

BANK OF AMERICA CORP /DE/
Form 10-Q
July 29, 2014

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

(Mark One)

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

For the Quarterly Period Ended June 30, 2014

or

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

For the transition period from to

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State or other jurisdiction of incorporation or organization:

Delaware

IRS Employer Identification No.:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

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

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

Yes ☒ No

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

Yes ☒ No

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

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

Yes ☐ No ☒

On July 28, 2014, there were 10,515,862,599 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
June 30, 2014
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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "hopes," "estimates," "intends," "plans," "goal," "believes," "continue" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the Corporation's current expectations, plans or forecasts of its future results and revenues, and future business and economic conditions more generally, and other matters. These statements are not guarantees of future results or performance and involve certain 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, under Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the potential negative impacts of the Corporation's prior adjustment to its regulatory capital ratios, including, without limitation, the results of the Federal Reserve's review of the information pursuant to the Comprehensive Capital Analysis and Review, or the revised capital actions that have been submitted to the Federal Reserve; the Corporation's ability to resolve representations and warranties repurchase claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more counterparties, including monolines or private-label and other investors; the possibility that final court approval of negotiated settlements is not obtained; the possibility that the court decision with respect to the BNY Mellon Settlement is overturned on appeal in whole or in part; potential claims, damages, penalties and fines resulting from pending or future litigation, governmental proceedings or inquiries, and regulatory proceedings, including proceedings instituted by the U.S. Department of Justice, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force concerning mortgage-related matters; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the possible outcome of LIBOR, other reference rate and foreign exchange inquiries and investigations; 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; the possibility that future claims, damages, penalties and fines may occur in excess of the Corporation's recorded liability and estimated range of possible losses for litigation exposures; uncertainties about the financial stability, growth rates and the geopolitical environment 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; uncertainties related to the timing and pace of Federal Reserve tapering of quantitative easing, and the impact on global interest rates, currency exchange rates, and economic conditions in a number of countries; the possibility of future inquiries or investigations regarding pending or completed foreclosure activities; the possibility that unexpected foreclosure delays could impact the rate of decline of default-related servicing costs; uncertainty regarding timing and the potential impact of regulatory capital and liquidity requirements (including Basel 3); the negative impact of the Financial Reform Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the potential impact of implementing and conforming to the Volcker Rule; the potential impact of future derivative regulations; 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; reputational damage that may result from negative publicity, fines and penalties from regulatory violations and judicial proceedings; the Corporation's ability to fully realize the anticipated cost savings in Legacy Assets & Servicing and the anticipated cost savings and other benefits from Project New BAC, including in accordance with currently anticipated timeframes; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; 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 nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under two national bank charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA). On April 16, 2014, FIA and BANA filed an application with the Office of the Comptroller of the Currency (OCC) for consent to merge FIA into BANA and, if approved, we expect to complete the merger on October 1, 2014. At June 30, 2014, the Corporation had approximately \$2.2 trillion in assets and approximately 233,000 full-time equivalent employees.

As of June 30, 2014, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 49 million consumer and small business relationships with approximately 5,000 banking centers, 16,000 ATMs, nationwide call centers, and leading online (www.bankofamerica.com) and mobile banking platforms. We offer industry-leading support to more than three million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

Second Quarter 2014 Economic and Business Environment

In the U.S., economic growth rebounded in the second quarter of 2014 following contraction in the first quarter of 2014. Improved weather conditions positively impacted manufacturing, housing activity and retail spending. Exports continued to increase, while the trade deficit continued to widen. Employment gains strengthened during the quarter and the unemployment rate dropped to 6.1 percent at quarter end. Inflation, while moving slightly higher during the quarter due to higher transportation, food and housing costs, remained below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term target of two percent.

Amid expectations that accommodative monetary policy would be only gradually removed, longer-term U.S. Treasury yields continued to decline over the quarter, while equity markets increased. The Federal Reserve continued to reduce its securities purchases, bringing targeted monthly purchases to \$35 billion in July. The Federal Reserve also indicated that it would likely end its securities purchases in October.

Internationally, modest economic growth continued in the Eurozone in the second quarter of 2014, while healthy expansion continued in the U.K. The economy slowed in Japan following accelerated gains ahead of a consumption tax increase in the first quarter of 2014. China's economy stabilized in the second quarter of 2014 after slowing modestly in recent quarters. For more information on our international exposure, see Non-U.S. Portfolio on page 113.

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Recent Events

AIG Settlement

On July 15, 2014, the Corporation and certain of its subsidiaries entered into a settlement agreement with American International Group, Inc. (AIG) to resolve all outstanding residential mortgage-backed securities (RMBS) litigation claims between the parties in exchange for a payment to AIG of \$650 million. The settlement also provides for the withdrawal by AIG of its objection in the Bank of New York Mellon Settlement (BNY Mellon Settlement) court approval proceeding, including its participation in all pending appeals. Separately, on July 15, 2014, certain of our subsidiaries entered into a settlement agreement to resolve all outstanding mortgage insurance (MI) disputes brought by the Corporation against three AIG subsidiaries (the United Guaranty entities). This settlement will resolve all of the Corporation's pending MI litigation with the United Guaranty entities regarding legacy first- and second-lien mortgages originated or acquired by certain of our subsidiaries prior to 2009. The settlement with the United Guaranty entities with respect to policies related to first-lien mortgages is subject to the consent of the GSEs; and the inclusion of loans other than GSE-insured loans is subject to obtaining any other necessary consents.

For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

Capital Management

On April 28, 2014, we announced the revision of certain regulatory capital amounts and ratios that had previously been reported, and suspended our previously announced 2014 capital actions stating that we would resubmit information pursuant to the 2014 Comprehensive Capital Analysis and Review (CCAR) to the Federal Reserve. On May 27, 2014, subsequent to a third-party review, we updated and resubmitted our requested capital actions and certain 2014 CCAR schedules to the Federal Reserve and we addressed the quantitative adjustments to our original capital plan as part of that resubmission. The requested capital actions contained in the resubmission are less than the 2014 capital actions previously submitted to the Federal Reserve. Pursuant to CCAR capital plan rules, the Federal Reserve has until August 10, 2014 to respond to our resubmitted 2014 CCAR items, including the requested capital actions.

Until the Federal Reserve acts on our 2014 CCAR resubmission, we must obtain the Federal Reserve's approval prior to any capital distributions. However, the Federal Reserve approved certain capital actions, including continued payment of a quarterly common stock dividend of \$0.01 per share, subject to declaration by the Corporation's Board of Directors (the Board), the amendment to the terms of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (Series T Preferred Stock) as described below and the redemption or repurchase of a limited amount of trust preferred securities and subordinated debt. Additional common share buybacks were not included in this approval. In April 2014, prior to the suspension of our previously announced 2014 capital actions, we repurchased and retired 14.4 million common shares for an aggregate purchase price of approximately \$233 million.

For additional information, see Capital Management on page 64.

Regulatory and Governmental Investigations

We are subject to inquiries and investigations, and may be subject to litigation, penalties and fines by the U.S. Department of Justice (DOJ), state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force (collectively, the Governmental Authorities) regarding our RMBS and other mortgage-related matters. We are also a party to civil litigation proceedings brought by the DOJ and certain other Governmental Authorities regarding our RMBS. We continue to cooperate with and have had discussions about a

potential resolution of these matters with certain Governmental Authorities. There can be no assurances that these discussions will lead to a resolution of any or all of these matters and additional litigation may be filed by the DOJ or certain other Governmental Authorities regarding our RMBS. For additional information regarding the risks associated with matters of this nature, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements herein, Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

Series T Preferred Stock

At the Corporation's annual meeting of stockholders on May 7, 2014, our stockholders approved an amendment to our Series T Preferred Stock such that it qualifies as Tier 1 capital, and the amendment became effective during the three months ended June 30, 2014. This resulted in a Tier 1 capital increase of approximately \$2.9 billion, which benefited our Tier 1 capital and leverage ratios. For additional information on the Series T Preferred Stock, see Capital Management – Regulatory Capital on page 65.

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Selected Financial Data

Table 1 provides selected consolidated financial data for the three and six months ended June 30, 2014 and 2013, and at June 30, 2014 and December 31, 2013.

Table 1
Selected Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information)	2014	2013	2014	2013
Income statement				
Revenue, net of interest expense (FTE basis) ⁽¹⁾	\$21,960	\$22,949	\$44,727	\$46,357
Net income	2,291	4,012	2,015	5,495
Diluted earnings per common share	0.19	0.32	0.14	0.42
Dividends paid per common share	0.01	0.01	0.02	0.02
Performance ratios				
Return on average assets	0.42	% 0.74	% 0.19	% 0.50
Return on average tangible shareholders' equity ⁽¹⁾	5.64	9.98	2.49	6.84
Efficiency ratio (FTE basis) ⁽¹⁾	84.43	69.80	91.17	76.62
Asset quality				
Allowance for loan and lease losses at period end			\$15,811	\$21,235
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end ⁽²⁾			1.75	% 2.33
Nonperforming loans, leases and foreclosed properties at period end ⁽²⁾			\$15,300	\$21,280
Net charge-offs ⁽³⁾	\$1,073	\$2,111	2,461	4,628
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(2, 3)	0.48	% 0.94	% 0.55	% 1.04
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio ⁽²⁾	0.49	0.97	0.56	1.07
Annualized net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding ⁽²⁾	0.55	1.07	0.67	1.29
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽³⁾	3.67	2.51	3.19	2.28
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the purchased credit-impaired loan portfolio	3.25	2.04	2.82	1.85
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and purchased credit-impaired write-offs	3.20	2.18	2.60	1.82
Balance sheet			June 30	December 31
Total loans and leases			2014	2013
Total assets			\$911,899	\$928,233
Total deposits			2,170,557	2,102,273
			1,134,329	1,119,271

Total common shareholders' equity	222,565	219,333	
Total shareholders' equity	237,411	232,685	
Capital ratios ⁽⁴⁾			
Common equity tier 1 capital	12.0	%	n/a
Tier 1 common capital	n/a	10.9	%
Tier 1 capital	12.5	12.2	
Total capital	15.3	15.1	
Tier 1 leverage	7.7	7.7	

Fully taxable-equivalent basis (FTE), return on average tangible 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 16.

