
Other	6,470	6,339	2
Total loans and leases	116,971	125,344	(7)
Total equity investments	4,205	4,297	(2)
Total assets [(1)]	221,202	232,601	(5)
Total deposits	23,885	22,919	4

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

n/m = not meaningful

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

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

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

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

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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 46 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K, as well as Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Representations and Warranties

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

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

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

Unresolved Repurchase Claims

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

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

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

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Liability for Representations and Warranties and Corporate Guarantees

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

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

Estimated Range of Possible Loss

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

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

Department of Justice Settlement

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

Other Mortgage-related Matters

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

Managing Risk

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

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

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

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

Capital Management

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

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

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

CCAR and Capital Planning

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

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

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

Regulatory Capital

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

Basel 3 Overview

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

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

Regulatory Capital Composition

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

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

Table 15
Summary of Certain Basel 3 Regulatory Capital Transition Provisions

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

(1) Represents the phase-out percentage of the exclusion by year (e.g., 60 percent of net unrealized gains (losses) on debt and certain marketable equity securities recorded in accumulated OCI will be included in 2016).

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

Minimum Capital Requirements

Minimum capital requirements and related buffers are being phased in from January 1, 2014 through January 1, 2019. Effective January 1, 2015, the PCA framework was also amended to reflect the requirements of Basel 3. The PCA framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of

capitalization, with no mandatory actions required for "well-capitalized" banking organizations, which included BANA at March 31, 2016.

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

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

Standardized Approach

Total risk-weighted assets under the Basel 3 Standardized approach consist of credit risk and market risk measures. Credit risk-weighted assets are measured by applying fixed risk weights to on- and off-balance sheet exposures (excluding securitizations), determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development country risk code and maturity, among others. Off-balance sheet exposures primarily include financial guarantees, unfunded lending commitments, letters of credit and potential future derivative exposures. Market risk applies to covered positions which include trading assets and liabilities, foreign exchange exposures and commodity exposures. Market risk capital is modeled for general market risk and specific risk for products where specific risk regulatory approval has been granted; in the absence of specific risk model approval, standard specific risk charges apply. For securitization exposures, risk-weighted assets are determined using the Simplified Supervisory Formula Approach (SSFA). Under the Standardized approach, no distinction is made for variations in credit quality for corporate exposures, and the economic benefit of collateral is restricted to a limited list of eligible securities and cash.

Advanced Approaches

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

Supplementary Leverage Ratio

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

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

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Capital Composition and Ratios

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

Table 16
Bank of America Corporation Regulatory Capital under Basel 3 [1]

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

(1)

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

(2) The March 31, 2016 amount includes a transition capital conservation buffer of 0.625 percent and a transition G-SIB surcharge of 0.75 percent. The 2016 countercyclical capital buffer is zero.

(3) To be "well capitalized" under the current U.S. banking regulatory agency definitions, we must maintain a higher Total capital ratio of 10 percent.

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

(5) Fully phased-in regulatory capital minimums assume a capital conservation buffer of 2.5 percent and estimated G-SIB surcharge of 3.0 percent. The estimated fully phased-in countercyclical capital buffer is zero. We will be subject to fully phased-in regulatory minimums on January 1, 2019. The fully phased-in SLR minimum assumes a leverage buffer of 2.0 percent and is applicable on January 1, 2018.

(6) Total capital under the Advanced approaches differs from the Standardized approach due to differences in the amount permitted in Tier 2 capital related to the qualifying allowance for credit losses.

(7) Reflects adjusted average total assets for the three months ended March 31, 2016 and December 31, 2015.

n/a = not applicable

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

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

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

Table 17
Capital Composition under Basel 3 – Transition[(1)]

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

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

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

Table 18
Risk-weighted assets under Basel 3 – Transition

	March 31, 2016	December 31, 2015

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

n/a = not applicable

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

Table 19
Regulatory Capital Reconciliations between Basel 3 Transition to Fully Phased-in [1]

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

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

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

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Bank of America, N.A. Regulatory Capital

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

Table 20
Bank of America, N.A. Regulatory Capital under Basel 3

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

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

Regulatory Developments

Minimum Total Loss-Absorbing Capacity

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

Revisions to Approaches for Measuring Risk-weighted Assets

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

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

Single-Counterparty Credit Limits

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

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Broker-dealer Regulatory Capital and Securities Regulation

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

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

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

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

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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 2016 and through May 2, 2016, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

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

Table 21
Preferred Stock Cash Dividend Summary

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

(1) Dividends are cumulative.

(2) Dividends per depositary share, each representing a 1/1,000th 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 21
Preferred Stock Cash Dividend Summary (continued)

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series 1 (5)	$ 98	January 11, 2016	February 15, 2016	February 29, 2016	Floating	$0.18750
		April 15, 2016	May 15, 2016	May 31, 2016	Floating	0.18750
Series 2 (5)	$ 299	January 11, 2016	February 15, 2016	February 29, 2016	Floating	$0.19167
		April 15, 2016	May 15, 2016	May 31, 2016	Floating	0.18750
Series 3 (5)	$ 653	January 11, 2016	February 15, 2016	February 29, 2016	6.375 %	$0.3984375
		April 15, 2016	May 15, 2016	May 31, 2016	6.375	0.3984375
Series 4 (5)	$ 210	January 11, 2016	February 15, 2016	February 29, 2016	Floating	$0.25556
		April 15, 2016	May 15, 2016	May 31, 2016	Floating	0.25000
Series 5 (5)	$ 422	January 11, 2016	February 1, 2016	February 22, 2016	Floating	$0.25556
		April 15, 2016	May 1, 2016	May 23, 2016	Floating	0.25000

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

Liquidity Risk

Funding and Liquidity Risk Management

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

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

Global Excess Liquidity Sources and Other Unencumbered Assets

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

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

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

Table 22
Global Excess Liquidity Sources

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

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

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

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

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

Table 23
Global Excess Liquidity Sources Composition

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

Total Global Excess Liquidity Sources	$ 525	$ 504

Time-to-required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is "time-to-required funding." This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only the parent company's liquidity sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our time-to-required funding was 36 months at March 31, 2016.

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

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

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

Basel 3 Liquidity Standards

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

In 2014, U.S. banking regulators finalized LCR requirements for the largest U.S. financial institutions on a consolidated basis and for their subsidiary depository institutions with total assets greater than $10 billion. The LCR is calculated as the amount of a financial institution's unencumbered HQLA relative to the estimated net cash outflows the institution could encounter over a 30-day period of significant liquidity stress, expressed as a percentage. An initial minimum LCR of 80 percent was required as of January 2015, increased to 90 percent as of January 2016 and will increase to 100 percent in January 2017. These minimum requirements are applicable to the Corporation on a consolidated basis and to our insured depository institutions. As of March 31, 2016, we estimate that the consolidated Corporation was above the 2017 LCR requirements. The Corporation's LCR may fluctuate from period to period due to normal business flows from customer activity.

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

Diversified Funding Sources

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

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

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

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

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

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

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

Table 24
Long-term Debt By Maturity

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

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

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

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

Table 25
Long-term Debt By Major Currency

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

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

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

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

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

Contingency Planning

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

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

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

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Credit Ratings

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

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

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the markets in which we compete; our various risk exposures and risk management policies and activities; pending litigation and other contingencies or potential tail risks; our reputation; our liquidity position, diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; our corporate governance; the sovereign credit ratings of the U.S. government; current or future regulatory and legislative initiatives; and the agencies' views on whether the U.S. government would provide meaningful support to the Corporation or its subsidiaries in a crisis.

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

Table 26
Senior Debt Ratings

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

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

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

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit rating downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a company's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time-to-required Funding and Stress Modeling on page 55.

For more information on the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit rating downgrade, see Note 2 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Credit Risk Management

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

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

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

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

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

Consumer Portfolio Credit Risk Management

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

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

Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

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

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

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For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. For more information on representations and warranties related to our residential mortgage and home equity portfolios, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 42 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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

Table 27
Consumer Loans and Leases

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

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

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

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

(4)

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

n/a = not applicable

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Table 28 presents consumer nonperforming loans and accruing consumer loans past due 90 days or more. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the FHA or individually insured under long-term standby agreements with FNMA and FHLMC (collectively, the fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily from our repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due.

Table 28
Consumer Credit Quality

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

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

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

n/a = not applicable

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

Table 29
Consumer Net Charge-offs and Related Ratios

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

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

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

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

Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.26 percent and 0.59 percent for residential mortgage, 0.64 percent and 0.88 percent for home equity, and 0.93 percent and 1.14 percent for the total consumer portfolio for the three months ended March 31, 2016 and 2015, respectively. These are the only product classifications that include PCI and fully-insured loans for these periods.

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

Table 30 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the Core portfolio and the Legacy Assets & Servicing portfolio within the consumer real estate portfolio. For more information on the Legacy Assets & Servicing portfolio, see LAS on page 36.

Table 30
Consumer Real Estate Portfolio [1]

(Dollars in millions)	Outstandings March 31 2016	Outstandings December 31 2015	Nonperforming March 31 2016	Nonperforming December 31 2015	Net Charge-offs [2] Three Months Ended March 31 2016	Net Charge-offs [2] Three Months Ended March 31 2015
Core portfolio						
Residential mortgage	$145,322	$ 145,845	$1,616	$ 1,845	$19	$51
Home equity	47,473	48,264	1,310	1,354	45	51
Total Core portfolio	192,795	194,109	2,926	3,199	64	102
Legacy Assets & Servicing portfolio						
Residential mortgage	39,118	42,066	2,360	2,958	72	146
Home equity	26,298	27,684	1,934	1,983	67	121
Total Legacy Assets & Servicing portfolio	65,416	69,750	4,294	4,941	139	267
Consumer real estate portfolio						
Residential mortgage	184,440	187,911	3,976	4,803	91	197
Home equity	73,771	75,948	3,244	3,337	112	172
Total consumer real estate portfolio	$258,211	$ 263,859	$7,220	$ 8,140	$203	$369

	Allowance for Loan and Lease Losses March 31 2016	Allowance for Loan and Lease Losses December 31 2015	Provision for Loan and Lease Losses Three Months Ended March 31 2016	Provision for Loan and Lease Losses Three Months Ended March 31 2015
Core portfolio				
Residential mortgage	$382	$ 418	$(14)	$5
Home equity	619	639	25	48
Total Core portfolio	1,001	1,057	11	53
Legacy Assets & Servicing portfolio				
Residential mortgage	930	1,082	(43)	(94)
Home equity	1,525	1,775	(118)	13
Total Legacy Assets & Servicing portfolio	2,455	2,857	(161)	(81)
Consumer real estate portfolio				

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

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

(2) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

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

excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 70.

Residential Mortgage

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

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

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

Table 31 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 70.

Table 31
Residential Mortgage – Key Credit Statistics

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

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

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

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

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

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Nonperforming residential mortgage loans decreased $827 million during the three months ended March 31, 2016 as outflows, including sales of $734 million outpaced new inflows. Of the nonperforming residential mortgage loans at March 31, 2016, $1.2 billion, or 31 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, $1.9 billion, or 47 percent of nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans that were 30 days or more past due decreased $197 million during the three months ended March 31, 2016.

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

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

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

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Table 32 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 14 percent of outstandings at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed net recoveries of $3 million and $5 million within the residential mortgage portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstandings at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed net charge-offs of $22 million and $39 million within the residential mortgage portfolio.

Table 32
Residential Mortgage State Concentrations

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

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option.
(2) Net charge-offs exclude $39 million and $188 million of write-offs in the residential mortgage PCI loan portfolio for the three months ended March 31, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.
(3) In these states, foreclosure requires a court order following a legal proceeding (judicial states).
(4) Amounts exclude the PCI residential mortgage and fully-insured loan portfolios.
(5) At March 31, 2016 and December 31, 2015, 48 percent and 47 percent of PCI residential mortgage loans were in California. There were no other significant single state concentrations.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was $7.8 billion and $8.0 billion at March 31, 2016 and December 31, 2015, or six percent of the residential mortgage portfolio for both periods. The CRA portfolio included $453 million and $552 million of nonperforming loans at March 31, 2016 and December 31, 2015, representing 11 percent of total nonperforming residential mortgage loans for both periods. Net charge-offs in the CRA portfolio were $15 million and $34 million for the three months ended March 31, 2016 and 2015, or 17 percent of total net charge-offs for the residential mortgage portfolio for both periods.

Home Equity

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

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

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

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

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

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

Table 33
Home Equity – Key Credit Statistics

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

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

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

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

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

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

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

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In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. For certain loans, we utilize a third-party vendor to combine credit bureau and public record data to better link a junior-lien loan with the underlying first-lien mortgage. At March 31, 2016, we estimate that $1.1 billion of current and $147 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on $167 million of these combined amounts, with the remaining $1.1 billion serviced by third parties. Of the $1.2 billion of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately $471 million had first-lien loans that were 90 days or more past due.

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

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

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

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

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Table 34 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent of the outstanding home equity portfolio at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed 13 percent and 11 percent of net charge-offs within the home equity portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016 and 2015, loans within this MSA contributed two percent and five percent of net charge-offs within the home equity portfolio.

Table 34
Home Equity State Concentrations

	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2]	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015	Three Months Ended March 31	
(Dollars in millions)					2016	2015
California	$19,760	$ 20,356	$899	$ 902	$10	$24
Florida [3]	8,187	8,474	499	518	17	30
New Jersey [3]	5,475	5,570	220	230	11	13
New York [3]	5,141	5,249	298	316	10	12
Massachusetts	3,305	3,378	112	115	3	5
Other U.S./Non-U.S.	27,535	28,302	1,216	1,256	61	88
Home equity loans [4]	$69,403	$ 71,329	$3,244	$ 3,337	$112	$172
Purchased credit-impaired home equity portfolio [5]	4,368	4,619				
Total home equity loan portfolio	$73,771	$ 75,948				

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

(2) Net charge-offs exclude $66 million and $100 million of write-offs in the home equity PCI loan portfolio for the three months ended March 31, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

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

(4) Amount excludes the PCI home equity portfolio.

(5) At both March 31, 2016 and December 31, 2015, 29 percent of PCI home equity loans were in California. There were no other significant single state concentrations.

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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. For more information on PCI loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Table 35 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the PCI loan portfolio.

Table 35
Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Gross Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	March 31, 2016				
Residential mortgage	$11,862	$11,603	$ 281	$ 11,322	95.45 %
Home equity	4,435	4,368	341	4,027	90.80
Total purchased credit-impaired loan portfolio	$16,297	$15,971	$ 622	$ 15,349	94.18
	December 31, 2015				
Residential mortgage	$12,350	$12,066	$ 338	$ 11,728	94.96 %
Home equity	4,650	4,619	466	4,153	89.31
Total purchased credit-impaired loan portfolio	$17,000	$16,685	$ 804	$ 15,881	93.42

The total PCI unpaid principal balance decreased $703 million, or four percent, during the three months ended March 31, 2016 primarily driven by payoffs, sales, paydowns and write-offs. During the three months ended March 31, 2016, we sold PCI loans with a carrying value of $174 million compared to sales of $586 million for the same period in 2015.