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 99 and corresponding Table 46, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 55.

Net charge-offs exclude \$160 million and \$551 million of write-offs in the purchased credit-impaired loan portfolio for the three and six months ended June 30, 2014 compared to \$313 million and \$1.2 billion for the same periods in 2013. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 93.

On January 1, 2014, the Basel 3 rules became effective, subject to transition provisions primarily related to regulatory deductions and adjustments impacting common equity tier 1 capital and Tier 1 capital. We reported under Basel 1 (which included the Market Risk Final Rules) at December 31, 2013.

n/a = not applicable

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Financial Highlights

Net income was \$2.3 billion, or \$0.19 per diluted share and \$2.0 billion, or \$0.14 per diluted share for the three and six months ended June 30, 2014 compared to \$4.0 billion, or \$0.32 and \$5.5 billion, or \$0.42 for the same periods in 2013. Although the establishment of additional reserves primarily for previously disclosed legacy mortgage-related matters resulted in increases of \$3.5 billion and \$7.3 billion in litigation expense compared to the same periods in 2013, our capital and liquidity levels remained strong, credit quality continued to improve, and we continue to focus on streamlining processes and achieving cost savings.

Table 2
Summary Income Statement

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Net interest income (FTE basis) ⁽¹⁾	\$10,226	\$10,771	\$20,512	\$21,646
Noninterest income	11,734	12,178	24,215	24,711
Total revenue, net of interest expense (FTE basis) ⁽¹⁾	21,960	22,949	44,727	46,357
Provision for credit losses	411	1,211	1,420	2,924
Noninterest expense	18,541	16,018	40,779	35,518
Income before income taxes	3,008	5,720	2,528	7,915
Income tax expense (FTE basis) ⁽¹⁾	717	1,708	513	2,420
Net income	2,291	4,012	2,015	5,495
Preferred stock dividends	256	441	494	814
Net income applicable to common shareholders	\$2,035	\$3,571	\$1,521	\$4,681
Per common share information				
Earnings	\$0.19	\$0.33	\$0.14	\$0.43
Diluted earnings	0.19	0.32	0.14	0.42

⁽¹⁾ FTE basis is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

Net Interest Income

Net interest income on a fully taxable-equivalent (FTE) basis decreased \$545 million to \$10.2 billion, and \$1.1 billion to \$20.5 billion for the three and six months ended June 30, 2014 compared to the same periods in 2013. The decreases were primarily due to the negative impact of market-related premium amortization expense on debt securities, lower consumer loan balances as well as lower loan yields, and decreased trading-related net interest income, partially offset by reductions in long-term debt balances and yields, higher commercial loan balances and lower rates paid on deposits. The net interest yield on a FTE basis decreased 13 basis points (bps) to 2.22 percent, and 10 bps to 2.26 percent for the three and six months ended June 30, 2014 compared to the same periods in 2013 due to the same factors as described above. Given the additional liquidity during the first half of 2014, coupled with the average balance impact of lower consumer loan balances, we expect that net interest income in the second half of 2014 will improve modestly from the second quarter of 2014 level, excluding market-related adjustments. For more information on our liquidity position, see Liquidity Risk on page 75.

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Noninterest Income

Table 3

Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Card income	\$1,441	\$1,469	\$2,834	\$2,879
Service charges	1,866	1,837	3,692	3,636
Investment and brokerage services	3,291	3,143	6,560	6,170
Investment banking income	1,631	1,556	3,173	3,091
Equity investment income	357	680	1,141	1,243
Trading account profits	1,832	1,938	4,299	4,927
Mortgage banking income	527	1,178	939	2,441
Gains on sales of debt securities	382	457	759	525
Other income (loss)	407	(80)	818	(201)
Total noninterest income	\$11,734	\$12,178	\$24,215	\$24,711

Noninterest income decreased \$444 million to \$11.7 billion, and \$496 million to \$24.2 billion for the three and six months ended June 30, 2014 compared to the same periods in 2013. The following highlights the significant changes.

Investment and brokerage services income increased \$148 million and \$390 million primarily driven by higher market levels and the impact of long-term assets under management (AUM) inflows.

Equity investment income decreased \$323 million and \$102 million. The three-month decline was due to gains on the sales of portions of an equity investment in All Other in the prior-year period, partially offset by a gain in the current-year period related to an initial public offering of an equity investment in Global Markets. The six-month decline was due to lower Global Principal Investments (GPI) gains compared to the prior-year period, partially offset by the gain in Global Markets.

Trading account profits decreased \$106 million and \$628 million primarily due to declines in market volumes and reduced volatility.

Mortgage banking income decreased \$651 million and \$1.5 billion primarily driven by lower core production revenue and servicing income, partially offset by lower representations and warranties provision.

Other income increased to \$407 million from a loss of \$80 million, and to \$818 million from a loss of \$201 million compared to the prior-year periods. The first quarter of 2013 included a write-down of \$450 million on a monoline receivable. Other income included positive debit valuation adjustments (DVA) on structured liabilities of \$68 million and \$265 million in the current-year periods compared to positive DVA of \$10 million and negative DVA of \$80 million for the same periods in 2013.

Provision for Credit Losses

The provision for credit losses decreased \$800 million to \$411 million, and \$1.5 billion to \$1.4 billion for the three and six months ended June 30, 2014 compared to the same periods in 2013. The provision for credit losses was \$662 million and \$1.0 billion lower than net charge-offs resulting in reductions in the allowance for credit losses. The reductions in provision were driven by portfolio improvement, including increased home prices in the home loans portfolio, as well as lower levels of delinquencies in the consumer lending portfolio within CBB. This was partially offset by higher provision for credit losses in the commercial portfolio due to reserve increases.

Net charge-offs totaled \$1.1 billion, or 0.48 percent, and \$2.5 billion, or 0.55 percent of average loans and leases for the three and six months ended June 30, 2014 compared to \$2.1 billion, or 0.94 percent, and \$4.6 billion, or 1.04 percent for the same periods in 2013. The decreases in net charge-offs were due to credit quality improvement across all major portfolios.

If the economy and our asset quality continue to improve, we expect net charge-offs to continue to show modest improvement from the second quarter amount of \$1.3 billion, which excludes recoveries of \$185 million on the nonperforming loan sales. We would also expect reserve releases to decline modestly through the balance of 2014. For more information on the provision for credit losses, see Provision for Credit Losses on page 117.

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Noninterest Expense

Table 4

Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Personnel	\$8,306	\$8,531	\$18,055	\$18,422
Occupancy	1,079	1,109	2,194	2,263
Equipment	534	532	1,080	1,082
Marketing	450	437	892	866
Professional fees	626	694	1,184	1,343
Amortization of intangibles	235	274	474	550
Data processing	761	779	1,594	1,591
Telecommunications	324	411	694	820
Other general operating	6,226	3,251	14,612	8,581
Total noninterest expense	\$18,541	\$16,018	\$40,779	\$35,518

Noninterest expense increased \$2.5 billion to \$18.5 billion, and \$5.3 billion to \$40.8 billion for the three and six months ended June 30, 2014 compared to the same periods in 2013 primarily driven by higher other general operating expense. These increases in other general operating expense reflected increases in litigation expense, primarily related to previously disclosed legacy mortgage-related matters, of \$3.5 billion to \$4.0 billion for the three months ended June 30, 2014, and \$7.3 billion to \$10.0 billion for the six months ended June 30, 2014 compared to the same periods in 2013, partially offset by a decline in other general operating expenses in Legacy Assets & Servicing. Personnel expense decreased \$225 million and \$367 million as we continued to streamline processes and achieve cost savings.

In connection with Project New BAC, which was first announced in the third quarter of 2011, we continue to achieve cost savings in certain noninterest expense categories as we further streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles. We expect total cost savings from Project New BAC, since inception of the project, to reach \$8 billion on an annualized basis, or \$2 billion per quarter. Our New BAC expense program is ahead of schedule, and we now expect to reach a quarterly level of \$2 billion in cost savings in the fourth quarter of 2014, as opposed to mid-2015.

Income Tax Expense

Table 5

Income Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Income before income taxes	\$2,795	\$5,498	\$2,114	\$7,482
Income tax expense	504	1,486	99	1,987
Effective tax rate	18.0	% 27.0	% 4.7	% 26.6

The effective tax rates for the three and six months ended June 30, 2014 were driven by the impact of recurring tax preference benefits on the lower level of pre-tax income. Also reflected in the effective tax rate for the six months ended June 30, 2014 were discrete tax benefits, principally from the resolution of certain tax matters, offset by the impact of certain accruals estimated to be nondeductible. We expect an effective tax rate of approximately 31 percent, absent any unusual items, for the remainder of 2014.

The effective tax rates for the three and six months ended June 30, 2013 were primarily driven by our recurring tax preference benefits and an increase in tax benefits from the 2012 non-U.S. restructurings.

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

				Average Balance Three Months Ended				Six Months Ended			
(Dollars in millions)	June 30 2014	December 31 2013	% Change	June 30 2014	2013	% Change	June 30 2014	2013	% Change		
Assets											
Cash and cash equivalents	\$ 152,899	\$ 131,322	16 %	\$ 150,959	\$ 104,486	44 %	\$ 145,921	\$ 98,698	48 %		
Federal funds sold and securities borrowed or purchased under agreements to resell	229,449	190,328	21	235,393	233,394	1	224,012	235,417	(5)		
Trading account assets	196,952	200,993	(2)	201,113	227,241	(11)	202,467	233,568	(13)		
Debt securities	352,883	323,945	9	345,889	343,260	1	337,845	349,794	(3)		
Loans and leases	911,899	928,233	(2)	912,580	914,234	—	916,012	910,269	1		
Allowance for loan and lease losses	(15,811)	(17,428)	(9)	(16,392)	(22,060)	(26)	(16,766)	(22,822)	(27)		
All other assets	342,286	344,880	(1)	340,013	384,055	(11)	345,003	393,519	(12)		
Total assets	\$ 2,170,557	\$ 2,102,273	3	\$ 2,169,555	\$ 2,184,610	(1)	\$ 2,154,494	\$ 2,198,443	(2)		
Liabilities											
Deposits	\$ 1,134,329	\$ 1,119,271	1	\$ 1,128,563	\$ 1,079,956	5	\$ 1,123,399	\$ 1,077,631	4		
Federal funds purchased and securities loaned or sold under agreements to repurchase	217,829	198,106	10	222,525	270,790	(18)	213,714	285,781	(25)		
Trading account liabilities	88,342	83,469	6	95,153	94,349	1	92,813	93,204	—		
Short-term borrowings	45,873	45,999	—	48,722	47,238	3	48,447	42,001	15		
Long-term debt	257,071	249,674	3	259,825	270,198	(4)	256,768	272,088	(6)		
All other liabilities	189,702	173,069	10	178,970	187,016	(4)	183,180	191,714	(4)		
Total liabilities	1,933,146	1,869,588	3	1,933,758	1,949,547	(1)	1,918,321	1,962,419	(2)		

Shareholders' equity	237,411	232,685	2	235,797	235,063	—	236,173	236,024	—
Total liabilities and shareholders' equity	\$2,170,557	\$2,102,273	3	\$2,169,555	\$2,184,610	(1)	\$2,154,494	\$2,198,443	(2)

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

Assets

At June 30, 2014, total assets were approximately \$2.2 trillion, up \$68.3 billion from December 31, 2013. The key drivers were higher securities borrowed or purchased under agreements to resell to cover client and firm short positions, higher matched-book trading activity, higher debt securities driven by purchases of U.S. treasuries and fair value increases due to rates, and an increase in cash and cash equivalents primarily due to higher interest-bearing deposits with the Federal Reserve and non-U.S. central banks in connection with anticipated Basel 3 Liquidity Coverage Ratio (LCR) requirements. These increases were partially offset by a decline in consumer loan balances due to paydowns, net charge-offs and nonperforming loan sales outpacing new originations and repurchases of certain consumer loans.

Average total assets decreased \$15.1 billion for the three months ended June 30, 2014 compared to the same period in 2013. The decrease was driven by a decline in all other assets primarily due to decreases in customer and other receivables, other earning assets, derivative dealer assets and loans held-for-sale (LHFS). The decrease in average total assets was also driven by decreased trading account assets due to a reduction in U.S. treasuries inventory and agency pass-throughs as well as consumer loans due to run-off, payoffs and nonperforming loan sales outpacing new originations. The decrease in average total assets was partially offset by increases in cash and cash equivalents primarily driven by higher interest-bearing deposits with the Federal Reserve and non-U.S. central banks, and commercial loans driven by higher customer demand.

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Average total assets decreased \$43.9 billion for the six months ended June 30, 2014 compared to the same period in 2013. The decrease was driven by declines in all other assets primarily due to decreases in other earning assets, customer and other receivables, derivative dealer assets and LHFS. The decrease in average total assets was also driven by a decline in trading account assets due to a reduction in U.S. treasuries inventory and agency pass-throughs, a decline in consumer loans due to run-off and paydowns outpacing originations, lower debt securities from sales of securities in 2013 and paydowns outpacing new purchases, and a decline in securities borrowed or purchased under agreements to resell due to covering short positions and a lower matched-book. The decrease in average total assets was partially offset by increases in cash and cash equivalents primarily driven by higher interest-bearing deposits with the Federal Reserve and non-U.S. central banks, and commercial loans driven by higher customer demand.

Liabilities and Shareholders' Equity

At June 30, 2014, total liabilities were approximately \$1.9 trillion, up \$63.6 billion from December 31, 2013 primarily driven by higher securities loaned or sold under agreements to repurchase due to an increase in matched-book trading activity, an increase in all other liabilities primarily due to higher dealer payables, and growth in deposits. The increase in total liabilities was also driven by higher long-term debt due to new issuances outpacing maturities, and higher trading account liabilities.

Average total liabilities decreased \$15.8 billion for the three months ended June 30, 2014 compared to the same period in 2013. The decrease was primarily driven by a decline in securities loaned or sold under agreements to repurchase due to a decrease in funding of long positions and a lower matched-book, planned reductions in long-term debt and maturities outpacing new issuances, and lower derivative liabilities, partially offset by growth in deposits.

Average total liabilities decreased \$44.1 billion for the six months ended June 30, 2014 compared to the same period in 2013. The decrease was due to the same factors as described in the three-month discussion above.

Shareholders' equity of \$237.4 billion at June 30, 2014 increased \$4.7 billion from December 31, 2013 driven by a positive net change in the fair value of available-for-sale (AFS) debt securities due to decreases in rates, which is recorded in accumulated other comprehensive income (OCI), issuance of preferred stock and earnings, partially offset by capital returns.

Average shareholders' equity of \$235.8 billion and \$236.2 billion for the three and six months ended June 30, 2014 remained relatively unchanged compared to the same periods in 2013 as increases in earnings were partially offset by common and preferred stock repurchases and changes in unrealized gains and losses on AFS debt securities, which are recorded in accumulated OCI.

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Table 7

Selected Quarterly Financial Data

(In millions, except per share information)	2014 Quarters		2013 Quarters		Second
	Second	First	Fourth	Third	
Income statement					
Net interest income	\$10,013	\$10,085	\$10,786	\$10,266	\$10,549
Noninterest income	11,734	12,481	10,702	11,264	12,178
Total revenue, net of interest expense	21,747	22,566	21,488	21,530	22,727
Provision for credit losses	411	1,009	336	296	1,211
Noninterest expense	18,541	22,238	17,307	16,389	16,018
Income (loss) before income taxes	2,795	(681)	3,845	4,845	5,498
Income tax expense (benefit)	504	(405)	406	2,348	1,486
Net income (loss)	2,291	(276)	3,439	2,497	4,012
Net income (loss) applicable to common shareholders	2,035	(514)	3,183	2,218	3,571
Average common shares issued and outstanding	10,519	10,561	10,633	10,719	10,776
Average diluted common shares issued and outstanding ⁽¹⁾	11,265	10,561	11,404	11,482	11,525
Performance ratios					
Return on average assets	0.42	% n/m	0.64	% 0.47	% 0.74
Four quarter trailing return on average assets ⁽²⁾	0.37	0.45	% 0.53	0.40	0.30
Return on average common shareholders' equity	3.68	n/m	5.74	4.06	6.55
Return on average tangible common shareholders' equity ⁽³⁾	5.47	n/m	8.61	6.15	9.88
Return on average tangible shareholders' equity ⁽³⁾	5.64	n/m	8.53	6.32	9.98
Total ending equity to total ending assets	10.94	10.79	11.07	10.92	10.88
Total average equity to total average assets	10.87	11.06	10.93	10.85	10.76
Dividend payout	5.16	n/m	3.33	4.82	3.01
Per common share data					
Earnings (loss)	\$0.19	\$(0.05)	\$0.30	\$0.21	\$0.33
Diluted earnings (loss) ⁽¹⁾	0.19	(0.05)	0.29	0.20	0.32
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	21.16	20.75	20.71	20.50	20.18
Tangible book value ⁽³⁾	14.24	13.81	13.79	13.62	13.32
Market price per share of common stock					
Closing	\$15.37	\$17.20	\$15.57	\$13.80	\$12.86
High closing	17.34	17.92	15.88	14.95	13.83
Low closing	14.51	16.10	13.69	12.83	11.44
Market capitalization	\$161,628	\$181,117	\$164,914	\$147,429	\$138,156

The diluted earnings (loss) per common share excluded the effect of any equity instruments that are antidilutive to

⁽¹⁾ earnings per share. There were no potential common shares that were dilutive in the first quarter of 2014 because of the net loss.

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

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

⁽³⁾ Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 16.

⁽⁴⁾

For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 82.

- (5) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments. Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management –
- (6) Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 99 and corresponding Table 46, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 55.
- (7) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other. Net charge-offs exclude \$160 million, \$391 million, \$741 million, \$443 million and \$313 million of write-offs in the purchased credit-impaired loan portfolio in the second and first quarters of 2014 and in the fourth, third and
- (8) second quarters of 2013, respectively. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 93.
- (9) On January 1, 2014, the Basel 3 rules became effective, subject to transition provisions primarily related to regulatory deductions and adjustments impacting common equity tier 1 capital and Tier 1 capital. We reported under Basel 1 (which included the Market Risk Final Rules) for 2013.

n/a = not applicable; n/m = not meaningful

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Table 7

Selected Quarterly Financial Data (continued)

(Dollars in millions)	2014 Quarters		2013 Quarters		Second	
	Second	First	Fourth	Third		
Average balance sheet						
Total loans and leases	\$912,580	\$919,482	\$929,777	\$923,978	\$914,234	
Total assets	2,169,555	2,139,266	2,134,875	2,123,430	2,184,610	
Total deposits	1,128,563	1,118,178	1,112,674	1,090,611	1,079,956	
Long-term debt	259,825	253,678	251,055	258,717	270,198	
Common shareholders' equity	222,215	223,201	220,088	216,766	218,790	
Total shareholders' equity	235,797	236,553	233,415	230,392	235,063	
Asset quality ⁽⁴⁾						
Allowance for credit losses ⁽⁵⁾	\$16,314	\$17,127	\$17,912	\$19,912	\$21,709	
Nonperforming loans, leases and foreclosed properties ⁽⁶⁾	15,300	17,732	17,772	20,028	21,280	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ⁽⁶⁾	1.75	% 1.84	% 1.90	% 2.10	% 2.33	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ⁽⁶⁾	108	97	102	100	103	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio ⁽⁶⁾	95	85	87	84	84	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ⁽⁷⁾	\$6,488	\$7,143	\$7,680	\$8,972	\$9,919	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ^(6, 7)	64	% 55	% 57	% 54	% 55	%
Net charge-offs ⁽⁸⁾	\$1,073	\$1,388	\$1,582	\$1,687	\$2,111	
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(6, 8)	0.48	% 0.62	% 0.68	% 0.73	% 0.94	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio ⁽⁶⁾	0.49	0.64	0.70	0.75	0.97	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding ⁽⁶⁾	0.55	0.79	1.00	0.92	1.07	
Nonperforming loans and leases as a percentage of total loans and leases outstanding ⁽⁶⁾	1.63	1.89	1.87	2.10	2.26	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties ⁽⁶⁾	1.70	1.96	1.93	2.17	2.33	
	3.67	2.95	2.78	2.90	2.51	