Of the unpaid principal balance of $16.3 billion at March 31, 2016, $14.3 billion, or 87 percent, was current based on the contractual terms, $1.0 billion, or six percent, was in early stage delinquency, and $758 million was 180 days or more past due, including $656 million of first-lien mortgages and $102 million of home equity loans.

During the three months ended March 31, 2016, we recorded a provision benefit of $77 million for the PCI loan portfolio which included a benefit of $59 million for home equity and $18 million for residential mortgage. This compared to a total provision benefit of $50 million for the three months ended March 31, 2015. The provision benefit for the three months ended March 31, 2016 was primarily driven by lower default estimates on second-lien loans and continued home price improvement.

The PCI valuation allowance declined $182 million during the three months ended March 31, 2016 due to write-offs in the PCI loan portfolio of $39 million in residential mortgage and $66 million in home equity, combined with a provision benefit of $77 million.

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, 2016. Those loans to borrowers with a refreshed FICO score below 620 represented 30 percent of the PCI residential mortgage loan portfolio at March 31, 2016. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 29 percent of the PCI residential mortgage loan portfolio and 32 percent based on the unpaid principal balance at March 31, 2016.

Pay option adjustable-rate mortgages, which are included in the PCI residential mortgage portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually. During an initial five- or ten-year period, minimum required payments may increase by no more than 7.5 percent. If payments are insufficient to pay all of the monthly interest charges, unpaid interest is added to the loan balance (i.e., negative amortization) until the loan balance increases to a specified limit at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

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At March 31, 2016, the unpaid principal balance of pay option loans was $2.3 billion, with a carrying value of $2.2 billion. The total unpaid principal balance of pay option loans with accumulated negative amortization was $449 million, including $25 million of negative amortization. We believe the majority of borrowers that are now making scheduled payments are able to do so 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 and have taken into consideration several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at March 31, 2016 that have not already experienced a payment reset, 42 percent are expected to reset in 2016 and 31 percent are expected to reset thereafter. In addition, five percent are expected to prepay and approximately 22 percent are expected to default prior to being reset, most of which were severely delinquent as of March 31, 2016. We no longer originate pay option loans.

Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 27 percent of the total PCI loan portfolio at March 31, 2016. Those loans with a refreshed FICO score below 620 represented 16 percent of the PCI home equity portfolio at March 31, 2016. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 57 percent of the PCI home equity portfolio and 60 percent based on the unpaid principal balance at March 31, 2016.

U.S. Credit Card

At March 31, 2016, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder managed in GWIM. Outstandings in the U.S. credit card portfolio decreased $3.2 billion during the three months ended March 31, 2016 due to a seasonal decline in retail transaction volume. Net charge-offs decreased $34 million to $587 million during the three months ended March 31, 2016 compared to the same period in 2015 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 $127 million while loans 90 days or more past due and still accruing interest decreased $46 million during the three months ended March 31, 2016 as a result of the factors mentioned above that contributed to lower net charge-offs.

Unused lines of credit for U.S. credit card totaled $321.0 billion and $312.5 billion at March 31, 2016 and December 31, 2015. The $8.5 billion increase was driven by account growth, lines of credit increases and a seasonal decrease in line utilization due to a decrease in transaction volume.

Table 36 presents certain key credit statistics for the U.S. credit card portfolio.

Table 36
U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	March 31 2016	December 31 2015
Outstandings	$86,403	$ 89,602
Accruing past due 30 days or more	1,448	1,575
Accruing past due 90 days or more	743	789

	Three Months Ended March 31	
	2016	2015
Net charge-offs	$587	$ 621
Net charge-off ratios [1]	2.71 %	2.84 %

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

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Table 37 presents certain state concentrations for the U.S. credit card portfolio.

Table 37
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs Three Months Ended March 31	
(Dollars in millions)	March 31 2016	December 31 2015	March 31 2016	December 31 2015	2016	2015
California	$13,239	$ 13,658	$109	$ 115	$92	$94
Florida	7,199	7,420	76	81	64	67
Texas	6,466	6,620	56	58	41	41
New York	5,343	5,547	54	57	40	42
Washington	3,778	3,907	19	19	14	16
Other U.S.	50,378	52,450	429	459	336	361
Total U.S. credit card portfolio	$86,403	$ 89,602	$743	$ 789	$587	$621

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, increased $2 million during the three months ended March 31, 2016. For the three months ended March 31, 2016, net charge-offs increased $1 million to $45 million compared to the same period in 2015.

Unused lines of credit for non-U.S. credit card totaled $27.8 billion and $27.9 billion at March 31, 2016 and December 31, 2015. The $129 million decrease was driven by weakening of the British Pound against the U.S. Dollar, partially offset by account growth and lines of credit increases.

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

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

(Dollars in millions)	March 31 2016	December 31 2015
Outstandings	$9,977	$ 9,975
Accruing past due 30 days or more	142	146
Accruing past due 90 days or more	77	76

	Three Months Ended March 31	
	2016	2015
Net charge-offs	$45	$ 44
Net charge-off ratios [1]	1.85 %	1.80 %

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

Direct/Indirect Consumer

At March 31, 2016, approximately 51 percent of the direct/indirect portfolio was included in Consumer Banking (consumer auto and specialty lending – automotive, marine, aircraft, recreational vehicle loans, and consumer personal loans), 48 percent was included in GWIM (principally securities-based lending 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, 2016 primarily in the consumer auto loan portfolio, partially offset by lower outstandings in the securities-based lending and the unsecured consumer lending portfolios.

For the three months ended March 31, 2016, net charge-offs were unchanged at $34 million, or 0.15 percent of total average direct/indirect loans, compared to 0.17 percent for the same period in 2015.

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Direct/indirect loans that were past due 30 days or more and still accruing interest declined $61 million to $267 million during the three months ended March 31, 2016 due to decreases in the consumer auto and specialty lending portfolios.

Table 39 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 39
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs Three Months Ended March 31	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015		
(Dollars in millions)					2016	2015
California	$10,981	$ 10,735	$2	$ 3	$ 4	$ 3
Florida	8,979	8,835	3	3	7	4
Texas	8,876	8,514	3	4	4	4
New York	5,152	5,077	1	1	1	1
Illinois	2,981	2,906	1	1	1	1
Other U.S./Non-U.S.	53,640	52,728	21	27	17	21
Total direct/indirect loan portfolio	$90,609	$ 88,795	$31	$ 39	$ 34	$ 34

Other Consumer

At March 31, 2016, approximately 68 percent of the $2.2 billion other consumer portfolio was consumer auto leases included in Consumer Banking. The remainder is primarily associated with certain consumer finance businesses that we previously exited.

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 40 presents nonperforming consumer loans, leases and foreclosed properties activity for the three months ended March 31, 2016 and 2015. 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 2015 Annual Report on Form 10-K. During the three months ended March 31, 2016, nonperforming consumer loans declined $918 million to $7.2 billion primarily driven by loan sales of $823 million. Excluding these sales, 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, 2016, $3.5 billion, or 45 percent of nonperforming consumer real estate loans and

foreclosed properties had been written down to their estimated property value less costs to sell, including $3.1 billion of nonperforming loans 180 days or more past due and $421 million of foreclosed properties. In addition, at March 31, 2016, $2.7 billion, or 36 percent of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties decreased $23 million during the three months ended March 31, 2016 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties decreased $67 million during the three months ended March 31, 2016. Not included in foreclosed properties at March 31, 2016 was $1.4 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.

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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 40.

Table 40
Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity [1]

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Nonperforming loans and leases, January 1	$8,165	$10,819
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	951	1,469
Reductions to nonperforming loans and leases:		
Paydowns and payoffs	(133)	(253)
Sales	(823)	(371)
Returns to performing status [2]	(441)	(867)
Charge-offs	(395)	(460)
Transfers to foreclosed properties [3]	(77)	(128)
Total net reductions to nonperforming loans and leases	(918)	(610)
Total nonperforming loans and leases, March 31 [4]	7,247	10,209
Foreclosed properties, January 1	444	630
Additions to foreclosed properties:		
New foreclosed properties [3]	110	196
Reductions to foreclosed properties:		
Sales	(119)	(168)
Write-downs	(14)	(26)
Total net additions (reductions) to foreclosed properties	(23)	2
Total foreclosed properties, March 31 [5]	421	632
Nonperforming consumer loans, leases and foreclosed properties, March 31	$7,668	$10,841
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases [6]	1.62 %	2.16 %
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties [6]	1.71	2.29

(1) Balances do not include nonperforming LHFS of $5 million and $10 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $36 million and $86 million at March 31, 2016 and 2015 as well as loans accruing past due 90 days or more as presented in Table 28 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

(2) 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.

(3) 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.

(4) At March 31, 2016, 42 percent of nonperforming loans were 180 days or more past due.

(5) Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured loans, of $1.4 billion and $1.2 billion at March 31, 2016 and 2015.

(6) 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 40 are net of $18 million and $32 million of charge-offs and write-offs of PCI loans for the three months ended March 31, 2016 and 2015, recorded during the first 90 days after transfer.

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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, 2016 and December 31, 2015, $471 million and $484 million of such junior-lien home equity loans were included in nonperforming loans and leases.

Table 41 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 40.

Table 41
Consumer Real Estate Troubled Debt Restructurings

	March 31, 2016			December 31, 2015		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$16,256	$ 2,618	$ 13,638	$18,372	$ 3,284	$ 15,088
Home equity [3]	2,719	1,675	1,044	2,686	1,649	1,037
Total consumer real estate troubled debt restructurings	$18,975	$ 4,293	$ 14,682	$21,058	$ 4,933	$ 16,125

(1) Residential mortgage TDRs deemed collateral dependent totaled $4.2 billion and $4.9 billion, and included $2.1 billion and $2.7 billion of loans classified as nonperforming and $2.1 billion and $2.2 billion of loans classified as performing at March 31, 2016 and December 31, 2015.

(2) Residential mortgage performing TDRs included $7.5 billion and $8.7 billion of loans that were fully-insured at March 31, 2016 and December 31, 2015.

(3) Home equity TDRs deemed collateral dependent totaled $1.6 billion, and included $1.3 billion of loans classified as nonperforming and $290 million of loans classified as performing at both March 31, 2016 and December 31, 2015.

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 40 as substantially all of the loans remain on accrual status until either charged off or paid in full. At March 31, 2016 and December 31, 2015, our renegotiated TDR portfolio was $722 million and $779 million, of which $591 million and $635 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.

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 46, 51 and 56 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 industry concentrations, including our utilized exposure to the energy sector which was four percent of total commercial utilized exposure at both March 31, 2016 and December 31, 2015, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83 and Table 51.

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 2015 Annual Report on Form 10-K.

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Commercial Credit Portfolio

During the three months ended March 31, 2016, credit quality among large corporate borrowers remained stable except in the energy sector which experienced deterioration due to sustained low oil prices. Credit quality of commercial real estate borrowers continued to improve as property valuations increased and vacancy rates remained low.

Outstanding commercial loans and leases increased $11.0 billion during the three months ended March 31, 2016, primarily in U.S. commercial, non-U.S. commercial and commercial real estate. Nonperforming commercial loans and leases increased $418 million during the three months ended March 31, 2016. Nonperforming commercial loans and leases as a percentage of outstanding loans and leases, excluding loans accounted for under the fair value option, increased during the three months ended March 31, 2016 to 0.36 percent from 0.28 percent at December 31, 2015. Reservable criticized balances increased $2.7 billion to $18.6 billion during the three months ended March 31, 2016 as a result of downgrades outpacing paydowns and upgrades. The increase in nonperforming loans and reservable criticized balances was primarily due to our energy exposure as the credit quality of certain borrowers was impacted by sustained low oil prices. The allowance for loan and lease losses for the commercial portfolio increased $462 million to $5.3 billion at March 31, 2016 compared to December 31, 2015. For additional information, see Allowance for Credit Losses on page 89.

Table 42 presents our commercial loans and leases portfolio, and related credit quality information at March 31, 2016 and December 31, 2015.

Table 42
Commercial Loans and Leases

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	March 31 2016	December 31 2015	March 31 2016	December 31 2015	March 31 2016	December 31 2015
U.S. commercial	$260,702	$ 252,771	$1,236	$ 867	$85	$ 113
Commercial real estate [(1)]	58,060	57,199	91	93	—	3
Commercial lease financing	20,957	21,352	29	12	13	15
Non-U.S. commercial	92,872	91,549	165	158	2	1
	432,591	422,871	1,521	1,130	100	132
U.S. small business commercial [(2)]	12,934	12,876	82	82	60	61
Commercial loans excluding loans accounted for under the fair value option	445,525	435,747	1,603	1,212	160	193
Loans accounted for under the fair value option [(3)]	6,266	5,067	40	13	—	—
Total commercial loans and leases	$451,791	$ 440,814	$1,643	$ 1,225	$160	$ 193

(1) Includes U.S. commercial real estate loans of $54.5 billion and $53.6 billion and non-U.S. commercial real estate loans of $3.5 billion at both March 31, 2016 and December 31, 2015.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $2.6 billion and $2.3 billion and non-U.S. commercial loans of $3.7 billion and $2.8 billion at March 31, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

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Table 43 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 2016 and 2015. The increase in net charge-offs of $74 million for the three months ended March 31, 2016 compared to the same period in 2015 was primarily due to higher energy sector related losses.

Table 43
Commercial Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	2016	2015	2016	2015
U.S. commercial	$65	$7	0.10 %	0.01 %
Commercial real estate	(6)	5	(0.04)	0.04
Commercial lease financing	(2)	5	(0.05)	0.11
Non-U.S. commercial	42	(2)	0.19	(0.01)
	99	15	0.09	0.02
U.S. small business commercial	52	62	1.64	1.90
Total commercial	$151	$77	0.14	0.08

(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 44 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 $12.2 billion during the three months ended March 31, 2016 primarily driven by growth in loans and leases. The utilization rate for loans and leases, SBLCs and financial guarantees, commercial letters of credit and bankers' acceptances, in the aggregate, was 58 percent and 56 percent at March 31, 2016 and December 31, 2015.

Table 44
Commercial Credit Exposure by Type

	Commercial Utilized [1]		Commercial Unfunded [2, 3, 4]		Total Commercial Committed	
(Dollars in millions)	March 31 2016	December 31 2015	March 31 2016	December 31 2015	March 31 2016	December 31 2015
Loans and leases [5]	$457,295	$ 446,832	$362,052	$ 376,478	$819,347	$ 823,310
Derivative assets [6]	52,255	49,990	—	—	52,255	49,990
Standby letters of credit and financial guarantees	33,267	33,236	1,035	690	34,302	33,926
Debt securities and other investments	22,027	21,709	4,953	4,173	26,980	25,882
Loans held-for-sale	4,822	5,456	365	1,203	5,187	6,659
Commercial letters of credit	1,486	1,725	156	390	1,642	2,115
Bankers' acceptances	284	298	—	—	284	298
Other	311	317	—	—	311	317
Total	$571,747	$ 559,563	$368,561	$ 382,934	$940,308	$ 942,497

(1) Total commercial utilized exposure includes loans of $6.3 billion and $5.1 billion and issued letters of credit with a notional amount of $303 million and $290 million accounted for under the fair value option at March 31, 2016 and December 31, 2015.

(2) Total commercial unfunded exposure includes loan commitments accounted for under the fair value option with a notional amount of $9.3 billion and $10.6 billion at March 31, 2016 and December 31, 2015.

(3) Excludes unused business card lines which are not legally binding.

(4) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated or participated) to other financial institutions of $13.0 billion and $14.3 billion at March 31, 2016 and December 31, 2015.

(5) Includes credit risk exposure associated with operating leases of $5.5 billion and $6.0 billion at March 31, 2016 and December 31, 2015.

(6) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $44.0 billion and $41.9 billion at March 31, 2016 and December 31, 2015. Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of $22.0 billion and $23.3 billion which consists primarily of other marketable securities.

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Table 45 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 $2.7 billion, or 17 percent, during the three months ended March 31, 2016 driven by downgrades primarily related to our energy exposure outpacing paydowns and upgrades. Approximately 76 percent and 78 percent of commercial utilized reservable criticized exposure was secured at March 31, 2016 and December 31, 2015.

Table 45
Commercial Utilized Reservable Criticized Exposure

	March 31, 2016		December 31, 2015	
(Dollars in millions)	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	$12,507	4.35 %	$9,965	3.56 %
Commercial real estate	478	0.80	513	0.87
Commercial lease financing	803	3.83	708	3.31
Non-U.S. commercial	4,021	4.06	3,944	4.04
	17,809	3.81	15,130	3.30
U.S. small business commercial	768	5.93	766	5.95
Total commercial utilized reservable criticized exposure	$18,577	3.87	$15,896	3.38

(1) Total commercial utilized reservable criticized exposure includes loans and leases of $17.1 billion and $14.5 billion and commercial letters of credit of $1.5 billion and $1.4 billion at March 31, 2016 and December 31, 2015.

(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, 2016, 70 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 17 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 $7.9 billion, or three percent, during the three months ended March 31, 2016 due to growth across all of the commercial businesses. Energy exposure largely drove increases in reservable criticized balances of $2.5 billion, or 26 percent, and nonperforming loans and leases of $369 million, or 43 percent, during the three months ended March 31, 2016, as well as an increase in net charge-offs of $58 million for the three months ended March 31, 2016 compared to the same period in 2015.

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 23 percent and 21 percent of the commercial real estate loans and leases portfolio at March 31, 2016 and December 31, 2015. 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 $861 million, or two percent, during the three months ended March 31, 2016 due to new originations primarily in major metropolitan markets.

For the three months ended March 31, 2016, 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 decreased $7 million, or six percent, and reservable criticized balances decreased $35 million, or seven percent, during the three months ended March 31, 2016. The decrease in reservable criticized balances was primarily due to loan resolutions and strong commercial real estate fundamentals. Net recoveries were $6 million for the three months ended March 31, 2016 compared to net charge-offs of $5 million for the same period in 2015.

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Table 46 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type.

Table 46
Outstanding Commercial Real Estate Loans

(Dollars in millions)	March 31 2016	December 31 2015
By Geographic Region		
California	$ 13,173	$ 12,063
Northeast	10,323	10,292
Southwest	7,328	7,789
Southeast	5,751	6,066
Midwest	4,215	3,780
Florida	3,194	3,330
Illinois	3,113	2,536
Midsouth	2,500	2,435
Northwest	2,209	2,327
Non-U.S.	3,522	3,549
Other [(1)]	2,732	3,032
Total outstanding commercial real estate loans	$ 58,060	$ 57,199
By Property Type		
Non-residential		
Office	$ 15,618	$ 15,246
Shopping centers/retail	9,401	8,594
Multi-family rental	9,287	8,956
Hotels/motels	5,451	5,415
Industrial/warehouse	5,320	5,501
Multi-use	3,006	3,003
Unsecured	1,701	2,056
Land and land development	441	539
Other	5,788	5,791
Total non-residential	56,013	55,101
Residential	2,047	2,098
Total outstanding commercial real estate loans	$ 58,060	$ 57,199

(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 47 and 48 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables 46, 47 and 48 includes condominiums and other residential real estate. Other property types in Tables 46, 47 and 48 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants.

Table 47
Commercial Real Estate Credit Quality Data

(Dollars in millions)	Nonperforming Loans and Foreclosed Properties [(1)]		Utilized Reservable Criticized Exposure [(2)]	
	March 31 2016	December 31 2015	March 31 2016	December 31 2015
Non-residential				
Office	$ 20	$ 14	$ 149	$ 110
Shopping centers/retail	9	12	120	183
Multi-family rental	19	18	61	69
Hotels/motels	17	18	45	16
Industrial/warehouse	5	6	10	16
Multi-use	13	15	39	42
Unsecured	1	1	4	4
Land and land development	2	2	3	3
Other	2	8	36	59
Total non-residential	88	94	467	502
Residential	13	14	11	11
Total commercial real estate	$ 101	$ 108	$ 478	$ 513

(1) Includes commercial foreclosed properties of $10 million and $15 million at March 31, 2016 and December 31, 2015.
(2) Includes loans, SBLCs and bankers' acceptances and excludes loans accounted for under the fair value option.

Table 48
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)]	
	2016	2015	2016	2015
Non-residential				
Office	$ —	$ 4	— %	0.12 %
Shopping centers/retail	1	—	0.02	—
Hotels/motels	1	5	0.10	0.58
Industrial/warehouse	2	(2)	0.13	(0.17)
Multi-use	(9)	(1)	(1.16)	(0.24)
Unsecured	(1)	(2)	(0.20)	(0.45)
Other	—	1	—	0.08
Total non-residential	(6)	5	(0.04)	0.04
Residential	—	—	—	—
Total commercial real estate	$ (6)	$ 5	(0.04)	0.04

(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.

At March 31, 2016, total committed non-residential exposure was $79.4 billion compared to $81.0 billion at December 31, 2015, of which $56.0 billion and $55.1 billion were funded loans. Non-residential nonperforming loans and foreclosed properties decreased $6 million, or six percent, to $88 million at March 31, 2016 compared to December 31, 2015 primarily due to decreases across most property types. The non-residential nonperforming loans and foreclosed properties represented 0.16 percent and 0.17 percent of total non-residential loans and foreclosed properties at March 31, 2016 and December 31, 2015. Non-residential utilized reservable criticized exposure decreased $35 million, or seven percent, to $467 million at March 31, 2016 compared to $502 million at December 31, 2015, which represented 0.81 percent and 0.89 percent of non-residential utilized reservable exposure. For the non-residential portfolio, net recoveries were $6 million for the three months ended March 31, 2016 compared to net charge-offs of $5 million for the same period in 2015.

At March 31, 2016, total committed residential exposure was $3.9 billion compared to $4.1 billion at December 31, 2015, of which $2.0 billion and $2.1 billion were funded secured loans. Residential nonperforming loans and foreclosed properties and residential utilized reservable criticized exposure remained relatively unchanged for the three months ended March 31, 2016. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 0.66 percent and 0.50 percent at March 31, 2016 compared to 0.66 percent and 0.52 percent at December 31, 2015.

At March 31, 2016 and December 31, 2015, the commercial real estate loan portfolio included $7.3 billion and $7.6 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 $104 million and $108 million, and nonperforming construction and land development loans and foreclosed properties totaled $40 million and $44 million at March 31, 2016 and December 31, 2015. 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, 2016, 77 percent of the non-U.S. commercial loan portfolio was managed in Global Banking and 23 percent in Global Markets. Outstanding loans, excluding loans accounted for under the fair value option, increased $1.3 billion during the three months ended March 31, 2016 primarily due to increased corporate demand. Net charge-offs increased $44 million to $42 million for the three months ended March 31, 2016 compared to the same period in 2015, primarily due to higher energy sector related losses. For more information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 87.

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 46 percent and 45 percent of the U.S. small business commercial portfolio at March 31, 2016 and December 31, 2015. Net charge-offs decreased $10 million to $52 million for the three months ended March 31, 2016 compared to the same period in 2015, primarily driven by portfolio improvement. Of the U.S. small business commercial net charge-offs, 89 percent were credit card-related products for the three months ended March 31, 2016 compared to 77 percent for the same period in 2015.

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Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 49 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three months ended March 31, 2016 and 2015. Nonperforming loans do not include loans accounted for under the fair value option. During the three months ended March 31, 2016, nonperforming commercial loans and leases increased $391 million to $1.6 billion primarily due to energy sector related exposure. Approximately 92 percent of commercial nonperforming loans, leases and foreclosed properties were secured and approximately 69 percent were contractually current. Commercial nonperforming loans were carried at approximately 85 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 49
Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Nonperforming loans and leases, January 1	$1,212	$1,113
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	697	287
Advances	9	2
Reductions to nonperforming loans and leases:		
Paydowns	(120)	(110)
Sales	(6)	(16)
Returns to performing status [3]	(47)	(24)
Charge-offs	(142)	(51)
Transfers to foreclosed properties [4]	—	(205)
Total net additions (reductions) to nonperforming loans and leases	391	(117)
Total nonperforming loans and leases, March 31	1,603	996
Foreclosed properties, January 1	15	67
Additions to foreclosed properties:		
New foreclosed properties [4]	—	200
Reductions to foreclosed properties:		
Sales	(5)	(2)
Write-downs	—	(1)
Total net additions (reductions) to foreclosed properties	(5)	197
Total foreclosed properties, March 31	10	264
Nonperforming commercial loans, leases and foreclosed properties, March 31	$1,613	$1,260
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	0.36 %	0.25 %
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	0.36	0.32

(1) Balances do not include nonperforming LHFS of $260 million and $334 million at March 31, 2016 and 2015.

(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 50 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 small business loans. The renegotiated small business card loans 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 50
Commercial Troubled Debt Restructurings

	March 31, 2016			December 31, 2015		
(Dollars in millions)	Total	Non-performing	Performing	Total	Non-performing	Performing
U.S. commercial	$1,568	$ 532	$ 1,036	$1,225	$ 394	$ 831
Commercial real estate	113	30	83	118	27	91
Non-U.S. commercial	261	67	194	363	136	227
U.S. small business commercial	27	11	16	29	10	19
Total commercial troubled debt restructurings	$1,969	$ 640	$ 1,329	$1,735	$ 567	$ 1,168

Industry Concentrations

Table 51 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 decreased $2.2 billion, during the three months ended March 31, 2016 to $940.3 billion. Decreases in commercial committed exposure were concentrated in diversified financials, food, beverage and tobacco, and banking, partially offset by higher exposure to healthcare equipment and services and capital goods.

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 $124.7 billion, decreased $3.7 billion, or three percent, during the three months ended March 31, 2016. The decrease was primarily due to a reduction in bridge financing exposure.

Real estate, our second largest industry concentration with committed exposure of $87.4 billion, remained relatively unchanged during the three months ended March 31, 2016. Real estate construction and land development exposure represented 13 percent and 14 percent of the total real estate industry committed exposure at March 31, 2016 and December 31, 2015. For more information on the commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 78.

The significant decline in oil prices since June 2014 has impacted and may continue to impact the financial performance of energy producers as well as energy equipment and service providers within the energy sector. Our energy-related committed exposure decreased $317 million to $43.5 billion during the three months ended March 31, 2016 while our utilized exposure increased $592 million to $21.8 billion as drawdowns outpaced payment activity and net charge-offs. Within the higher risk sub-sectors of exploration and production and oil field services, total committed exposure declined $843 million to $17.3 billion, or 40 percent of total committed energy exposure, during the three months ended March 31, 2016. Total utilized exposure to these sub-sectors declined approximately $600 million to $7.7 billion during the three months ended March 31, 2016, and represents less than one percent of total

loans and leases. Of the total utilized exposure to the higher risk sub-sectors, 56 percent was criticized at March 31, 2016. Energy sector net charge-offs increased $99 million to $102 million during the three months ended March 31, 2016 compared to the same period in 2015 and energy sector reservable criticized exposure increased $1.6 billion to $6.3 billion during the three months ended March 31, 2016 due to sustained low oil prices. The energy allowance for loan and lease losses increased $525 million to $1.0 billion during the three months ended March 31, 2016 primarily due to increased allowance coverage for the higher risk sub-sectors.

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Our committed state and municipal exposure of $45.6 billion at March 31, 2016 consisted of $38.2 billion of commercial utilized exposure (including $19.6 billion of funded loans, $6.7 billion of SBLCs and $4.2 billion of derivative assets) and $7.4 billion of unfunded commercial exposure (primarily unfunded loan commitments) and is reported in the government and public education industry in Table 51. 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.

Table 51
Commercial Credit Exposure by Industry [1]

	Commercial Utilized		Total Commercial Committed [2]	
(Dollars in millions)	March 31 2016	December 31 2015	March 31 2016	December 31 2015
Diversified financials	$77,650	$ 79,496	$124,704	$ 128,436
Real estate [3]	62,867	61,759	87,438	87,650
Retailing	39,392	37,675	63,687	63,975
Capital goods	33,571	30,790	63,036	58,583
Healthcare equipment and services	37,555	35,134	62,650	57,901
Government and public education	46,030	44,835	54,303	53,133
Banking	44,939	45,952	51,163	53,825
Materials	23,511	24,012	45,321	46,013
Energy	21,849	21,257	43,494	43,811
Food, beverage and tobacco	19,561	18,316	39,535	43,164
Consumer services	25,381	24,084	39,232	37,058
Commercial services and supplies	21,643	19,552	33,761	32,045
Utilities	12,372	11,396	28,864	27,849
Transportation	19,753	19,369	27,355	27,371
Media	12,852	12,833	25,759	24,194
Technology hardware and equipment	6,362	6,337	23,777	24,734
Individuals and trusts	16,152	17,992	21,134	23,176
Pharmaceuticals and biotechnology	6,067	6,302	17,607	16,472
Software and services	8,256	6,617	16,882	18,362
Automobiles and components	4,952	4,804	11,317	11,329
Telecommunication services	5,038	4,717	11,290	10,645
Consumer durables and apparel	6,289	6,053	11,033	11,165
Insurance, including monolines	4,941	5,095	10,592	10,728
Food and staples retailing	4,504	4,351	9,330	9,439
Religious and social organizations	4,440	4,526	6,073	5,929
Other	5,820	6,309	10,971	15,510
Total commercial credit exposure by industry	$571,747	$ 559,563	$940,308	$ 942,497
Net credit default protection purchased on total commitments [4]			$(7,078)	$ (6,677)

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

(2) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated or participated) to other financial institutions of $13.0 billion and $14.3 billion at March 31, 2016 and December 31, 2015.