Ratio of the allowance for loan and lease losses
at period end to annualized net charge-offs ⁽⁸⁾

Ratio of the allowance for loan and lease losses
at period end to annualized net charge-offs,
excluding the PCI loan portfolio

Ratio of the allowance for loan and lease losses
at period end to annualized net charge-offs and
PCI write-offs

Capital ratios at period end ⁽⁹⁾

Risk-based capital:

Common equity tier 1 capital	12.0	%	11.8	%	n/a	n/a	n/a	
Tier 1 common capital	n/a		n/a		10.9	%	10.8	%
Tier 1 capital	12.5		11.9		12.2		12.1	
Total capital	15.3		14.8		15.1		15.1	
Tier 1 leverage	7.7		7.4		7.7		7.6	
Tangible equity ⁽³⁾	7.85		7.65		7.86		7.73	
Tangible common equity ⁽³⁾	7.14		7.00		7.20		7.08	

For footnotes see page 12.

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Table 8

Selected Year-to-Date Financial Data

(In millions, except per share information)	Six Months Ended June 30	
	2014	2013
Income statement		
Net interest income	\$20,098	\$21,213
Noninterest income	24,215	24,711
Total revenue, net of interest expense	44,313	45,924
Provision for credit losses	1,420	2,924
Noninterest expense	40,779	35,518
Income before income taxes	2,114	7,482
Income tax expense	99	1,987
Net income	2,015	5,495
Net income applicable to common shareholders	1,521	4,681
Average common shares issued and outstanding	10,540	10,787
Average diluted common shares issued and outstanding	10,600	11,550
Performance ratios		
Return on average assets	0.19	% 0.50 %
Return on average common shareholders' equity	1.38	4.32
Return on average tangible common shareholders' equity ⁽¹⁾	2.05	6.53
Return on average tangible shareholders' equity ⁽¹⁾	2.49	6.84
Total ending equity to total ending assets	10.94	10.88
Total average equity to total average assets	10.96	10.74
Dividend payout	13.83	4.61
Per common share data		
Earnings	\$0.14	\$0.43
Diluted earnings	0.14	0.42
Dividends paid	0.02	0.02
Book value	21.16	20.18
Tangible book value ⁽¹⁾	14.24	13.32
Market price per share of common stock		
Closing	\$15.37	\$12.86
High closing	17.92	13.83
Low closing	14.51	11.03
Market capitalization	\$161,628	\$138,156

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

- (1) Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 16.
- (2) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 82.
- (3) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments. Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 99 and corresponding Table 46, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 55.
- (4) Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 99 and corresponding Table 46, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 55.
- (5) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.
- (6)

Net charge-offs exclude \$551 million and \$1.2 billion of write-offs in the purchased credit-impaired loan portfolio for the six months ended June 30, 2014 and 2013. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 93.

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Table 8

Selected Year-to-Date Financial Data (continued)

(Dollars in millions)	Six Months Ended June 30		
	2014	2013	
Average balance sheet			
Total loans and leases	\$916,012	\$910,269	
Total assets	2,154,494	2,198,443	
Total deposits	1,123,399	1,077,631	
Long-term debt	256,768	272,088	
Common shareholders' equity	222,705	218,509	
Total shareholders' equity	236,173	236,024	
Asset quality ⁽²⁾			
Allowance for credit losses ⁽³⁾	\$16,314	\$21,709	
Nonperforming loans, leases and foreclosed properties ⁽⁴⁾	15,300	21,280	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ⁽⁴⁾	1.75	% 2.33	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ⁽⁴⁾	108	103	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio ⁽⁴⁾	95	84	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ⁽⁵⁾	\$6,488	\$9,919	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases ^(4, 5)	64	% 55	%
Net charge-offs ⁽⁶⁾	\$2,461	\$4,628	
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(4, 6)	0.55	% 1.04	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio ⁽⁴⁾	0.56	1.07	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding ⁽⁴⁾	0.67	1.29	
Nonperforming loans and leases as a percentage of total loans and leases outstanding ⁽⁴⁾	1.63	2.26	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties ⁽⁴⁾	1.70	2.33	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs ⁽⁶⁾	3.19	2.28	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.82	1.85	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.60	1.82	

For footnotes see page 14.

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Supplemental Financial Data

We view net interest income and related ratios and analyses on a FTE basis, which when presented on a consolidated basis, are non-GAAP financial measures. We believe managing the business with net interest income on a 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 a 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 mortgage servicing rights (MSRs)), net of related deferred tax liabilities. These measures are used to evaluate our use of equity. In addition, profitability, relationship and investment models use both return on average tangible common shareholders' equity and return on average tangible shareholders' equity as key measures to support our overall growth goals. These ratios are as follows:

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

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

Tangible book value per common share represents adjusted ending common shareholders' equity divided by ending common shares outstanding.

The aforementioned supplemental data and performance measures are presented in Tables 7 and 8.

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We evaluate our business segment results based on measures that utilize average allocated capital. Return on average allocated capital is calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital. Allocated capital and the related return both represent non-GAAP financial measures. In addition, for purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For additional information, see Business Segment Operations on page 28 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

Tables 9, 10 and 11 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 9

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	2014 Quarters		2013 Quarters		
	Second	First	Fourth	Third	Second
Fully taxable-equivalent basis data					
Net interest income	\$10,226	\$10,286	\$10,999	\$10,479	\$10,771
Total revenue, net of interest expense	21,960	22,767	21,701	21,743	22,949
Net interest yield ⁽¹⁾	2.22	% 2.29	% 2.44	% 2.33	% 2.35
Efficiency ratio	84.43	97.68	79.75	75.38	69.80

⁽¹⁾ Beginning in 2014, interest-bearing deposits placed with the Federal Reserve and certain non-U.S. central banks are included in earning assets. Prior period yields have been reclassified to conform to current period presentation.

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Table 9

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

(Dollars in millions)	2014 Quarters		2013 Quarters		
	Second	First	Fourth	Third	Second
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	\$ 10,013	\$ 10,085	\$ 10,786	\$ 10,266	\$ 10,549
Fully taxable-equivalent adjustment	213	201	213	213	222
Net interest income on a fully taxable-equivalent basis	\$ 10,226	\$ 10,286	\$ 10,999	\$ 10,479	\$ 10,771
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	\$ 21,747	\$ 22,566	\$ 21,488	\$ 21,530	\$ 22,727
Fully taxable-equivalent adjustment	213	201	213	213	222
Total revenue, net of interest expense on a fully taxable-equivalent basis	\$ 21,960	\$ 22,767	\$ 21,701	\$ 21,743	\$ 22,949
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	\$ 504	\$ (405)	\$ 406	\$ 2,348	\$ 1,486
Fully taxable-equivalent adjustment	213	201	213	213	222
Income tax expense (benefit) on a fully taxable-equivalent basis	\$ 717	\$ (204)	\$ 619	\$ 2,561	\$ 1,708
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	\$ 222,215	\$ 223,201	\$ 220,088	\$ 216,766	\$ 218,790
Goodwill	(69,822)	(69,842)	(69,864)	(69,903)	(69,930)
Intangible assets (excluding MSRs)	(5,235)	(5,474)	(5,725)	(5,993)	(6,270)
Related deferred tax liabilities	2,100	2,165	2,231	2,296	2,360
Tangible common shareholders' equity	\$ 149,258	\$ 150,050	\$ 146,730	\$ 143,166	\$ 144,950
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	\$ 235,797	\$ 236,553	\$ 233,415	\$ 230,392	\$ 235,063
Goodwill	(69,822)	(69,842)	(69,864)	(69,903)	(69,930)
Intangible assets (excluding MSRs)	(5,235)	(5,474)	(5,725)	(5,993)	(6,270)
Related deferred tax liabilities	2,100	2,165	2,231	2,296	2,360
Tangible shareholders' equity	\$ 162,840	\$ 163,402	\$ 160,057	\$ 156,792	\$ 161,223
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	\$ 222,565	\$ 218,536	\$ 219,333	\$ 218,967	\$ 216,791
Goodwill	(69,810)	(69,842)	(69,844)	(69,891)	(69,930)
Intangible assets (excluding MSRs)	(5,099)	(5,337)	(5,574)	(5,843)	(6,104)
Related deferred tax liabilities	2,078	2,100	2,166	2,231	2,297
Tangible common shareholders' equity	\$ 149,734	\$ 145,457	\$ 146,081	\$ 145,464	\$ 143,054

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

Shareholders' equity	\$237,411	\$231,888	\$232,685	\$232,282	\$231,032
Goodwill	(69,810)	(69,842)	(69,844)	(69,891)	(69,930)
Intangible assets (excluding MSRs)	(5,099)	(5,337)	(5,574)	(5,843)	(6,104)
Related deferred tax liabilities	2,078	2,100	2,166	2,231	2,297
Tangible shareholders' equity	\$164,580	\$158,809	\$159,433	\$158,779	\$157,295

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

Assets	\$2,170,557	\$2,149,851	\$2,102,273	\$2,126,653	\$2,123,320
Goodwill	(69,810)	(69,842)	(69,844)	(69,891)	(69,930)
Intangible assets (excluding MSRs)	(5,099)	(5,337)	(5,574)	(5,843)	(6,104)
Related deferred tax liabilities	2,078	2,100	2,166	2,231	2,297
Tangible assets	\$2,097,726	\$2,076,772	\$2,029,021	\$2,053,150	\$2,049,583