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

(4) Represents net notional credit protection purchased. For additional information, see Commercial Portfolio Credit Risk Management – Risk Mitigation on page 85.

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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, 2016 and December 31, 2015, 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 $7.1 billion and $6.7 billion. We recorded net losses of $203 million for the three months ended March 31, 2016 compared to net losses of $71 million for the same period in 2015 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 59. For additional information, see Trading Risk Management on page 94.

Tables 52 and 53 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at March 31, 2016 and December 31, 2015.

Table 52
Net Credit Default Protection by Maturity

	March 31 2016	December 31 2015
Less than or equal to one year	40 %	39 %
Greater than one year and less than or equal to five years	58	59
Greater than five years	2	2
Total net credit default protection	100 %	100 %

Table 53
Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	March 31, 2016		December 31, 2015	
Ratings [1, 2]	Net Notional [3]	Percent of Total	Net Notional [3]	Percent of Total
A	$(810)	11.4 %	$(752)	11.3 %
BBB	(3,272)	46.2	(3,030)	45.4
BB	(1,863)	26.3	(2,090)	31.3
B	(1,052)	14.9	(634)	9.5
CCC and below	(45)	0.6	(139)	2.1
NR [4]	(36)	0.6	(32)	0.4
Total net credit default protection	$(7,078)	100.0%	$(6,677)	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 54 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 54 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 54
Credit Derivatives

	March 31, 2016		December 31, 2015	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	$944,118	$4,379	$928,300	$3,677
Total return swaps/other	35,014	911	26,427	1,596
Total purchased credit derivatives	$979,132	$5,290	$954,727	$5,273
Written credit derivatives:				
Credit default swaps	$931,652	n/a	$924,143	n/a
Total return swaps/other	54,129	n/a	39,658	n/a
Total written credit derivatives	$985,781	n/a	$963,801	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 55. 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.

We enter into risk management activities to offset market driven exposures. We often hedge the counterparty spread risk in CVA with credit default swaps (CDS). We hedge other market risks in CVA primarily with currency and interest rate swaps. In certain instances, the net-of-hedge amounts in the table below move in the same direction as the gross amount or may move in the opposite direction. This is a consequence of the complex interaction of the risks being hedged resulting in limitations in the ability to perfectly hedge all of the market exposures at all times.

Table 55
Credit Valuation Gains and Losses

Gains (Losses)	Three Months Ended March 31					
	2016			2015		
(Dollars in millions)	Gross	Hedge	Net	Gross	Hedge	Net
Credit valuation	$(209)	$ 261	$52	$8	$ 116	$124

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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. 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 56 presents our 20 largest non-U.S. country exposures at March 31, 2016. These exposures accounted for 86 percent and 85 percent of our total non-U.S. exposure at March 31, 2016 and December 31, 2015. Net country exposure for these 20 countries increased $2.7 billion from December 31, 2015 primarily driven by increases in France and Canada, partially offset by reductions in the United Kingdom and Netherlands. On a product basis, the increase was driven by higher securities in France and Canada and higher funded loans and loan equivalents in Germany and Japan. These increases were partially offset by reductions in unfunded commitments across multiple countries.

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 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.

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 tranched 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.

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Table 56
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 2016	Hedges and Credit Default Protection	Net Country Exposure at March 31 2016	Increase (Decrease) from December 31 2015
United Kingdom	$ 30,687	$ 14,715	$ 7,171	$ 4,020	$ 56,593	$ (5,126)	$ 51,467	$ (1,779)
Canada	5,917	6,720	2,159	3,054	17,850	(1,126)	16,724	1,992
Brazil	9,669	404	1,003	4,349	15,425	(213)	15,212	(438)
Japan	14,259	570	1,842	1,175	17,846	(3,207)	14,639	275
Germany	9,252	5,344	2,597	2,760	19,953	(5,769)	14,184	780
France	3,171	4,536	2,106	5,807	15,620	(4,869)	10,751	2,065
India	6,688	245	471	3,588	10,992	(253)	10,739	385
Australia	5,216	2,184	1,020	2,096	10,516	(309)	10,207	662
China	7,906	616	1,049	1,093	10,664	(627)	10,037	(437)
Hong Kong	5,828	255	871	577	7,531	(21)	7,510	(79)
South Korea	4,281	757	939	1,837	7,814	(628)	7,186	328
Netherlands	3,403	2,797	789	1,423	8,412	(1,697)	6,715	(919)
Switzerland	3,293	2,969	412	705	7,379	(1,425)	5,954	(309)
Mexico	3,283	1,102	246	1,061	5,692	(258)	5,434	380
Italy	3,470	967	875	976	6,288	(1,231)	5,057	(251)
Singapore	1,955	216	632	1,726	4,529	(36)	4,493	(236)
Turkey	3,297	117	83	31	3,528	(260)	3,268	128
United Arab Emirates	2,001	204	1,039	43	3,287	(64)	3,223	197
Israel	172	2,499	91	237	2,999	—	2,999	249
Spain	1,589	532	275	1,091	3,487	(766)	2,721	(342)
Total top 20 non-U.S. countries exposure	$ 125,337	$ 47,749	$ 25,670	$ 37,649	$ 236,405	$ (27,885)	$ 208,520	$ 2,651

Weakening of commodity prices, signs of slowing growth in China and a recession in Brazil are driving risk aversion in emerging markets. At March 31, 2016, net exposure to China decreased $437 million from December 31, 2015 to $10.0 billion, concentrated in large state-owned companies, subsidiaries of multinational corporations and commercial banks. Net exposure to Brazil was $15.2 billion, concentrated in sovereign securities, oil and gas companies and commercial banks.

Certain European countries, including Italy, Spain, Greece and Portugal, have experienced varying degrees of financial stress in recent years. While market conditions have improved in Europe, policymakers continue to address fundamental challenges of competitiveness, growth, deflation and high unemployment. A return of political stress or financial instability in these countries could disrupt financial markets and have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these countries. Net exposure at March 31, 2016 to Italy and Spain was $5.1 billion and $2.7 billion as presented in Table 56. Net exposure at March 31, 2016 to Greece and Portugal was $257 million and $82 million, respectively. We expect to continue to support client activities in the region and our exposures may vary over time as we monitor the situation and manage our risk profile.

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Provision for Credit Losses

The provision for credit losses increased $232 million to $997 million for the three months ended March 31, 2016 compared to the same period in 2015. For the remainder of 2016, we currently expect that provision expense should approximate net charge-offs.

The provision for credit losses for the consumer portfolio decreased $217 million to $402 million for the three months ended March 31, 2016 compared to the same period in 2015. The consumer provision for credit losses decreased due to continued improvement in portfolio trends. Included in the provision is a benefit of $77 million related to the PCI loan portfolio for the three months ended March 31, 2016 compared to a benefit of $50 million for the same period in 2015.

The provision for credit losses for the commercial portfolio, including unfunded lending commitments, increased $449 million to $595 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by an increase in energy sector reserves primarily due to increased allowance coverage for the higher risk sub-sectors. The significant decline in oil prices since June 2014 has impacted and may continue to impact the financial performance of energy producers as well as energy equipment and service providers within the energy sector with the magnitude of the impact over time depending on the level and duration of future oil prices.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is comprised of two components. The first component covers nonperforming commercial loans and TDRs. The second component covers loans and leases on which there are incurred losses that are not yet individually identifiable, as well as incurred losses that may not be represented in the loss forecast models. We evaluate the adequacy of the allowance for loan and lease losses based on the total of these two components, each of which is described in more detail below. The allowance for loan and lease losses excludes LHFS and loans accounted for under the fair value option as the fair value reflects a credit risk component.

The first component of the allowance for loan and lease losses covers both nonperforming commercial loans and all TDRs within the consumer and commercial portfolios. These loans are subject to impairment measurement based on the present value of projected future cash flows discounted at the loan's original effective interest rate, or in certain circumstances, impairment may also be based upon the collateral value or the loan's observable market price if available. Impairment measurement for the renegotiated consumer credit card, small business credit card and unsecured consumer TDR portfolios is based on the present value of projected cash flows discounted using the average portfolio contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers the remaining consumer and commercial loans and leases that have incurred losses that are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of loans that will default based on individual loan attributes, the most significant of which are refreshed LTV or CLTV, and borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Additionally, we

incorporate the delinquency status of underlying first-lien loans on our junior-lien home equity portfolio in our allowance process. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of March 31, 2016, the loss forecast process resulted in reductions in the allowance for all major consumer portfolios compared to December 31, 2015.

The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience, internal risk rating, current economic conditions, industry performance trends, geographic and obligor concentrations within each portfolio and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize our historical database of actual defaults and other data, including external default data. The loan risk ratings and composition of the commercial portfolios used to calculate the allowance are updated quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the probability of default and the LGD based on our historical experience of defaults and credit losses. Factors considered when assessing the internal risk rating include the value of the underlying collateral, if applicable, the industry in which the obligor operates, the obligor's liquidity and other financial indicators, and other quantitative and qualitative factors relevant to the obligor's credit risk. As of March 31, 2016, the allowance increased for the U.S. commercial and non-

U.S. commercial portfolios and decreased for the commercial real estate and commercial leasing portfolios compared to December 31, 2015.

Also included within the second component of the allowance for loan and lease losses are reserves to cover losses that are incurred but, in our assessment, may not be adequately represented in the historical loss data used in the loss forecast models. For example, factors that we consider include, among others, changes in lending policies and procedures, changes in economic and business conditions, changes in the nature and size of the portfolio, changes in portfolio concentrations, changes in the volume and severity of past due loans and nonaccrual loans, the effect of external factors such as competition, and legal and regulatory requirements. We also consider factors that are applicable to unique portfolio segments. For example, we consider the risk of uncertainty in our loss forecasting models related to junior-lien home equity loans that are current, but have first-lien loans that we do not service that are 30 days or more past due. In addition, we consider the increased risk of default associated with our interest-only loans that have yet to enter the amortization period. Further, we consider the inherent uncertainty in mathematical models that are built upon historical data.

During the three months ended March 31, 2016, the factors that impacted the allowance for loan and lease losses included overall improvements in the credit quality of the portfolios driven by continuing improvements in the U.S. economy and labor markets, continuing proactive credit risk management initiatives and the impact of recent higher credit quality originations. Additionally, the resolution of uncertainties through current recognition of net charge-offs has impacted the amount of reserve needed in certain portfolios. Evidencing the improvements in the U.S. economy and labor markets are modest growth in consumer spending, improvements in unemployment levels, increases in home prices and a decrease in the absolute level and our share of national consumer bankruptcy filings. In addition to these improvements, in the consumer portfolio, loan sales, returns to performing status, paydowns and charge-offs continued to outpace new nonaccrual loans. Also affecting the allowance for loan and lease losses in the commercial portfolio were sustained low oil prices during the quarter which impacted the financial performance of energy clients and contributed to an increase in reservable criticized balances.

We monitor differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of loan and lease portfolios and the models used to estimate incurred losses in those portfolios.

Additions to, or reductions of, the allowance for loan and lease losses generally are recorded through charges or credits to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses for the consumer portfolio, as presented in Table 58, was $6.8 billion at March 31, 2016, a decrease of $627 million from December 31, 2015. The decrease was primarily in the home equity, residential mortgage and credit card portfolios. Reductions in the residential mortgage and home equity portfolios were due to improved home prices, lower delinquencies and a decrease in consumer loan balances, as well as write-offs in our PCI loan portfolio.

The decrease in the allowance related to the U.S. credit card and unsecured consumer lending portfolios in Consumer Banking was primarily due to improvement in delinquencies and more generally in unemployment levels. For example, in the U.S. credit card portfolio, accruing loans 30 days or more past due decreased to $1.4 billion at March 31, 2016 from $1.6 billion (to 1.68 percent from 1.76 percent of outstanding U.S. credit card loans) at December 31, 2015, and accruing loans 90 days or more past due decreased to $743 million at March 31, 2016 from $789 million (to 0.86 percent from 0.88 percent of outstanding U.S. credit card loans) at December 31, 2015. See Tables 28, 29, 36 and 38 for additional details on key credit statistics for the credit card and other unsecured consumer

lending portfolios.

The allowance for loan and lease losses for the commercial portfolio, as presented in Table 58, was $5.3 billion at March 31, 2016, an increase of $462 million from December 31, 2015 with the increase driven by increased allowance coverage for the higher risk energy sub-sectors as a result of sustained low oil prices during the quarter. Commercial utilized reservable criticized exposure increased to $18.6 billion at March 31, 2016 from $15.9 billion (to 3.87 percent from 3.38 percent of total commercial utilized reservable exposure) at December 31, 2015, largely due to downgrades in the energy portfolio. Nonperforming commercial loans increased to $1.6 billion at March 31, 2016 from $1.2 billion (to 0.36 percent from 0.28 percent of outstanding commercial loans excluding loans accounted for under the fair value option) at December 31, 2015 with the increase primarily in the energy sector. Commercial loans and leases outstanding increased to $451.8 billion at March 31, 2016 from $440.8 billion at December 31, 2015. See Tables 42, 43 and 45 for additional details on key commercial credit statistics.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.35 percent at March 31, 2016 compared to 1.37 percent at December 31, 2015. The decrease in the ratio was primarily due to improved credit quality in the consumer portfolios driven by improved economic conditions and write-offs in the PCI loan portfolio. The March 31, 2016 and December 31, 2015 ratios above include the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.31 percent at both March 31, 2016 and December 31, 2015.

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Table 57 presents a rollforward of the allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, for the three months ended March 31, 2016 and 2015.

Table 57
Allowance for Credit Losses

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Allowance for loan and lease losses, January 1	$12,234	$14,419
Loans and leases charged off		
Residential mortgage	(185)	(300)
Home equity	(193)	(252)
U.S. credit card	(693)	(729)
Non-U.S. credit card	(61)	(70)
Direct/Indirect consumer	(101)	(106)
Other consumer	(57)	(59)
Total consumer charge-offs	(1,290)	(1,516)
U.S. commercial [(1)]	(158)	(109)
Commercial real estate	(5)	(13)
Commercial lease financing	—	(7)
Non-U.S. commercial	(43)	—
Total commercial charge-offs	(206)	(129)
Total loans and leases charged off	(1,496)	(1,645)
Recoveries of loans and leases previously charged off		
Residential mortgage	94	103
Home equity	81	80
U.S. credit card	106	108
Non-U.S. credit card	16	26
Direct/Indirect consumer	67	72
Other consumer	9	10
Total consumer recoveries	373	399
U.S. commercial [(2)]	41	40
Commercial real estate	11	8
Commercial lease financing	2	2
Non-U.S. commercial	1	2
Total commercial recoveries	55	52
Total recoveries of loans and leases previously charged off	428	451
Net charge-offs	(1,068)	(1,194)
Write-offs of PCI loans	(105)	(288)
Provision for loan and lease losses	1,016	756
Other [(3)]	(8)	(17)
Allowance for loan and lease losses, March 31	12,069	13,676
Reserve for unfunded lending commitments, January 1	646	528
Provision for unfunded lending commitments	(19)	9
Reserve for unfunded lending commitments, March 31	627	537
Allowance for credit losses, March 31	$12,696	$14,213

(1) Includes U.S. small business commercial charge-offs of $62 million and $78 million for the three months ended March 31, 2016 and 2015.

(2)

Includes U.S. small business commercial recoveries of $10 million and $16 million for the three months ended March 31, 2016 and 2015.

(3) Primarily represents the net impact of portfolio sales, consolidations and deconsolidations, and foreign currency translation adjustments.

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Table 57
Allowance for Credit Losses (continued)

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Loan and allowance ratios:		
Loans and leases outstanding at March 31 [4]	$892,901	$864,284
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 [4]	1.35 %	1.58 %
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at March 31 [5]	1.51	1.94
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at March 31 [6]	1.19	1.15
Average loans and leases outstanding [4]	$885,655	$858,312
Annualized net charge-offs as a percentage of average loans and leases outstanding [4, 7]	0.48 %	0.56 %
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [4]	0.53	0.70
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 [4, 8]	136	122
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs [7]	2.81	2.82
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs and PCI write-offs	2.56	2.28
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases at March 31 [9]	$4,138	$5,492
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases at March 31 [4, 9]	90 %	73 %
Loan and allowance ratios excluding PCI loans and the related valuation allowance: [10]		
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 [4]	1.31 %	1.46 %
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at March 31 [5]	1.42	1.74
Annualized net charge-offs as a percentage of average loans and leases outstanding [4]	0.49	0.58
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 [4, 8]	129	110
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs	2.67	2.55

(4) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option of $8.2 billion and $8.5 billion at March 31, 2016 and 2015. Average loans accounted for under the fair value option were $7.3 billion and $8.9 billion for the three months ended March 31, 2016 and 2015.

(5) Excludes consumer loans accounted for under the fair value option of $1.9 billion and $2.1 billion at March 31, 2016 and 2015.

(6) Excludes commercial loans accounted for under the fair value option of $6.3 billion and $6.4 billion at March 31, 2016 and 2015.

(7) Net charge-offs exclude $105 million and $288 million of write-offs in the PCI loan portfolio for the three months ended March 31, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

(8) For more information on our definition of nonperforming loans, see pages 73 and 82.

(9)

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

(10) For more information on the PCI loan portfolio and the valuation allowance for PCI loans, see Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

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For reporting purposes, we allocate the allowance for credit losses across products. Table 58 presents our allocation by product type.

Table 58
Allocation of the Allowance for Credit Losses by Product Type

(Dollars in millions)	March 31, 2016			December 31, 2015		
	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]
Allowance for loan and lease losses						
Residential mortgage	$1,312	10.87 %	0.71 %	$1,500	12.26 %	0.80 %
Home equity	2,144	17.76	2.91	2,414	19.73	3.18
U.S. credit card	2,800	23.20	3.24	2,927	23.93	3.27
Non-U.S. credit card	253	2.10	2.54	274	2.24	2.75
Direct/Indirect consumer	200	1.66	0.22	223	1.82	0.25
Other consumer	49	0.40	2.24	47	0.38	2.27
Total consumer	6,758	55.99	1.51	7,385	60.36	1.63
U.S. commercial [2]	3,423	28.36	1.25	2,964	24.23	1.12
Commercial real estate	924	7.66	1.59	967	7.90	1.69
Commercial lease financing	133	1.10	0.63	164	1.34	0.60
Non-U.S. commercial	831	6.89	0.89	754	6.17	0.82
Total commercial [3]	5,311	44.01	1.19	4,849	39.64	1.11
Allowance for loan and lease losses [4]	12,069	100.00%	1.35	12,234	100.00%	1.37
Reserve for unfunded lending commitments	627			646		
Allowance for credit losses	$12,696			$12,880		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option. Consumer loans accounted for under the fair value option included residential mortgage loans of $1.6 billion and $1.6 billion and home equity loans of $348 million and $250 million at March 31, 2016 and December 31, 2015. Commercial loans accounted for under the fair value option included U.S. commercial loans of $2.6 billion and $2.3 billion and non-U.S. commercial loans of $3.7 billion and $2.8 billion at March 31, 2016 and December 31, 2015.

(2) Includes allowance for loan and lease losses for U.S. small business commercial loans of $480 million and $507 million at March 31, 2016 and December 31, 2015.

(3) Includes allowance for loan and lease losses for impaired commercial loans of $285 million and $217 million at March 31, 2016 and December 31, 2015.

(4) Includes $622 million and $804 million of valuation allowance presented with the allowance for loan and lease losses related to PCI loans at March 31, 2016 and December 31, 2015.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees, unfunded bankers' acceptances and binding loan commitments, excluding commitments accounted for under the fair value option. Unfunded lending commitments are subject to the same assessment as funded loans, including estimates of probability of default and LGD. Due to the nature of unfunded commitments, the estimate of probable losses must also consider utilization. To estimate the portion of these undrawn commitments that is likely to be drawn by a borrower at the time of estimated default, analyses of the Corporation's historical experience are applied to the unfunded commitments to estimate the funded

EAD. The expected loss for unfunded lending commitments is the product of the probability of default, the LGD and the EAD, adjusted for any qualitative factors including economic uncertainty and inherent imprecision in models.

The reserve for unfunded lending commitments was $627 million at March 31, 2016, a decrease of $19 million from December 31, 2015 with the decrease attributable primarily to lower unfunded commitments.

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Market Risk Management

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings. This risk is inherent in the financial instruments associated with our operations, primarily within our Global Markets segment. We are also exposed to these risks in other areas of the Corporation (e.g., our ALM activities). In the event of market stress, these risks could have a material impact on the results of the Corporation. For additional information, see Interest Rate Risk Management for Non-trading Activities on page 99.

Our traditional banking loan and deposit products are non-trading positions and are generally reported at amortized cost for assets or the amount owed for liabilities (historical cost). However, these positions are still subject to changes in economic value based on varying market conditions, with one of the primary risks being changes in the levels of interest rates. The risk of adverse changes in the economic value of our non-trading positions arising from changes in interest rates is managed through our ALM activities. We have elected to account for certain assets and liabilities under the fair value option.

Our trading positions are reported at fair value with changes reflected in income. Trading positions are subject to various changes in market-based risk factors. The majority of this risk is generated by our activities in the interest rate, foreign exchange, credit, equity and commodities markets. In addition, the values of assets and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility. We seek to manage these risk exposures by using a variety of techniques that encompass a broad range of financial instruments. The key risk management techniques are discussed in more detail in the Trading Risk Management section.

Global Risk Management is responsible for providing senior management with a clear and comprehensive understanding of the trading risks to which the Corporation is exposed. These responsibilities include ownership of market risk policy, developing and maintaining quantitative risk models, calculating aggregated risk measures, establishing and monitoring position limits consistent with risk appetite, conducting daily reviews and analysis of trading inventory, approving material risk exposures and fulfilling regulatory requirements.

Quantitative risk models, such as VaR, are an essential component in evaluating the market risks within a portfolio. A subcommittee of the MRC is responsible for providing management oversight and approval of model risk management and governance (Risk Management, or RM subcommittee). The RM subcommittee defines model risk standards, consistent with the Corporation's risk framework and risk appetite, prevailing regulatory guidance and industry best practice. Models must meet certain validation criteria, including effective challenge of the model development process and a sufficient demonstration of developmental evidence incorporating a comparison of alternative theories and approaches. The RM subcommittee ensures model standards are consistent with model risk requirements and monitors the effective challenge in the model validation process across the Corporation. In addition, the relevant stakeholders must agree on any required actions or restrictions to the models and maintain a stringent monitoring process to ensure continued compliance.

For more information on the fair value of certain financial assets and liabilities, see Note 14 – Fair Value Measurements to the Consolidated Financial Statements. For more information on our market risk management process, see page 92 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Trading Risk Management

To evaluate risk in our trading activities, we focus on the actual and potential volatility of revenues generated by individual positions as well as portfolios of positions. Various techniques and procedures are utilized to enable the most complete understanding of these risks. Quantitative measures of market risk are evaluated on a daily basis from a single position to the portfolio of the Corporation. These measures include sensitivities of positions to various market

risk factors, such as the potential impact on revenue from a one basis point change in interest rates, and statistical measures utilizing both actual and hypothetical market moves, such as VaR and stress testing. Periods of extreme market stress influence the reliability of these techniques to varying degrees. Qualitative evaluations of market risk utilize the suite of quantitative risk measures while understanding each of their respective limitations. Additionally, risk managers independently evaluate the risk of the portfolios under the current market environment and potential future environments.

VaR is a common statistic used to measure market risk as it allows the aggregation of market risk factors, including the effects of portfolio diversification. A VaR model simulates the value of a portfolio under a range of scenarios in order to generate a distribution of potential gains and losses. VaR represents the loss a portfolio is not expected to exceed more than a certain number of times per period, based on a specified holding period, confidence level and window of historical data. We use one VaR model consistently across the trading portfolios and it uses a historical simulation approach based on a three-year window of historical data. Our primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one-day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days.

Within any VaR model, there are significant and numerous assumptions that will differ from company to company. The accuracy of a VaR model depends on the availability and quality of historical data for each of the risk factors in the portfolio. A VaR model may require additional modeling assumptions for new products that do not have the necessary historical market data or for less liquid positions for which accurate daily prices are not consistently available. For positions with insufficient historical data for the VaR calculation, the process for establishing an appropriate proxy is based on fundamental and statistical analysis of the new product or less liquid position. This analysis identifies reasonable alternatives that replicate both the expected volatility and correlation to other market risk factors that the missing data would be expected to experience.

VaR may not be indicative of realized revenue volatility as changes in market conditions or in the composition of the portfolio can have a material impact on the results. In particular, the historical data used for the VaR calculation might indicate higher or lower levels of portfolio diversification than will be experienced. In order for the VaR model to reflect current market conditions, we update the historical data underlying our VaR model on a weekly basis, or more frequently during periods of market stress, and regularly review the assumptions underlying the model. A relatively minor portion of risks related to our trading positions is not included in VaR. These risks are reviewed as part of our ICAAP. For more information regarding ICAAP, see Capital Management on page 45.

Global Risk Management continually reviews, evaluates and enhances our VaR model so that it reflects the material risks in our trading portfolio. Changes to the VaR model are reviewed and approved prior to implementation and any material changes are reported to management through the appropriate management committees.

Trading limits on quantitative risk measures, including VaR, are independently set by Global Markets Risk Management and reviewed on a regular basis to ensure they remain relevant and within our overall risk appetite for market risks. Trading limits are reviewed in the context of market liquidity, volatility and strategic business priorities. Trading limits are set at both a granular level to ensure extensive coverage of risks as well as at aggregated portfolios to account for correlations among risk factors. All trading limits are approved at least annually. Approved trading limits are stored and tracked in a centralized limits management system. Trading limit excesses are communicated to management for review. Certain quantitative market risk measures and corresponding limits have been identified as critical in the Corporation's Risk Appetite Statement. These risk appetite limits are reported on a daily basis and are approved at least annually by the ERC and the Board.

In periods of market stress, Global Markets senior leadership communicates daily to discuss losses, key risk positions and any limit excesses. As a result of this process, the businesses may selectively reduce risk.

Table 59 presents the total market-based trading portfolio VaR which is the combination of the covered positions trading portfolio and the impact from less liquid trading exposures. Covered positions are defined by regulatory standards as trading assets and liabilities, both on- and off-balance sheet, that meet a defined set of specifications. These specifications identify the most liquid trading positions which are intended to be held for a short-term horizon and where the Corporation is able to hedge the material risk elements in a two-way market. Positions in less liquid markets, or where there are restrictions on the ability to trade the positions, typically do not qualify as covered

positions. Foreign exchange and commodity positions are always considered covered positions, except for structural foreign currency positions that we choose to exclude with prior regulatory approval. In addition, Table 59 presents our fair value option portfolio, which includes the funded and unfunded exposures for which we elect the fair value option and their corresponding hedges. The fair value option portfolio combined with the total market-based trading portfolio VaR represents the Corporation's total market-based portfolio VaR. Additionally, market risk VaR for trading activities as presented in Table 59 differs from VaR used for regulatory capital calculations due to the holding period being used. The holding period for VaR used for regulatory capital calculations is 10 days, while for the market risk VaR presented below, it is one day. Both measures utilize the same process and methodology.

The total market-based portfolio VaR results in Table 59 include market risk from all business segments to which the Corporation is exposed, excluding CVA and DVA. The majority of this portfolio is within the Global Markets segment.

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Table 59 presents period-end, average, high and low daily trading VaR for the three months ended March 31, 2016, December 31, 2015 and March 31, 2015 using a 99 percent confidence level.