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Table 10

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

(Dollars in millions, except per share information)	Six Months Ended June 30	
	2014	2013
Fully taxable-equivalent basis data		
Net interest income	\$20,512	\$21,646
Total revenue, net of interest expense	44,727	46,357
Net interest yield ⁽¹⁾	2.26	% 2.36
Efficiency ratio	91.17	76.62
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis		
Net interest income	\$20,098	\$21,213
Fully taxable-equivalent adjustment	414	433
Net interest income on a fully taxable-equivalent basis	\$20,512	\$21,646
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis		
Total revenue, net of interest expense	\$44,313	\$45,924
Fully taxable-equivalent adjustment	414	433
Total revenue, net of interest expense on a fully taxable-equivalent basis	\$44,727	\$46,357
Reconciliation of income tax expense to income tax expense on a fully taxable-equivalent basis		
Income tax expense	\$99	\$1,987
Fully taxable-equivalent adjustment	414	433
Income tax expense on a fully taxable-equivalent basis	\$513	\$2,420
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity		
Common shareholders' equity	\$222,705	\$218,509
Goodwill	(69,832)	(69,937)
Intangible assets (excluding MSRs)	(5,354)	(6,409)
Related deferred tax liabilities	2,132	2,393
Tangible common shareholders' equity	\$149,651	\$144,556
Reconciliation of average shareholders' equity to average tangible shareholders' equity		
Shareholders' equity	\$236,173	\$236,024
Goodwill	(69,832)	(69,937)
Intangible assets (excluding MSRs)	(5,354)	(6,409)
Related deferred tax liabilities	2,132	2,393
Tangible shareholders' equity	\$163,119	\$162,071

⁽¹⁾ Beginning in 2014, interest-bearing deposits placed with the Federal Reserve and certain non-U.S. central banks are included in earning assets. Prior period yields have been reclassified to conform to current period presentation.

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Table 11

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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Consumer & Business Banking				
Reported net income	\$1,788	\$1,391	\$3,454	\$2,833
Adjustment related to intangibles ⁽²⁾	1	2	2	4
Adjusted net income	\$1,789	\$1,393	\$3,456	\$2,837
Average allocated equity ⁽³⁾	\$61,460	\$62,050	\$61,468	\$62,063
Adjustment related to goodwill and a percentage of intangibles	(31,960)	(32,050)	(31,968)	(32,063)
Average allocated capital	\$29,500	\$30,000	\$29,500	\$30,000
Deposits				
Reported net income	\$743	\$485	\$1,375	\$886
Adjustment related to intangibles ⁽²⁾	—	—	—	—
Adjusted net income	\$743	\$485	\$1,375	\$886
Average allocated equity ⁽³⁾	\$36,486	\$35,395	\$36,484	\$35,397
Adjustment related to goodwill and a percentage of intangibles	(19,986)	(19,995)	(19,984)	(19,997)
Average allocated capital	\$16,500	\$15,400	\$16,500	\$15,400
Consumer Lending				
Reported net income	\$1,045	\$906	\$2,079	\$1,947
Adjustment related to intangibles ⁽²⁾	1	2	2	4
Adjusted net income	\$1,046	\$908	\$2,081	\$1,951
Average allocated equity ⁽³⁾	\$24,974	\$26,655	\$24,984	\$26,666
Adjustment related to goodwill and a percentage of intangibles	(11,974)	(12,055)	(11,984)	(12,066)
Average allocated capital	\$13,000	\$14,600	\$13,000	\$14,600
Global Wealth & Investment Management				
Reported net income	\$724	\$759	\$1,453	\$1,479
Adjustment related to intangibles ⁽²⁾	4	4	7	9
Adjusted net income	\$728	\$763	\$1,460	\$1,488
Average allocated equity ⁽³⁾	\$22,222	\$20,300	\$22,233	\$20,311
Adjustment related to goodwill and a percentage of intangibles	(10,222)	(10,300)	(10,233)	(10,311)
Average allocated capital	\$12,000	\$10,000	\$12,000	\$10,000
Global Banking				
Reported net income	\$1,353	\$1,297	\$2,589	\$2,581
Adjustment related to intangibles ⁽²⁾	1	1	1	1
Adjusted net income	\$1,354	\$1,298	\$2,590	\$2,582
Average allocated equity ⁽³⁾	\$53,405	\$45,416	\$53,406	\$45,411
Adjustment related to goodwill and a percentage of intangibles	(22,405)	(22,416)	(22,406)	(22,411)

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Average allocated capital	\$31,000	\$23,000	\$31,000	\$23,000
Global Markets				
Reported net income	\$1,101	\$962	\$2,409	\$2,074
Adjustment related to intangibles ⁽²⁾	3	2	5	4
Adjusted net income	\$1,104	\$964	\$2,414	\$2,078
Average allocated equity ⁽³⁾	\$39,373	\$35,357	\$39,374	\$35,364
Adjustment related to goodwill and a percentage of intangibles	(5,373)	(5,357)	(5,374)	(5,364)
Average allocated capital	\$34,000	\$30,000	\$34,000	\$30,000

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

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

Average allocated equity is comprised of average allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 28 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on a FTE basis and excluding the impact of trading-related activities. As discussed in Global Markets on page 49, 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 a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 12 provides additional clarity in assessing our results.

Table 12

Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Net interest income (FTE basis)				
As reported	\$10,226	\$10,771	\$20,512	\$21,646
Impact of trading-related net interest income	(858)	(914)	(1,758)	(1,923)
Net interest income excluding trading-related net interest income ⁽¹⁾	\$9,368	\$9,857	\$18,754	\$19,723
Average earning assets ⁽²⁾				
As reported	\$1,840,850	\$1,833,541	\$1,822,177	\$1,845,651
Impact of trading-related earning assets	(463,395)	(487,288)	(453,105)	(492,443)
Average earning assets excluding trading-related earning assets ⁽¹⁾	\$1,377,455	\$1,346,253	\$1,369,072	\$1,353,208
Net interest yield contribution (FTE basis) ^(2, 3)				
As reported	2.22	% 2.35	% 2.26	% 2.36
Impact of trading-related activities	0.50	0.58	0.49	0.57
Net interest yield on earning assets excluding trading-related activities ⁽¹⁾	2.72	% 2.93	% 2.75	% 2.93

⁽¹⁾ Represents a non-GAAP financial measure.

Beginning in 2014, interest-bearing deposits placed with the Federal Reserve and certain non-U.S. central banks are included in earning assets. In prior periods, these balances were included with cash and due from banks in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation. Prior periods have been reclassified to conform to current period presentation.

⁽³⁾ Calculated on an annualized basis.

For the three and six months ended June 30, 2014, net interest income excluding trading-related net interest income decreased \$489 million to \$9.4 billion, and \$969 million to \$18.8 billion compared to the same periods in 2013. The decreases were primarily due to the negative impact of market-related premium amortization expense on debt securities, lower consumer loan balances as well as lower loan yields, partially offset by reductions in long-term debt balances and yields, higher commercial loan balances and lower rates paid on deposits. For more information on the impact of interest rates, see Interest Rate Risk Management for Nontrading Activities on page 128.

Average earning assets excluding trading-related earning assets for the three and six months ended June 30, 2014 increased \$31.2 billion to \$1,377.5 billion, and \$15.9 billion to \$1,369.1 billion compared to the same periods in 2013. The increases were primarily in interest-bearing deposits with the Federal Reserve and commercial loans, partially offset by declines in other earning assets and consumer loans.

For the three and six months ended June 30, 2014, net interest yield on earning assets excluding trading-related activities decreased 21 bps to 2.72 percent, and 18 bps to 2.75 percent compared to the same periods in 2013 due to

the same factors as described above.

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Table 13

Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Second Quarter 2014			First Quarter 2014		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve and non-U.S. central banks ⁽¹⁾	\$ 123,582	\$ 85	0.28 %	\$ 112,570	\$ 72	0.26 %
Time deposits placed and other short-term investments	10,509	39	1.51	13,880	49	1.43
Federal funds sold and securities borrowed or purchased under agreements to resell	235,393	297	0.51	212,504	265	0.51
Trading account assets	147,798	1,214	3.29	147,583	1,213	3.32
Debt securities ⁽²⁾	345,889	2,134	2.46	329,711	2,005	2.41
Loans and leases ⁽³⁾ :						
Residential mortgage ⁽⁴⁾	243,405	2,195	3.61	247,556	2,240	3.62
Home equity	90,729	842	3.72	92,759	851	3.71
U.S. credit card	88,058	2,042	9.30	89,545	2,092	9.48
Non-U.S. credit card	11,759	308	10.51	11,554	308	10.79
Direct/Indirect consumer ⁽⁵⁾	82,102	524	2.56	81,728	530	2.63
Other consumer ⁽⁶⁾	2,012	17	3.60	1,962	18	3.66
Total consumer	518,065	5,928	4.58	525,104	6,039	4.64
U.S. commercial	230,487	1,672	2.91	228,058	1,651	2.93
Commercial real estate ⁽⁷⁾	48,315	357	2.97	48,753	368	3.06
Commercial lease financing	24,409	193	3.16	24,727	234	3.78
Non-U.S. commercial	91,304	570	2.50	92,840	543	2.37
Total commercial	394,515	2,792	2.84	394,378	2,796	2.87
Total loans and leases	912,580	8,720	3.83	919,482	8,835	3.88
Other earning assets	65,099	665	4.09	67,568	697	4.18
Total earning assets ⁽⁸⁾	1,840,850	13,154	2.86	1,803,298	13,136	2.93
Cash and due from banks ⁽¹⁾	27,377			28,258		
Other assets, less allowance for loan and lease losses	301,328			307,710		
Total assets	\$ 2,169,555			\$ 2,139,266		

Beginning in 2014, interest-bearing deposits placed with the Federal Reserve and certain non-U.S. central banks are included in earning assets. In prior periods, these balances were included with cash and due from banks in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation. Prior periods have been reclassified to conform to current period presentation.