Table 59
Market Risk VaR for Trading Activities

	Three Months Ended											
	March 31, 2016				December 31, 2015				March 31, 2015			
(Dollars in millions)	Period End	Average	High (1)	Low (1)	Period End	Average	High (1)	Low (1)	Period End	Average	High (1)	Low (1)
Foreign exchange	$10	$ 11	$ 16	$7	$10	$ 11	$ 42	$5	$10	$ 10	$ 17	$6
Interest rate	18	23	30	16	17	20	33	14	32	30	42	22
Credit	31	31	35	27	32	30	39	27	44	41	46	37
Equity	15	19	27	13	18	21	29	14	10	13	22	9
Commodity	5	5	7	3	4	4	6	3	6	6	8	5
Portfolio diversification	(44)	(50)	—	—	(36)	(46)	—	—	(40)	(46)	—	—
Total covered positions trading portfolio	35	39	50	29	45	40	55	26	62	54	66	40
Impact from less liquid exposures	5	3	—	—	3	4	—	—	9	8	—	—
Total market-based trading portfolio	40	42	58	34	48	44	57	31	71	62	74	52
Fair value option loans	28	35	40	28	35	30	35	23	28	31	36	26
Fair value option hedges	15	18	22	14	17	16	18	14	14	17	22	11
Fair value option portfolio diversification	(31)	(38)	—	—	(35)	(32)	—	—	(27)	(31)	—	—
Total fair value option portfolio	12	15	20	11	17	14	17	11	15	17	19	15
Portfolio diversification	(4)	(7)	—	—	(4)	(5)	—	—	(8)	(8)	—	—
Total market-based portfolio	$48	$ 50	$ 69	$40	$61	$ 53	$ 66	$41	$78	$ 71	$ 85	$60

(1) The high and low for each portfolio may have occurred on different trading days than the high and low for the components. Therefore the impact from less liquid exposures and the amount of portfolio diversification, which is the difference between the total portfolio and the sum of the individual components, are not relevant.

The average total market-based trading portfolio VaR decreased for the three months ended March 31, 2016 compared to the same period in 2015 primarily due to reduced exposure to the credit and interest rate markets. Our average total market-based trading portfolio VaR for the three months ended March 31, 2016 is the lowest since the merger between Bank of America and Merrill Lynch & Co., Inc. in 2008.

The graph below presents the daily total market-based trading portfolio VaR for the previous five quarters, corresponding to the data in Table 59.

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Additional VaR statistics produced within the Corporation's single VaR model are provided in Table 60 at the same level of detail as in Table 59. Evaluating VaR with additional statistics allows for an increased understanding of the risks in the portfolio as the historical market data used in the VaR calculation does not necessarily follow a predefined statistical distribution. Table 60 presents average trading VaR statistics for 99 percent and 95 percent confidence levels for the three months ended March 31, 2016, December 31, 2015 and March 31, 2015.

Table 60
Average Market Risk VaR for Trading Activities – 99 Percent and 95 Percent VaR Statistics

	Three Months Ended					
	March 31, 2016		December 31, 2015		March 31, 2015	
(Dollars in millions)	99 percent	95 percent	99 percent	95 percent	99 percent	95 percent
Foreign exchange	$11	$ 6	$ 11	$ 6	$10	$ 6
Interest rate	23	14	20	12	30	20
Credit	31	18	30	18	41	22
Equity	19	12	21	11	13	7
Commodity	5	2	4	2	6	4
Portfolio diversification	(50)	(31)	(46)	(29)	(46)	(31)
Total covered positions trading portfolio	39	21	40	20	54	28
Impact from less liquid exposures	3	2	4	2	8	2
Total market-based trading portfolio	42	23	44	22	62	30
Fair value option loans	35	19	30	16	31	18
Fair value option hedges	18	11	16	10	17	11
Fair value option portfolio diversification	(38)	(21)	(32)	(18)	(31)	(19)
Total fair value option portfolio	15	9	14	8	17	10
Portfolio diversification	(7)	(5)	(5)	(4)	(8)	(7)
Total market-based portfolio	$50	$ 27	$ 53	$ 26	$71	$ 33

Backtesting

The accuracy of the VaR methodology is evaluated by backtesting, which compares the daily VaR results, utilizing a one-day holding period, against a comparable subset of trading revenue. A backtesting excess occurs when a trading loss exceeds the VaR for the corresponding day. These excesses are evaluated to understand the positions and market moves that produced the trading loss and to ensure that the VaR methodology accurately represents those losses. As our primary VaR statistic used for backtesting is based on a 99 percent confidence level and a one-day holding period, we expect one trading loss in excess of VaR every 100 days, or between two to three trading losses in excess of VaR over the course of a year. The number of backtesting excesses observed can differ from the statistically expected number of excesses if the current level of market volatility is materially different than the level of market volatility that existed during the three years of historical data used in the VaR calculation.

The trading revenue used for backtesting is defined by regulatory agencies in order to most closely align with the VaR component of the regulatory capital calculation. This revenue differs from total trading-related revenue in that it excludes revenue from trading activities that either do not generate market risk or the market risk cannot be included in VaR. Some examples of the types of revenue excluded for backtesting are fees, commissions, reserves, net interest income and intraday trading revenues.

We conduct daily backtesting on our portfolios, ranging from the total market-based portfolio to individual trading areas. Additionally, we conduct daily backtesting on the VaR results used for regulatory capital calculations as well as the VaR results for key legal entities, regions and risk factors. These results are reported to senior market risk management. Senior management regularly reviews and evaluates the results of these tests.

During the three months ended March 31, 2016, there were no days in which there was a backtesting excess for our total market-based portfolio VaR, utilizing a one-day holding period. The backtesting results for our total market-based portfolio VaR differ from the backtesting results used for regulatory capital calculations.

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Total Trading-related Revenue

Total trading-related revenue, excluding brokerage fees, and CVA and DVA related revenue, represent the total amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities are reported at fair value. For more information on fair value, see Note 14 – Fair Value Measurements to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Also, trading-related revenue is dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment. Significant daily revenue by business are monitored and the primary drivers of these are reviewed.

The histogram below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the three months ended March 31, 2016 compared to the three months ended December 31, 2015. During the three months ended March 31, 2016, positive trading-related revenue was recorded for 98 percent of the trading days, of which 75 percent were daily trading gains of over $25 million and the largest loss was $14 million. This compares to the three months ended December 31, 2015, where positive trading-related revenue was recorded for 98 percent of the trading days, of which 68 percent were daily trading gains of over $25 million and the largest loss was $22 million.

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Trading Portfolio Stress Testing

Because the very nature of a VaR model suggests results can exceed our estimates and it is dependent on a limited historical window, we also stress test our portfolio using scenario analysis. This analysis estimates the change in the value of our trading portfolio that may result from abnormal market movements.

A set of scenarios, categorized as either historical or hypothetical, are computed daily for the overall trading portfolio and individual businesses. These scenarios include shocks to underlying market risk factors that may be well beyond the shocks found in the historical data used to calculate VaR. Historical scenarios simulate the impact of the market moves that occurred during a period of extended historical market stress. Generally, a multi-week period representing the most severe point during a crisis is selected for each historical scenario. Hypothetical scenarios provide simulations of the estimated portfolio impact from potential future market stress events. Scenarios are reviewed and updated in response to changing positions and new economic or political information. In addition, new or ad hoc scenarios are developed to address specific potential market events or particular vulnerabilities in the portfolio. The stress tests are reviewed on a regular basis and the results are presented to senior management.

Stress testing for the trading portfolio is integrated with enterprise-wide stress testing and incorporated into the limits framework. The macroeconomic scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information, see Managing Risk on page 44.

Interest Rate Risk Management for Non-trading Activities

The following discussion presents net interest income excluding the impact of trading-related activities.

Interest rate risk represents the most significant market risk exposure to our non-trading balance sheet. Interest rate risk is measured as the potential change in net interest income caused by movements in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in order to maintain an acceptable level of exposure to interest rate changes.

The interest rate scenarios that we analyze incorporate balance sheet assumptions such as loan and deposit growth and pricing, changes in funding mix, product repricing and maturity characteristics. Our overall goal is to manage interest rate risk so that movements in interest rates do not significantly adversely affect earnings and capital.

Table 61 presents the spot and 12-month forward rates used in our baseline forecasts at March 31, 2016 and December 31, 2015.

Table 61
Forward Rates

	March 31, 2016	December 31, 2015

	Federal Funds	Three-month LIBOR	10-Year Swap	Federal Funds	Three-month LIBOR	10-Year Swap
Spot rates	0.50 %	0.63 %	1.64 %	0.50 %	0.61 %	2.19 %
12-month forward rates	0.75	0.86	1.81	1.00	1.22	2.39

Table 62 shows the pretax dollar impact to forecasted net interest income over the next 12 months from March 31, 2016 and December 31, 2015, resulting from instantaneous parallel and non-parallel shocks to the market-based forward curve. Periodically we evaluate the scenarios presented to ensure that they are meaningful in the context of the current rate environment. For more information on net interest income excluding the impact of trading-related activities, see page 17.

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In the three months ended March 31, 2016, the asset sensitivity of our balance sheet increased due to lower long-end and short-end interest rates with approximately 40 percent of the estimated $6 billion increase in net interest income coming from short-end rate increases and the remainder from long-end rate increases, split equally between market-related adjustments and reinvestment at higher rates. We continue to be asset sensitive to a parallel move in interest rates with the majority of that benefit coming from the long end of the yield curve. Additionally, higher interest rates impact the fair value of debt securities and, accordingly, for debt securities classified as AFS, may adversely affect accumulated OCI and thus capital levels under the Basel 3 capital rules. Under instantaneous upward parallel shifts, the near-term adverse impact to Basel 3 capital is reduced over time by offsetting positive impacts to net interest income. For more information on the transition provisions of Basel 3, see Capital Management – Regulatory Capital on page 46.

Table 62
Estimated Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions) Curve Change	Short Rate (bps)	Long Rate (bps)	March 31 2016	December 31 2015
Parallel shifts				
+100 bps instantaneous shift	+100	+100	$ 5,958	$ 4,306
-50 bps instantaneous shift	-50	-50	(4,749)	(3,903)
Flatteners				
Short-end instantaneous change	+100	—	2,643	2,417
Long-end instantaneous change	—	-50	(2,362)	(2,212)
Steepeners				
Short-end instantaneous change	-50	—	(2,352)	(1,671)
Long-end instantaneous change	—	+100	3,391	1,919

The sensitivity analysis in Table 62 assumes that we take no action in response to these rate shocks and does not assume any change in other macroeconomic variables normally correlated with changes in interest rates. As part of our ALM activities, we use securities, certain residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

The behavior of our deposit portfolio in the baseline forecast and in alternate interest rate scenarios is a key assumption in our projected estimates of net interest income. The sensitivity analysis in Table 62 assumes no change in deposit portfolio size or mix from the baseline forecast in alternate rate environments. In higher rate scenarios, any customer activity resulting in the replacement of low-cost or noninterest-bearing deposits with higher-yielding deposits or market-based funding would reduce the Corporation's benefit in those scenarios.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For more information on our hedging activities, see Note 2 – Derivatives to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps, foreign currency futures contracts, foreign currency forward contracts and options to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities.

Changes to the composition of our derivatives portfolio during the three months ended March 31, 2016 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based on the current assessment of economic and financial conditions including the interest rate and foreign currency environments, balance sheet composition and trends, and the relative mix of our cash and derivative positions.

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Table 63 presents derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments and shows the notional amount, fair value, weighted-average receive-fixed and pay-fixed rates, expected maturity and average estimated durations of our open ALM derivatives at March 31, 2016 and December 31, 2015. These amounts do not include derivative hedges on our MSRs.

Table 63
Asset and Liability Management Interest Rate and Foreign Exchange Contracts

		March 31, 2016							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	Remainder of 2016	2017	2018	2019	2020	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps [1]	$8,729								5.23
Notional amount		$113,825	$12,811	$21,453	$21,850	$9,783	$7,015	$40,913	
Weighted-average fixed-rate		3.13 %	3.41 %	3.64 %	3.20 %	2.37 %	2.13 %	3.08 %	
Pay-fixed interest rate swaps [1]	(343)								4.86
Notional amount		$13,946	$417	$1,527	$5,668	$600	$50	$5,684	
Weighted-average fixed-rate		1.71 %	2.13 %	1.84 %	1.41 %	1.59 %	3.68 %	1.94 %	
Same-currency basis swaps [2]	(36)								
Notional amount		$69,773	$10,143	$20,930	$11,028	$6,791	$1,180	$19,701	
Foreign exchange basis swaps [1, 3, 4]	(3,417)								
Notional amount		141,452	18,912	28,098	19,170	11,778	10,855	52,639	
Option products [5]	9								
Notional amount [6]		883	868	—	—	—	—	15	
Foreign exchange contracts [1, 4, 7]	1,038								
Notional amount [6]		(30,380)	(41,927)	5,624	(2,136)	2,173	23	5,863	
Futures and forward rate contracts	16								
Notional amount [6]		300	300	—	—	—	—	—	
Net ALM contracts	$5,996								

		December 31, 2015							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2016	2017	2018	2019	2020	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps [1]	$6,291								4.98
Notional amount		$114,354	$15,339	$21,453	$21,850	$9,783	$7,015	$38,914	
Weighted-average fixed-rate		3.12 %	3.12 %	3.64 %	3.20 %	2.37 %	2.13 %	3.16 %	
	(81)								3.98

Pay-fixed interest rate swaps [1]								
Notional amount		$12,131	$1,025	$1,527	$5,668	$600	$51	$3,260
Weighted-average fixed-rate		1.70 %	1.65 %	1.84 %	1.41 %	1.59 %	3.64 %	2.15 %
Same-currency basis swaps [2]	(70)							
Notional amount		$75,224	$15,692	$20,833	$11,026	$6,786	$1,180	$19,707
Foreign exchange basis swaps [1, 3, 4]	(3,968)							
Notional amount		144,446	25,762	27,441	19,319	12,226	10,572	49,126
Option products [5]	57							
Notional amount [6]		752	737	—	—	—	—	15
Foreign exchange contracts [1, 4, 7]	2,345							
Notional amount [6]		(25,405)	(36,504)	5,380	(2,228)	2,123	52	5,772
Futures and forward rate contracts	(5)							
Notional amount [6]		200	200	—	—	—	—	—
Net ALM contracts	$4,569							

(1) Does not include basis adjustments on either fixed-rate debt issued by the Corporation or AFS debt securities, which are hedged using derivatives designated as fair value hedging instruments, that substantially offset the fair values of these derivatives.

(2) At March 31, 2016 and December 31, 2015, the notional amount of same-currency basis swaps included $69.8 billion and $75.2 billion in both foreign currency and U.S. Dollar-denominated basis swaps in which both sides of the swap are in the same currency.

(3) Foreign exchange basis swaps consisted of cross-currency variable interest rate swaps used separately or in conjunction with receive-fixed interest rate swaps.

(4) Does not include foreign currency translation adjustments on certain non-U.S. debt issued by the Corporation, that substantially offset the fair values of these derivatives.

(5) The notional amount of option products of $883 million at March 31, 2016 was comprised of $868 million in foreign exchange options and $15 million in purchased caps/floors. Option products of $752 million at December 31, 2015 were comprised of $737 million in foreign exchange options and $15 million in purchased caps/floors.

(6) Reflects the net of long and short positions. Amounts shown as negative reflect a net short position.