Beginning in 2014, yields on debt securities carried at fair value are calculated on the cost basis. Prior to 2014, yields on debt securities carried at fair value were calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

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.

Includes non-U.S. residential mortgage loans of \$2 million and \$0 in the second and first quarters of 2014, and \$56 million, \$83 million and \$86 million in the fourth, third and second quarters of 2013, respectively.

Includes non-U.S. consumer loans of \$4.4 billion and \$4.6 billion in the second and first quarters of 2014, and \$5.1 billion, \$6.7 billion and \$7.5 billion in the fourth, third and second quarters of 2013, respectively.

(6)

Includes consumer finance loans of \$1.1 billion and \$1.2 billion in the second and first quarters of 2014, and \$1.2 billion, \$1.3 billion and \$1.3 billion in the fourth, third and second quarters of 2013, respectively; consumer leases of \$762 million and \$656 million in the second and first quarters of 2014, and \$549 million, \$431 million and \$291 million in the fourth, third and second quarters of 2013, respectively; consumer overdrafts of \$137 million and \$140 million in the second and first quarters of 2014, and \$163 million, \$172 million and \$136 million in the fourth, third and second quarters of 2013, respectively; and other non-U.S. consumer loans of \$3 million and \$5 million in the second and first quarters of 2014, and \$5 million for each of the quarters of 2013.

Includes U.S. commercial real estate loans of \$46.7 billion and \$47.0 billion in the second and first quarters of 2014, and \$44.5 billion, \$41.5 billion and \$39.1 billion in the fourth, third and second quarters of 2013, (7) respectively; and non-U.S. commercial real estate loans of \$1.6 billion and \$1.8 billion in the second and first quarters of 2014, and \$1.8 billion, \$1.7 billion and \$1.5 billion in the fourth, third and second quarters of 2013, respectively.

Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$13 million and \$5 million in the second and first quarters of 2014, and \$0, \$1 million and \$63 million in the fourth, third and second quarters of 2013, respectively. Interest expense includes the impact of (8) interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$621 million and \$592 million in the second and first quarters of 2014, and \$588 million, \$556 million and \$660 million in the fourth, third and second quarters of 2013, respectively. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 128.

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Table 13

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

(Dollars in millions)	Fourth Quarter 2013				Third Quarter 2013				Second Quarter 2013			
	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 and non-U.S. central banks ⁽¹⁾	\$90,196	\$59	0.26	%	\$78,360	\$50	0.26	%	\$64,205	\$40	0.25	%
Time deposits placed and other short-term investments	15,782	48	1.21		17,256	47	1.07		15,088	46	1.21	
Federal funds sold and securities borrowed or purchased under agreements to resell	203,415	304	0.59		223,434	291	0.52		233,394	319	0.55	
Trading account assets	156,194	1,182	3.01		144,502	1,093	3.01		181,620	1,224	2.70	
Debt securities ⁽²⁾	325,119	2,455	3.02		327,493	2,211	2.70		343,260	2,557	2.98	
Loans and leases ⁽³⁾ :												
Residential mortgage ⁽⁴⁾	253,974	2,374	3.74		256,297	2,359	3.68		257,275	2,246	3.49	
Home equity	95,388	953	3.97		98,172	930	3.77		101,708	951	3.74	
U.S. credit card	90,057	2,125	9.36		90,005	2,226	9.81		89,722	2,192	9.80	
Non-U.S. credit card	11,171	310	11.01		10,633	317	11.81		10,613	315	11.93	
Direct/Indirect consumer ⁽⁵⁾	82,990	565	2.70		83,773	587	2.78		82,485	598	2.90	
Other consumer ⁽⁶⁾	1,929	17	3.73		1,876	19	3.88		1,756	17	4.17	
Total consumer	535,509	6,344	4.72		540,756	6,438	4.74		543,559	6,319	4.66	
U.S. commercial	225,596	1,700	2.99		221,542	1,704	3.05		217,464	1,741	3.21	
Commercial real estate ⁽⁷⁾	46,341	374	3.20		43,164	352	3.24		40,612	340	3.36	
Commercial lease financing	24,468	206	3.37		23,860	204	3.41		23,579	205	3.48	
Non-U.S. commercial	97,863	544	2.20		94,656	528	2.22		89,020	543	2.45	
Total commercial	394,268	2,824	2.84		383,222	2,788	2.89		370,675	2,829	3.06	
Total loans and leases	929,777	9,168	3.92		923,978	9,226	3.97		914,234	9,148	4.01	
Other earning assets	78,214	709	3.61		74,022	677	3.62		81,740	713	3.50	
Total earning assets ⁽⁸⁾	1,798,697	13,925	3.08		1,789,045	13,595	3.02		1,833,541	14,047	3.07	
Cash and due from banks ⁽¹⁾	35,063				34,704				40,281			
Other assets, less allowance for loan and lease losses	301,115				299,681				310,788			
Total assets	\$2,134,875				\$2,123,430				\$2,184,610			

For footnotes see page 22.

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Table 13

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

(Dollars in millions)	Second Quarter 2014			First Quarter 2014		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$47,450	\$—	— %	\$45,196	\$1	0.01 %
NOW and money market deposit accounts	519,399	79	0.06	523,237	83	0.06
Consumer CDs and IRAs	68,706	70	0.41	71,141	84	0.48
Negotiable CDs, public funds and other deposits	33,412	29	0.35	29,826	27	0.37
Total U.S. interest-bearing deposits	668,967	178	0.11	669,400	195	0.12
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	10,538	19	0.72	11,071	21	0.75
Governments and official institutions	1,754	—	0.14	1,857	1	0.14
Time, savings and other	64,091	85	0.53	60,506	74	0.50
Total non-U.S. interest-bearing deposits	76,383	104	0.55	73,434	96	0.53
Total interest-bearing deposits	745,350	282	0.15	742,834	291	0.16
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	271,247	763	1.13	252,971	609	0.98
Trading account liabilities	95,153	398	1.68	90,448	435	1.95
Long-term debt	259,825	1,485	2.29	253,678	1,515	2.41
Total interest-bearing liabilities ⁽⁸⁾	1,371,575	2,928	0.86	1,339,931	2,850	0.86
Noninterest-bearing sources:						
Noninterest-bearing deposits	383,213			375,344		
Other liabilities	178,970			187,438		
Shareholders' equity	235,797			236,553		
Total liabilities and shareholders' equity	\$2,169,555			\$2,139,266		
Net interest spread			2.00 %			2.07 %
Impact of noninterest-bearing sources			0.22			0.22
Net interest income/yield on earning assets		\$10,226	2.22 %		\$10,286	2.29 %

For footnotes see page 22.

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Table 13

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

(Dollars in millions)	Fourth Quarter 2013			Third Quarter 2013			Second Quarter 2013		
	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	\$43,665	\$5	0.05 %	\$43,968	\$5	0.05 %	\$44,897	\$6	0.05 %
NOW and money market deposit accounts	514,220	89	0.07	508,136	100	0.08	500,628	107	0.09
Consumer CDs and IRAs	74,635	96	0.51	78,161	113	0.57	81,887	127	0.63
Negotiable CDs, public funds and other deposits	29,060	29	0.39	27,108	28	0.41	25,835	30	0.45
Total U.S. interest-bearing deposits	661,580	219	0.13	657,373	246	0.15	653,247	270	0.17
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	13,902	22	0.62	12,797	17	0.54	10,840	20	0.72
Governments and official institutions	1,750	1	0.18	1,580	1	0.19	1,528	—	0.19
Time, savings and other	58,513	72	0.49	54,899	70	0.51	55,049	76	0.55
Total non-U.S. interest-bearing deposits	74,165	95	0.51	69,276	88	0.50	67,417	96	0.57
Total interest-bearing deposits	735,745	314	0.17	726,649	334	0.18	720,664	366	0.20
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings									
Trading account liabilities	82,393	364	1.75	84,648	375	1.76	94,349	427	1.82
Long-term debt	251,055	1,566	2.48	258,717	1,724	2.65	270,198	1,674	2.48
Total interest-bearing liabilities ⁽⁸⁾	1,340,731	2,926	0.87	1,349,439	3,116	0.92	1,403,239	3,276	0.94
Noninterest-bearing sources:									
Noninterest-bearing deposits	376,929			363,962			359,292		
Other liabilities	183,800			179,637			187,016		
Shareholders' equity	233,415			230,392			235,063		
	\$2,134,875			\$2,123,430			\$2,184,610		

Total liabilities and shareholders' equity			
Net interest spread	2.21 %	2.10 %	2.13 %
Impact of noninterest-bearing sources	0.23	0.23	0.22
Net interest income/yield on earning assets	\$10,999 2.44 %	\$10,479 2.33 %	\$10,771 2.35 %
For footnotes see page 22.			