(7) The notional amount of foreign exchange contracts of $(30.4) billion at March 31, 2016 was comprised of $21.9 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $(46.1) billion in net foreign currency forward rate contracts, $(7.6) billion in foreign currency-denominated pay-fixed swaps and $1.4 billion in net foreign currency futures contracts. Foreign exchange contracts of $(25.4) billion at December 31, 2015 were comprised of $21.3 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $(40.3) billion in net foreign currency forward rate contracts, $(7.6) billion in foreign currency-denominated pay-fixed swaps and $1.2 billion in foreign currency futures contracts.

We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities and other forecasted transactions (collectively referred to as cash flow hedges). The net losses on both open and terminated cash flow hedge derivative instruments recorded in accumulated OCI were $1.7 billion, on a pretax basis, at both March 31, 2016 and December 31, 2015. These net losses are expected to be reclassified into earnings in the same period as the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes in prices or interest rates beyond what is implied in forward yield curves at March 31, 2016, the pretax net losses are expected to be reclassified into earnings as follows: $586 million, or 35 percent within the next year, 36 percent in years two through five, and 19 percent in years six through ten, with the remaining 10 percent thereafter. For more information on derivatives designated as cash flow hedges, see Note 2 – Derivatives to the Consolidated Financial Statements.

We hedge our net investment in non-U.S. operations determined to have functional currencies other than the U.S. Dollar using forward foreign exchange contracts that typically settle in less than 180 days, cross-currency basis swaps and foreign exchange options. We recorded net after-tax losses on derivatives in accumulated OCI associated with net investment hedges which were offset by gains on our net investments in consolidated non-U.S. entities at March 31, 2016.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be HFI or held-for-sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate risk and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity which, in turn, affects total origination and servicing income. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. Typically, an increase in mortgage interest rates will lead to a decrease in mortgage originations and related fees. IRLCs and the related residential first-mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market, as an increase in mortgage interest rates will typically lead to a decrease in the value of these instruments.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. Typically, an increase in mortgage rates will lead to an increase in the value of the MSRs driven by lower prepayment expectations. This increase in value from increases in mortgage rates is opposite of, and therefore offsets, the risk described for IRLCs and LHFS. Because the interest rate risks of these two hedged items offset, we combine them into one overall hedged item with one combined economic hedge portfolio.

Interest rate and certain market risks of IRLCs and residential mortgage LHFS are economically hedged in combination with MSRs. To hedge these combined assets, we use certain derivatives such as interest rate options, interest rate swaps, forward sale commitments, eurodollar and U.S. Treasury futures, and mortgage TBAs, as well as other securities including agency MBS, principal-only and interest-only MBS and U.S. Treasury securities. For the three months ended March 31, 2016, we recorded gains in mortgage banking income of $131 million related to the change in fair value of the derivative contracts and other securities used to hedge the market risks of the MSRs, IRLCs and LHFS, net of gains and losses due to changes in fair value of these hedged items, compared to gains of $108 million for the same period in 2015. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements and for more information on mortgage banking income, see Consumer Banking on page 22.

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Complex Accounting Estimates

Our significant accounting principles, as described in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K, are essential in understanding the MD&A. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates impacting results for the three months ended March 31, 2016 are summarized in the following discussion. We have identified and described the development of the variables most important in the estimation processes that involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact our results of operations. Separate from the possible future impact to our results of operations from input and model variables, the value of our lending portfolio and market-sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

For additional information, see Complex Accounting Estimates on page 100 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Fair Value of Financial Instruments

We classify the fair values of financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Applicable accounting guidance establishes three levels of inputs used to measure fair value. For additional information, see Note 14 – Fair Value Measurements and Note 15 – Fair Value Option to the Consolidated Financial Statements, and Complex Accounting Estimates on page 100 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Level 3 Assets and Liabilities

Financial assets and liabilities where values are based on valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include certain loans, MBS, ABS, collateralized debt obligations, CLOs and structured liabilities, highly structured, complex or long-dated derivative contracts and consumer MSRs. The fair value of these Level 3 financial assets and liabilities is determined using pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value requires significant management judgment or estimation.

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Table 64
Recurring Level 3 Asset and Liability Summary

(Dollars in millions)	March 31, 2016			December 31, 2015		
	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets
Trading account assets	$5,557	31.12 %	0.25 %	$5,634	31.13 %	0.26 %
Derivative assets	5,459	30.57	0.25	5,134	28.37	0.24
AFS debt securities	1,451	8.12	0.07	1,432	7.91	0.07
Loans and leases	1,697	9.50	0.08	1,620	8.95	0.08
Mortgage servicing rights	2,631	14.73	0.12	3,087	17.06	0.14
All other Level 3 assets at fair value	1,064	5.96	0.05	1,191	6.58	0.05
Total Level 3 assets at fair value [1]	$17,859	100.00 %	0.82 %	$18,098	100.00 %	0.84 %

	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities
Derivative liabilities	$5,774	72.45 %	0.30 %	$5,575	74.50 %	0.30 %
Long-term debt	1,814	22.76	0.09	1,513	20.22	0.08
All other Level 3 liabilities at fair value	382	4.79	0.02	395	5.28	0.02
Total Level 3 liabilities at fair value [1]	$7,970	100.00 %	0.41 %	$7,483	100.00 %	0.40 %

(1) Level 3 total assets and liabilities are shown before the impact of cash collateral and counterparty netting related to derivative positions.

Level 3 financial instruments may be hedged with derivatives classified as Level 1 or 2; therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The Level 3 gains and losses recorded in earnings did not have a significant impact on our liquidity or capital. We conduct a review of our fair value hierarchy classifications on a quarterly basis. Transfers into or out of Level 3 are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are considered to be effective as of the beginning of the quarter in which they occur. For more information on the significant transfers into and out of Level 3 during the three months ended March 31, 2016, see Note 14 – Fair Value Measurements to the Consolidated Financial Statements.

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Glossary

Alt-A Mortgage – A type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or "prime," and less risky than "subprime," the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime consumer real estate loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher LTVs.

Assets in Custody – Consist largely of custodial and non-discretionary trust assets excluding brokerage assets administered for clients. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Assets Under Management (AUM) – The total market value of assets under the investment advisory and/or discretion of GWIM which generate asset management fees based on a percentage of the assets' market values. AUM reflects assets that are generally managed for institutional, high net worth and retail clients, and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts. AUM is classified in two categories, Liquidity AUM and Long-term AUM. Liquidity AUM are assets under advisory and discretion of GWIM in which the investment strategy seeks current income, while maintaining liquidity and capital preservation. The duration of these strategies is primarily less than one year. Long-term AUM are assets under advisory and/or discretion of GWIM in which the duration of investment strategy is longer than one year.

Carrying Value (with respect to loans) – The amount at which a loan is recorded on the balance sheet. For loans recorded at amortized cost, carrying value is the unpaid principal balance net of unamortized deferred loan origination fees and costs, and unamortized purchase premium or discount. For loans that are or have been on nonaccrual status, the carrying value is also reduced by any net charge-offs that have been recorded and the amount of interest payments applied as a reduction of principal under the cost recovery method. For PCI loans, the carrying value equals fair value upon acquisition adjusted for subsequent cash collections and yield accreted to date. For credit card loans, the carrying value also includes interest that has been billed to the customer. For loans classified as held-for-sale, carrying value is the lower of carrying value as described in the sentences above, or fair value. For loans for which we have elected the fair value option, the carrying value is fair value.

Client Brokerage Assets – Include client assets which are held in brokerage accounts. This includes non-discretionary brokerage and fee-based assets which generate brokerage income and asset management fee revenue.

Committed Credit Exposure – Includes any funded portion of a facility plus the unfunded portion of a facility on which the lender is legally bound to advance funds during a specified period under prescribed conditions.

Credit Derivatives – Contractual agreements that provide protection against a credit event on one or more referenced obligations. The nature of a credit event is established by the protection purchaser and the protection seller at the inception of the transaction, and such events generally include bankruptcy or insolvency of the referenced credit entity, failure to meet payment obligations when due, as well as acceleration of indebtedness and payment repudiation or moratorium. The purchaser of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event. A credit default swap is a type of a credit derivative.

Credit Valuation Adjustment (CVA) – A portfolio adjustment required to properly reflect the counterparty credit risk exposure as part of the fair value of derivative instruments.

Debit Valuation Adjustment (DVA) – A portfolio adjustment required to properly reflect the Corporation's own credit risk exposure as part of the fair value of derivative instruments and/or structured liabilities.

Funding Valuation Adjustment (FVA) – A portfolio adjustment required to include funding costs on uncollateralized derivatives and derivatives where the Corporation is not permitted to use the collateral it receives.

Interest Rate Lock Commitment (IRLC) – Commitment with a loan applicant in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to credit approval.

Letter of Credit – A document issued on behalf of a customer to a third party promising to pay the third party upon presentation of specified documents. A letter of credit effectively substitutes the issuer's credit for that of the customer.

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Loan-to-value (LTV) – A commonly used credit quality metric that is reported in terms of ending and average LTV. Ending LTV is calculated as the outstanding carrying value of the loan at the end of the period divided by the estimated value of the property securing the loan. An additional metric related to LTV is combined loan-to-value (CLTV) which is similar to the LTV metric, yet combines the outstanding balance on the residential mortgage loan and the outstanding carrying value on the home equity loan or available line of credit, both of which are secured by the same property, divided by the estimated value of the property. A LTV of 100 percent reflects a loan that is currently secured by a property valued at an amount exactly equal to the carrying value or available line of the loan. Estimated property values are generally determined through the use of automated valuation models (AVMs) or the CoreLogic Case-Shiller Index. An AVM is a tool that estimates the value of a property by reference to large volumes of market data including sales of comparable properties and price trends specific to the MSA in which the property being valued is located. CoreLogic Case-Shiller is a widely used index based on data from repeat sales of single family homes. CoreLogic Case-Shiller indexed-based values are reported on a three-month or one-quarter lag.
Margin Receivable – An extension of credit secured by eligible securities in certain brokerage accounts.
Market-related Adjustments – Include adjustments to premium amortization or discount accretion on debt securities when a decrease in long-term rates shortens (or an increase extends) the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacts net interest income.
Matched Book – Repurchase and resale agreements or securities borrowed and loaned transactions where the overall asset and liability position is similar in size and/or maturity. Generally, these are entered into to accommodate customers where the Corporation earns the interest rate spread.
Mortgage Servicing Right (MSR) – The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.
Net Interest Yield – Net interest income divided by average total interest-earning assets.
Nonperforming Loans and Leases – Include loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties (TDRs). Loans accounted for under the fair value option, PCI loans and LHFS are not reported as nonperforming loans and leases. Consumer credit card loans, business card loans, consumer loans secured by personal property (except for certain secured consumer loans, including those that have been modified in a TDR), and consumer loans secured by real estate that are insured by the FHA or through long-term credit protection agreements with FNMA and FHLMC (fully-insured loan portfolio) are not placed on nonaccrual status and are, therefore, not reported as nonperforming loans and leases.
Prompt Corrective Action (PCA) – A framework established by the U.S. banking regulators requiring banks to maintain certain levels of regulatory capital ratios, comprised of five categories of capitalization: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." Insured depository institutions that fail to meet these capital levels are subject to increasingly strict limits on their activities, including their ability to make capital distributions, pay management compensation, grow assets and take other actions.
Purchased Credit-impaired (PCI) Loan – A loan purchased as an individual loan, in a portfolio of loans or in a business combination with evidence of deterioration in credit quality since origination for which it is probable, upon acquisition, that the investor will be unable to collect all contractually required payments. These loans are recorded at fair value upon acquisition.
Subprime Loans – Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, the Corporation defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors, such as low FICO scores, high debt to income ratios and inferior payment history.

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Troubled Debt Restructurings (TDRs) – Loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Certain consumer loans for which a binding offer to restructure has been extended are also classified as TDRs. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance, loans discharged in bankruptcy or other actions intended to maximize collection. Secured consumer loans that have been discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrower are classified as TDRs at the time of discharge from bankruptcy. TDRs are generally reported as nonperforming loans and leases while on nonaccrual status. Nonperforming TDRs may be returned to accrual status when, among other criteria, payment in full of all amounts due under the restructured terms is expected and the borrower has demonstrated a sustained period of repayment performance, generally six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which they are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they would be placed on nonaccrual status and reported as nonperforming TDRs.

Value-at-Risk (VaR) – VaR is a model that simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. VaR represents the loss the portfolio is expected to experience with a given confidence level based on historical data. A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios.

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Acronyms

ABS	Asset-backed securities
AFS	Available-for-sale
ALM	Asset and liability management
AUM	Assets under management
BHC	Bank holding company
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CRA	Community Reinvestment Act
CVA	Credit valuation adjustment
DVA	Debit valuation adjustment
EAD	Exposure at default
ERC	Enterprise Risk Committee
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLMC	Freddie Mac
FICC	Fixed-income, currencies and commodities
FICO	Fair Isaac Corporation (credit score)
FNMA	Fannie Mae
FTE	Fully taxable-equivalent
FVA	Funding valuation adjustment
GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association
GSE	Government-sponsored enterprise
HELOC	Home equity lines of credit
HFI	Held-for-investment

HQLA	High Quality Liquid Assets
LCR	Liquidity Coverage Ratio
LGD	Loss-given default
LHFS	Loans held-for-sale
LIBOR	London InterBank Offered Rate
LTV	Loan-to-value
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MI	Mortgage insurance
MRC	Management Risk Committee
MSA	Metropolitan statistical area
MSR	Mortgage servicing right
NSFR	Net Stable Funding Ratio
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCA	Prompt Corrective Action
PCI	Purchased credit-impaired

PPI	Payment protection insurance
RMBS	Residential mortgage-backed securities
SBLCs	Standby letters of credit
SEC	Securities and Exchange Commission
SLR	Supplementary leverage ratio
TDR	Troubled debt restructurings
TLAC	Total Loss-Absorbing Capacity
VIE	Variable interest entity

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Market Risk Management on page 94 in the MD&A and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation's disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective, as of the end of the period covered by this report, in recording, processing, summarizing and reporting information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Corporation's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the three months ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
Bank of America Corporation and Subsidiaries
Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended March 31 2016	2015
Interest income		
Loans and leases	$8,260	$ 7,996
Debt securities	1,204	1,887
Federal funds sold and securities borrowed or purchased under agreements to resell	276	231
Trading account assets	1,179	1,083
Other interest income	776	726
Total interest income	11,695	11,923
Interest expense		
Deposits	225	220
Short-term borrowings	614	585
Trading account liabilities	292	394
Long-term debt	1,393	1,313
Total interest expense	2,524	2,512
Net interest income	9,171	9,411
Noninterest income		
Card income	1,430	1,394
Service charges	1,837	1,764
Investment and brokerage services	3,182	3,378
Investment banking income	1,153	1,487
Trading account profits	1,662	2,247
Mortgage banking income	433	694
Gains on sales of debt securities	226	268
Other income	418	271
Total noninterest income	10,341	11,503
Total revenue, net of interest expense	19,512	20,914
Provision for credit losses	997	765
Noninterest expense		
Personnel	8,852	9,614
Occupancy	1,028	1,027
Equipment	463	512
Marketing	419	440
Professional fees	425	421
Amortization of intangibles	187	213
Data processing	838	852
Telecommunications	173	171
Other general operating	2,431	2,577
Total noninterest expense	14,816	15,827
Income before income taxes	3,699	4,322