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Table 14

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

(Dollars in millions)	Six Months Ended June 30 2014			2013		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve and non-U.S. central banks ⁽¹⁾	\$118,106	\$157	0.27 %	\$60,676	\$73	0.24 %
Time deposits placed and other short-term investments	12,185	88	1.46	15,606	92	1.19
Federal funds sold and securities borrowed or purchased under agreements to resell	224,012	562	0.51	235,417	634	0.54
Trading account assets	147,691	2,427	3.31	187,957	2,604	2.79
Debt securities ⁽²⁾	337,845	4,139	2.43	349,794	5,113	2.92
Loans and leases ⁽³⁾ :						
Residential mortgage ⁽⁴⁾	245,469	4,435	3.61	257,949	4,586	3.56
Home equity	91,738	1,693	3.71	103,812	1,948	3.77
U.S. credit card	88,797	4,134	9.39	90,712	4,441	9.87
Non-U.S. credit card	11,657	616	10.65	10,819	644	12.01
Direct/Indirect consumer ⁽⁵⁾	81,916	1,054	2.59	82,425	1,218	2.98
Other consumer ⁽⁶⁾	1,988	35	3.63	1,710	36	4.26
Total consumer	521,565	11,967	4.61	547,427	12,873	4.73
U.S. commercial	229,279	3,323	2.92	214,103	3,407	3.21
Commercial real estate ⁽⁷⁾	48,533	725	3.01	39,899	666	3.37
Commercial lease financing	24,567	427	3.47	23,556	441	3.75
Non-U.S. commercial	92,068	1,113	2.44	85,284	1,010	2.39
Total commercial	394,447	5,588	2.85	362,842	5,524	3.07
Total loans and leases	916,012	17,555	3.85	910,269	18,397	4.07
Other earning assets	66,326	1,362	4.14	85,932	1,446	3.39
Total earning assets ⁽⁸⁾	1,822,177	26,290	2.90	1,845,651	28,359	3.09
Cash and due from banks ⁽¹⁾	27,815			38,022		
Other assets, less allowance for loan and lease losses	304,502			314,770		
Total assets	\$2,154,494			\$2,198,443		

Beginning in 2014, interest-bearing deposits placed with the Federal Reserve and certain non-U.S. central banks ⁽¹⁾ are included in earning assets. In prior periods, these balances were included with cash and due from banks in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation. Prior periods have been reclassified to conform to current period presentation.

Beginning in 2014, yields on debt securities carried at fair value are calculated on the cost basis. Prior to 2014, ⁽²⁾ yields on debt securities carried at fair value were calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is ⁽³⁾ 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.

⁽⁴⁾ Includes non-U.S. residential mortgage loans of \$1 million and \$88 million for the six months ended June 30, 2014 and 2013.

⁽⁵⁾ Includes non-U.S. consumer loans of \$4.5 billion and \$7.6 billion for the six months ended June 30, 2014 and 2013.

- Includes consumer finance loans of \$1.1 billion and \$1.4 billion, consumer leases of \$709 million and \$215 million, consumer overdrafts of \$138 million and \$139 million, and other non-U.S. consumer loans of \$3 million and \$5 million for the six months ended June 30, 2014 and 2013.
- (7) Includes U.S. commercial real estate loans of \$46.8 billion and \$38.4 billion, and non-U.S. commercial real estate loans of \$1.7 billion and \$1.5 billion for the six months ended June 30, 2014 and 2013.
- Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$18 million and \$204 million for the six months ended June 30, 2014 and 2013. Interest
- (8) expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$1.2 billion and \$1.3 billion for the six months ended June 30, 2014 and 2013. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 128.

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Table 14

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

(Dollars in millions)	Six Months Ended June 30 2014			2013		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$46,329	\$1	0.01 %	\$43,921	\$12	0.05 %
NOW and money market deposit accounts	521,307	162	0.06	500,901	224	0.09
Consumer CDs and IRAs	69,917	154	0.44	83,489	262	0.63
Negotiable CDs, public funds and other deposits	31,629	56	0.36	24,996	59	0.47
Total U.S. interest-bearing deposits	669,182	373	0.11	653,307	557	0.17
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	10,803	40	0.74	11,498	41	0.72
Governments and official institutions	1,805	1	0.14	1,537	1	0.18
Time, savings and other	62,309	159	0.51	54,499	149	0.55
Total non-U.S. interest-bearing deposits	74,917	200	0.54	67,534	191	0.57
Total interest-bearing deposits	744,099	573	0.16	720,841	748	0.21
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	262,161	1,372	1.06	327,782	1,558	0.96
Trading account liabilities	92,813	833	1.81	93,204	899	1.95
Long-term debt	256,768	3,000	2.34	272,088	3,508	2.59
Total interest-bearing liabilities ⁽⁸⁾	1,355,841	5,778	0.86	1,413,915	6,713	0.96
Noninterest-bearing sources:						
Noninterest-bearing deposits	379,300			356,790		
Other liabilities	183,180			191,714		
Shareholders' equity	236,173			236,024		
Total liabilities and shareholders' equity	\$2,154,494			\$2,198,443		
Net interest spread			2.04 %			2.13 %
Impact of noninterest-bearing sources			0.22			0.23
Net interest income/yield on earning assets		\$20,512	2.26 %		\$21,646	2.36 %

For footnotes see page 26.

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Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through five business segments: CBB, CRES, GWIM, Global Banking and Global Markets, with the remaining operations recorded in All Other. We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 16. Table 15 provides selected summary financial data for our business segments and All Other for the three and six months ended June 30, 2014 compared to the same periods in 2013. For additional detailed information on these results, see the business segment and All Other discussions which follow.

Table 15
Business Segment Results

	Three Months Ended June 30							
	Total Revenue ⁽¹⁾		Provision for Credit Losses		Noninterest Expense		Net Income (Loss)	
(Dollars in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Consumer & Business Banking	\$7,373	\$7,434	\$534	\$967	\$4,000	\$4,184	\$1,788	\$1,391
Consumer Real Estate Services	1,390	2,115	(20)	291	5,902	3,383	(2,802)	(930)
Global Wealth & Investment Management	4,589	4,499	(8)	(15)	3,447	3,270	724	759
Global Banking	4,179	4,138	132	163	1,899	1,849	1,353	1,297
Global Markets	4,583	4,194	19	(16)	2,862	2,770	1,101	962
All Other	(154)	569	(246)	(179)	431	562	127	533
Total FTE basis	21,960	22,949	411	1,211	18,541	16,018	2,291	4,012
FTE adjustment	(213)	(222)	—	—	—	—	—	—
Total Consolidated	\$21,747	\$22,727	\$411	\$1,211	\$18,541	\$16,018	\$2,291	\$4,012
Six Months Ended June 30								
	2014	2013	2014	2013	2014	2013	2014	2013
Consumer & Business Banking	\$14,811	\$14,846	\$1,346	\$1,919	\$7,963	\$8,349	\$3,454	\$2,833
Consumer Real Estate Services	2,582	4,427	5	626	14,031	8,788	(7,829)	(3,086)
Global Wealth & Investment Management	9,136	8,920	15	7	6,806	6,523	1,453	1,479
Global Banking	8,448	8,168	397	312	3,927	3,685	2,589	2,581
Global Markets	9,595	8,973	38	(11)	5,939	5,843	2,409	2,074
All Other	155	1,023	(381)	71	2,113	2,330	(61)	(386)
Total FTE basis	44,727	46,357	1,420	2,924	40,779	35,518	2,015	5,495
FTE adjustment	(414)	(433)	—	—	—	—	—	—
Total Consolidated	\$44,313	\$45,924	\$1,420	\$2,924	\$40,779	\$35,518	\$2,015	\$5,495

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

⁽¹⁾ financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 16.

The management accounting and reporting process derives segment and business results by utilizing allocation methodologies for revenue and expense. The net income derived for the businesses is dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

Total revenue, net of interest expense, includes net interest income on a FTE basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of our asset and liability management (ALM) activities.

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Our ALM activities include an overall interest rate risk management strategy that incorporates the use of various derivatives and cash instruments to manage fluctuations in earnings and capital that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The results of a majority of our ALM activities are allocated to the business segments and fluctuate based on the performance of the ALM activities. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our internal funds transfer pricing process and the net effects of other ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain other centralized or shared functions are allocated based on methodologies that reflect utilization.

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 and Strategic Risk Management on page 64. The capital allocated to the business segments is referred to as allocated capital, which represents a non-GAAP financial measure. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For additional information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

During the latest annual planning process, we made refinements to the amount of capital allocated to each of our businesses based on multiple considerations that included, but were not limited to, Basel 3 Standardized and Advanced risk-weighted assets, business segment exposures and risk profile, and strategic plans. As a result of this process, in 2014, we adjusted the amount of capital being allocated to our business segments. This change resulted in a reduction of unallocated capital, which is included in All Other, and an aggregate increase in the amount of capital being allocated to the business segments, of which the more significant increases were in Global Banking and Global Markets. Prior periods were not restated.

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

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Consumer & Business Banking

	Three Months Ended June 30						
	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2014	2013	2014	2013	2014	2013	% Change
Net interest income (FTE basis)	\$2,599	\$2,472	\$2,330	\$2,562	\$4,929	\$5,034	(2)%
Noninterest income:							
Card income	17	15	1,149	1,171	1,166	1,186	(2)
Service charges	1,090	1,035	1	—	1,091	1,035	5
All other income	134	117	53	62	187	179	4
Total noninterest income	1,241	1,167	1,203	1,233	2,444	2,400	2
Total revenue, net of interest expense (FTE basis)	3,840	3,639	3,533	3,795	7,373	7,434	(1)
Provision for credit losses	53	35	481	932	534	967	(45)
Noninterest expense	2,607	2,810	1,393	1,374	4,000	4,184	(4)
Income before income taxes	1,180	794	1,659	1,489	2,839	2,283	24
Income tax expense (FTE basis)	437	309	614	583	1,051	892	18
Net income	\$743	\$485	\$1,045	\$906	\$1,788	\$1,391	29
Net interest yield (FTE basis)	1.90	% 1.88	% 6.75	% 7.26	% 3.50	% 3.72	%
Return on average allocated capital	18.06	12.63	32.29	24.93	24.33	18.62	
Efficiency ratio (FTE basis)	67.86	77.23	39.43	36.20	54.24	56.29	

Balance Sheet

Average	Three Months Ended June 30						% Change
	2014	2013	2014	2013	2014	2013	
Total loans and leases	\$22,482	\$22,434	\$137,758	\$141,159	\$160,240	\$163,593	(2)%
Total earning assets ⁽¹⁾	548,313	526,459	138,304	141,599	565,738	542,814	4
Total assets ⁽¹⁾	581,102	559,221	147,630	150,240	607,853	584,217	4
Total deposits	542,796	521,782	n/m	n/m	543,566	522,244	4
Allocated capital	16,500	15,400	13,000	14,600	29,500	30,000	(2)

⁽¹⁾ For presentation purposes, 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 CBB.