Income tax expense	1,019	1,225
Net income	$2,680	$ 3,097
Preferred stock dividends	457	382
Net income applicable to common shareholders	$2,223	$ 2,715
Per common share information		
Earnings	$0.21	$ 0.26
Diluted earnings	0.21	0.25
Dividends paid	0.05	0.05
Average common shares issued and outstanding (in thousands)	10,339,731	10,518,790
Average diluted common shares issued and outstanding (in thousands)	11,100,067	11,266,511

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Net income	$2,680	$3,097
Other comprehensive income, net-of-tax:		
Net change in debt and marketable equity securities	2,891	1,336
Net change in debit valuation adjustments	127	260
Net change in derivatives	24	43
Employee benefit plan adjustments	10	25
Net change in foreign currency translation adjustments	12	(51)
Other comprehensive income	3,064	1,613
Comprehensive income	$5,744	$4,710

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	March 31 2016	December 31 2015
Assets		
Cash and due from banks	$27,781	$31,265
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	151,829	128,088
Cash and cash equivalents	179,610	159,353
Time deposits placed and other short-term investments	5,891	7,744
Federal funds sold and securities borrowed or purchased under agreements to resell (includes $53,379 and $55,143 measured at fair value)	221,129	192,482
Trading account assets (includes $108,564 and $107,776 pledged as collateral)	178,987	176,527
Derivative assets	52,255	49,990
Debt securities:		
Carried at fair value (includes $27,225 and $29,810 pledged as collateral)	302,333	322,380
Held-to-maturity, at cost (fair value – $99,075 and $84,046; $7,815 and $9,074 pledged as collateral)	97,978	84,625
Total debt securities	400,311	407,005
Loans and leases (includes $8,212 and $6,938 measured at fair value and $35,400 and $37,767 pledged as collateral)	901,113	896,983
Allowance for loan and lease losses	(12,069)	(12,234)
Loans and leases, net of allowance	889,044	884,749
Premises and equipment, net	9,358	9,485
Mortgage servicing rights (includes $2,631 and $3,087 measured at fair value)	2,631	3,087
Goodwill	69,761	69,761
Intangible assets	3,578	3,768
Loans held-for-sale (includes $3,303 and $4,818 measured at fair value)	6,192	7,453
Customer and other receivables	56,838	58,312
Other assets (includes $13,293 and $14,320 measured at fair value)	109,913	114,600
Total assets	$2,185,498	$2,144,316

Assets of consolidated variable interest entities included in total assets above (isolated to settle the liabilities of the variable interest entities)		
Trading account assets	$5,876	$6,344
Loans and leases	62,045	72,946
Allowance for loan and lease losses	(1,152)	(1,320)
Loans and leases, net of allowance	60,893	71,626
Loans held-for-sale	278	284
All other assets	1,523	1,530
Total assets of consolidated variable interest entities	$68,570	$79,784

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet (continued)

(Dollars in millions)	March 31 2016	December 31 2015
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	$424,319	$422,237
Interest-bearing (includes $1,038 and $1,116 measured at fair value)	718,579	703,761
Deposits in non-U.S. offices:		
Noninterest-bearing	11,230	9,916
Interest-bearing	63,133	61,345
Total deposits	1,217,261	1,197,259
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes $24,369 and $24,574 measured at fair value)	188,960	174,291
Trading account liabilities	74,003	66,963
Derivative liabilities	41,063	38,450
Short-term borrowings (includes $1,482 and $1,325 measured at fair value)	30,881	28,098
Accrued expenses and other liabilities (includes $12,876 and $13,899 measured at fair value and $627 and $646 of reserve for unfunded lending commitments)	137,705	146,286
Long-term debt (includes $31,261 and $30,097 measured at fair value)	232,849	236,764
Total liabilities	1,922,722	1,888,111
Commitments and contingencies (Note 6 – Securitizations and Other Variable Interest Entities, Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies)		
Shareholders' equity		
Preferred stock, $0.01 par value; authorized – 100,000,000 shares; issued and outstanding – 3,851,790 and 3,767,790 shares	24,342	22,273
Common stock and additional paid-in capital, $0.01 par value; authorized – 12,800,000,000 shares; issued and outstanding – 10,312,660,252 and 10,380,265,063 shares	150,774	151,042
Retained earnings	90,270	88,564
Accumulated other comprehensive income (loss)	(2,610)	(5,674)
Total shareholders' equity	262,776	256,205
Total liabilities and shareholders' equity	$2,185,498	$2,144,316
Liabilities of consolidated variable interest entities included in total liabilities above		
Short-term borrowings	$665	$681
Long-term debt (includes $10,137 and $11,304 of non-recourse debt)	10,857	14,073
All other liabilities (includes $12 and $20 of non-recourse liabilities)	17	21
Total liabilities of consolidated variable interest entities	$11,539	$14,775

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2014	$ 19,309	10,516,542	$ 153,458	$ 75,024	$ (4,320)	$ 243,471
Cumulative adjustment for accounting change related to debit valuation adjustments				1,226	(1,226)	—
Net income				3,097		3,097
Net change in debt and marketable equity securities					1,336	1,336
Net change in debit valuation adjustments					260	260
Net change in derivatives					43	43
Employee benefit plan adjustments					25	25
Net change in foreign currency translation adjustments					(51)	(51)
Dividends paid:						
Common				(527)		(527)
Preferred				(382)		(382)
Issuance of preferred stock	2,964					2,964
Common stock issued under employee plans and related tax effects		3,859	(48)			(48)
Balance, March 31, 2015	$ 22,273	10,520,401	$ 153,410	$ 78,438	$ (3,933)	$ 250,188
Balance, December 31, 2015	$ 22,273	10,380,265	$ 151,042	$ 88,564	$ (5,674)	$ 256,205
Net income				2,680		2,680
Net change in debt and marketable equity securities					2,891	2,891
Net change in debit valuation adjustments					127	127
Net change in derivatives					24	24
Employee benefit plan adjustments					10	10
Net change in foreign currency translation adjustments					12	12
Dividends paid:						
Common				(517)		(517)
Preferred				(457)		(457)
Issuance of preferred stock	2,069					2,069
Common stock issued under employee plans and related tax effects		4,936	732			732
Common stock repurchased		(72,541)	(1,000)			(1,000)
Balance, March 31, 2016	$ 24,342	10,312,660	$ 150,774	$ 90,270	$ (2,610)	$ 262,776

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Operating activities		
Net income	$2,680	$3,097
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	997	765
Gains on sales of debt securities	(226)	(268)
Realized debit valuation adjustments on structured liabilities	7	335
Depreciation and amortization of premises and equipment	379	395
Amortization of intangibles	187	213
Net amortization of premium/discount on debt securities	1,802	978
Deferred income taxes	1,218	68
Stock-based compensation	831	14
Loans held-for-sale:		
Originations and purchases	(5,728)	(10,587)
Proceeds from sales and paydowns of loans originally classified as held-for-sale	6,675	10,975
Net change in:		
Trading and derivative instruments	8,135	3,222
Other assets	2,361	12
Accrued expenses and other liabilities	(8,556)	(7,232)
Other operating activities, net	81	(1,742)
Net cash provided by operating activities	10,843	245
Investing activities		
Net change in:		
Time deposits placed and other short-term investments	1,853	92
Federal funds sold and securities borrowed or purchased under agreements to resell	(28,647)	(14,885)
Debt securities carried at fair value:		
Proceeds from sales	19,651	30,021
Proceeds from paydowns and maturities	23,243	16,446
Purchases	(30,988)	(43,429)
Held-to-maturity debt securities:		
Proceeds from paydowns and maturities	2,768	2,973
Purchases	(4,334)	(3,354)
Loans and leases:		
Proceeds from sales	8,021	5,781
Purchases	(4,224)	(3,582)
Other changes in loans and leases, net	(9,309)	(3,482)
Other investing activities, net	592	(93)
Net cash used in investing activities	(21,374)	(13,512)
Financing activities		
Net change in:		
Deposits	20,002	34,232
Federal funds purchased and securities loaned or sold under agreements to repurchase	14,669	2,481
Short-term borrowings	2,783	2,098
Long-term debt:		
Proceeds from issuance	6,260	9,254

Retirement of long-term debt	(14,404)	(11,678)
Proceeds from issuance of preferred stock	2,069	2,964
Common stock repurchased	(1,000)	—
Cash dividends paid	(974)	(846)
Excess tax benefits on share-based payments	5	16
Other financing activities, net	(28)	(9)
Net cash provided by financing activities	29,382	38,512
Effect of exchange rate changes on cash and cash equivalents	1,406	(1,291)
Net increase in cash and cash equivalents	20,257	23,954
Cash and cash equivalents at January 1	159,353	138,589
Cash and cash equivalents at March 31	$179,610	$162,543

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 – Summary of Significant Accounting Principles

Bank of America Corporation (together with its consolidated subsidiaries, the Corporation), a bank holding company and a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. The term "the Corporation" as used herein 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.

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. Intercompany accounts and transactions have been eliminated. Results of operations of acquired companies are included from the dates of acquisition and for VIEs, from the dates that the Corporation became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies for which it owns a voting interest and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting. These investments are included in other assets. Equity method investments are subject to impairment testing and the Corporation's proportionate share of income or loss is included in other income.

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect reported amounts and disclosures. Realized results could differ from those estimates and assumptions.

These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. The nature of the Corporation's business is such that the results of any interim period are not necessarily indicative of results for a full year. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim period results have been made. The Corporation evaluates subsequent events through the date of filing with the Securities and Exchange Commission (SEC). Certain prior-period amounts have been reclassified to conform to current period presentation.

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

In the Consolidated Statement of Cash Flows for the three months ended March 31, 2015, as included herein, the Corporation made certain corrections related to non-cash activity which are not material to the Consolidated Financial Statements taken as a whole, do not impact the Consolidated Statement of Income or Consolidated Balance Sheet, and have no impact on the Corporation's cash and cash equivalents balance. Certain non-cash transactions involving the sale of loans and receipt of debt securities as proceeds were incorrectly classified between operating activities and investing activities. The corrections resulted in a $4.8 billion increase in net cash provided by operating activities, offset by a $4.8 billion increase in net cash used in investing activities when compared to the Consolidated Statement of Cash Flows in the Form 10-Q for the three months ended March 31, 2015.

For information on certain non-cash transactions, which are not reflected in the Consolidated Statement of Cash Flows, see Note 4 – Outstanding Loans and Leases and Note 6 – Securitizations and Other Variable Interest Entities.

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New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued new accounting guidance that simplifies certain aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective on January 1, 2017, with early adoption permitted. The Corporation does not expect the provisions of this new accounting guidance to have a material impact on its consolidated financial position or results of operations.

In February 2016, the FASB issued new accounting guidance that requires substantially all leases to be recorded as assets and liabilities on the balance sheet. This new accounting guidance is effective on January 1, 2019, with early adoption permitted. Upon adoption, the Corporation will record a right of use asset and a lease payment obligation associated with arrangements previously accounted for as operating leases. The Corporation is in the process of evaluating the impact of this new guidance on its consolidated financial position, but does not expect the guidance to have a material impact on its results of operations.

In January 2016, the FASB issued new accounting guidance on recognition and measurement of financial instruments. The new guidance makes targeted changes to existing GAAP including, among other provisions, requiring certain equity investments to be measured at fair value with changes in fair value reported in earnings and requiring changes in instrument-specific credit risk (i.e., debit valuation adjustments (DVA)) for financial liabilities recorded at fair value under the fair value option to be reported in other comprehensive income (OCI). The accounting for DVA related to other financial liabilities, for example, derivatives, does not change. The new guidance is effective on January 1, 2018, with early adoption permitted for the provisions related to DVA. The Corporation early adopted, retrospective to January 1, 2015, the provisions of this new accounting guidance related to DVA on financial liabilities accounted for under the fair value option. The Corporation does not expect the provisions of this new accounting guidance other than those related to DVA, as described above, to have a material impact on its consolidated financial position or results of operations.

In February 2015, the FASB issued new accounting guidance that amends the criteria for determining whether limited partnerships and similar entities are VIEs, clarifies when a general partner or asset manager should consolidate an entity and eliminates the indefinite deferral of certain aspects of VIE accounting guidance for investments in certain investment funds. Money market funds registered under Rule 2a-7 of the Investment Company Act and similar funds are exempt from consolidation under the new guidance. This new accounting guidance was effective on January 1, 2016, and only affected the Corporation's disclosures. For additional disclosures under this new guidance, see Note 6 – Securitizations and Other Variable Interest Entities.

In August 2014, the FASB issued new accounting guidance that provides a measurement alternative for entities that consolidate a collateralized financing entity (CFE). The new guidance allows an entity to measure both the financial assets and financial liabilities of a CFE using the fair value of either the financial assets or financial liabilities, whichever is more observable. This alternative is available for CFEs where the financial assets and financial liabilities are carried at fair value and changes in fair value are reported in earnings. This new accounting guidance was effective on January 1, 2016, and did not have a material impact on the Corporation's consolidated financial position or results of operations. For additional disclosures under this new guidance, see Note 6 – Securitizations and Other Variable Interest Entities and Note 14 – Fair Value Measurements.

In May 2014, the FASB issued new accounting guidance to clarify the principles for recognizing revenue from contracts with customers. This new accounting guidance, which does not apply to financial instruments, is effective on January 1, 2018. The Corporation does not expect the new guidance to have a material impact on its consolidated financial position or results of operations.

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NOTE 2 – Derivatives

Derivative Balances

Derivatives are entered into on behalf of customers, for trading, or to support risk management activities. Derivatives used in risk management activities include derivatives that may or may not be designated in qualifying hedge accounting relationships. Derivatives that are not designated in qualifying hedge accounting relationships are referred to as other risk management derivatives. For more information on the Corporation's derivatives and hedging activities, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. The following tables present derivative instruments included on the Consolidated Balance Sheet in derivative assets and liabilities at March 31, 2016 and December 31, 2015. Balances are presented on a gross basis, prior to the application of counterparty and cash collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral received or paid.

March 31, 2016

Gross
Derivative
Assets