n/m = not meaningful

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	Six Months Ended June 30						
	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2014	2013	2014	2013	2014	2013	% Change
Net interest income (FTE basis)	\$5,144	\$ 4,859	\$4,736	\$ 5,188	\$9,880	\$ 10,047	(2)%
Noninterest income:							
Card income	33	30	2,295	2,363	2,328	2,393	(3)
Service charges	2,135	2,048	1	—	2,136	2,048	4
All other income	248	219	219	139	467	358	30
Total noninterest income	2,416	2,297	2,515	2,502	4,931	4,799	3
Total revenue, net of interest expense (FTE basis)	7,560	7,156	7,251	7,690	14,811	14,846	—
Provision for credit losses	133	98	1,213	1,821	1,346	1,919	(30)
Noninterest expense	5,237	5,626	2,726	2,723	7,963	8,349	(5)
Income before income taxes	2,190	1,432	3,312	3,146	5,502	4,578	20
Income tax expense (FTE basis)	815	546	1,233	1,199	2,048	1,745	17
Net income	\$1,375	\$ 886	\$2,079	\$ 1,947	\$3,454	\$ 2,833	22
Net interest yield (FTE basis)	1.91	% 1.90	% 6.85	% 7.33	% 3.56	% 3.80	%
Return on average allocated capital	16.81	11.62	32.29	26.94	23.63	19.08	
Efficiency ratio (FTE basis)	69.26	78.61	37.60	35.41	53.76	56.23	

Balance Sheet

	Six Months Ended June 30						
Average	2014	2013	2014	2013	2014	2013	% Change
Total loans and leases	\$22,509	\$ 22,525	\$138,636	\$ 142,188	\$161,145	\$ 164,713	(2)%
Total earning assets ⁽¹⁾	543,882	516,634	139,350	142,629	559,636	533,098	5
Total assets ⁽¹⁾	576,632	549,395	148,667	151,222	601,703	574,452	5
Total deposits	538,337	511,977	n/m	n/m	539,087	512,424	5
Allocated capital	16,500	15,400	13,000	14,600	29,500	30,000	(2)
Period end	June 30	December 31	June 30	December 31	June 30	December 31	% Change
	2014	2013	2014	2013	2014	2013	
Total loans and leases	\$22,420	\$ 22,578	\$138,722	\$ 142,516	\$161,142	\$ 165,094	(2)%
Total earning assets ⁽¹⁾	550,546	535,131	139,162	143,917	570,208	550,777	4
Total assets ⁽¹⁾	582,935	567,988	148,765	153,381	612,200	593,099	3
Total deposits	544,689	530,920	n/m	n/m	545,530	531,668	3

For footnotes see page 30.

CBB, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 31 states and the District of Columbia. The franchise network includes approximately 5,000 banking centers, 16,000 ATMs, nationwide call centers, and online and mobile platforms.

CBB Results

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income for CBB increased \$397 million to \$1.8 billion primarily driven by lower provision for credit losses, lower noninterest expense and higher noninterest income, partially offset by lower net interest income. Net interest income decreased \$105 million to \$4.9 billion due to lower average loan balances and card yields, partially offset by higher deposit balances. Noninterest income increased \$44 million to \$2.4 billion primarily due to higher deposit service charges.

The provision for credit losses decreased \$433 million to \$534 million primarily as a result of continued improvement in credit quality, due in part to lower delinquencies. Noninterest expense decreased \$184 million to \$4.0 billion primarily driven by lower operating and litigation expenses.

The return on average allocated capital was 24.33 percent, up from 18.62 percent, reflecting an increase in net income combined with a small decrease in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 28.

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Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income for CBB increased \$621 million to \$3.5 billion primarily driven by lower provision for credit losses, lower noninterest expense and higher noninterest income, partially offset by lower net interest income. Net interest income decreased \$167 million to \$9.9 billion and noninterest income increased \$132 million to \$4.9 billion primarily due to portfolio divestiture gains and higher service charges, partially offset by the impact of the exit of consumer protection products.

The provision for credit losses decreased \$573 million to \$1.3 billion and noninterest expense decreased \$386 million to \$8.0 billion primarily driven by the same factors as described in the three-month discussion above.

The return on average allocated capital was 23.63 percent, up from 19.08 percent, reflecting an increase in net income combined with a small decrease in allocated capital.

Deposits

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

Business Banking within Deposits provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include U.S.-based companies generally with annual sales of \$1 million to \$50 million. Our lending products and services include commercial loans, lines of credit and real estate lending. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Deposits also includes the results of our merchant services joint venture.

Deposits includes the net impact of migrating customers and their related deposit balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 43.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income for Deposits increased \$258 million to \$743 million driven by lower noninterest expense and higher revenue, partially offset by an increase in the provision for credit losses. Net interest income increased \$127 million to \$2.6 billion primarily driven by a combination of pricing discipline and the beneficial impact of an increase in investable assets as a result of higher deposit balances. Noninterest income increased \$74 million to \$1.2 billion primarily due to higher deposit service charges.

The provision for credit losses increased \$18 million to \$53 million as credit quality stabilized. Noninterest expense decreased \$203 million to \$2.6 billion due to lower operating and personnel expenses.

Average deposits increased \$21.0 billion to \$542.8 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 \$32.3 billion was partially offset by a decline in time deposits of \$11.3 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 six bps to six bps.

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Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income for Deposits increased \$489 million to \$1.4 billion driven by higher revenue and a decrease in noninterest expense, partially offset by an increase in the provision for credit losses. Net interest income increased \$285 million to \$5.1 billion primarily driven by the same factors as described in the three-month discussion above. Noninterest income increased \$119 million to \$2.4 billion primarily due to higher deposit service charges and investment and brokerage income.

The provision for credit losses increased \$35 million to \$133 million as credit quality stabilized. Noninterest expense decreased \$389 million to \$5.2 billion due to lower operating, personnel, Federal Deposit Insurance Corporation (FDIC) and litigation expenses.

Average deposits increased \$26.4 billion to \$538.3 billion driven by a continuing customer shift to more liquid products in the low rate environment. Additionally, \$5.4 billion of the increase in average deposits was due to net transfers from other businesses, largely GWIM.

Key Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Total deposit spreads (excludes noninterest costs)	1.59	% 1.51	% 1.58	% 1.51
Period end				
Client brokerage assets (in millions)			\$105,926	\$84,182
Online banking active accounts (units in thousands)			30,429	29,867
Mobile banking active accounts (units in thousands)			15,475	13,214
Banking centers			5,023	5,328
ATMs			15,976	16,354

Client brokerage assets increased \$21.7 billion driven by increased market valuations and account flows. Mobile banking customers increased 2.3 million reflecting continuing changes in our customers' banking preferences. The number of banking centers declined 305 and ATMs declined 378 as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending is one of the leading issuers of credit and debit cards to consumers and small businesses in the U.S. Our lending products and services also include direct and indirect consumer loans such as automotive, marine, aircraft, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions as well as annual credit card fees and other miscellaneous fees.

Consumer Lending includes the net impact of migrating customers and their related credit card loan balances between Consumer Lending and GWIM.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income for Consumer Lending increased \$139 million to \$1.0 billion primarily driven by lower provision for credit losses, partially offset by lower revenue and higher noninterest expense. Net interest income decreased \$232

million to \$2.3 billion driven by the impact of lower average loan balances and card yields. Noninterest income decreased \$30 million to \$1.2 billion driven by lower card income.

The provision for credit losses decreased \$451 million to \$481 million due to continued improvement in credit quality, due in part to lower delinquencies. Noninterest expense increased \$19 million to \$1.4 billion primarily driven by higher operating expenses, largely offset by lower litigation expense.

Average loans decreased \$3.4 billion to \$137.8 billion primarily driven by the net migration of credit card loan balances to GWIM as described above, continued run-off of non-core portfolios and portfolio divestitures, partially offset by an increase in consumer auto loans.

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Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income for Consumer Lending increased \$132 million to \$2.1 billion primarily due to lower provision for credit losses, partially offset by lower net interest income. Net interest income decreased \$452 million to \$4.7 billion driven by the same factors as described in the three-month discussion above. Noninterest income of \$2.5 billion remained relatively unchanged as portfolio divestiture gains were offset by lower card income.

The provision for credit losses decreased \$608 million to \$1.2 billion due to the same factors as described in the three-month discussion above. Noninterest expense of \$2.7 billion remained relatively unchanged.

Average loans decreased \$3.6 billion to \$138.6 billion primarily driven by the same factors as described in the three-month discussion above.

Key Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
(Dollars in millions)				
Total U.S. credit card ⁽¹⁾				
Gross interest yield	9.30	% 9.80	% 9.39	% 9.87
Risk-adjusted margin	8.97	8.41	9.23	8.46
New accounts (in thousands)	1,128	957	2,155	1,863
Purchase volumes	\$53,584	\$51,945	\$102,447	\$98,577
Debit card purchase volumes	\$69,492	\$67,740	\$135,382	\$132,375

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

During the three and six months ended June 30, 2014, the total U.S. credit card risk-adjusted margin increased 56 bps and 77 bps compared to the same periods in 2013 due to an improvement in credit quality, and for the six months ended June 30, 2014, portfolio divestiture gains. Total U.S. credit card purchase volumes increased \$1.6 billion to \$53.6 billion, and \$3.9 billion to \$102.4 billion and debit card purchase volumes increased \$1.8 billion to \$69.5 billion, and \$3.0 billion to \$135.4 billion compared to the same periods in 2013, reflecting higher levels of consumer spending.

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Consumer Real Estate Services

	Three Months Ended June 30						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2014	2013	2014	2013	2014	2013	% Change
Net interest income (FTE basis)	\$335	\$344	\$362	\$355	\$697	\$699	—
Noninterest income:							
Mortgage banking income	237	654	369	757	606	1,411	(57)%
All other income	18	5	69	—	87	5	n/m
Total noninterest income	255	659	438	757	693	1,416	(51)
Total revenue, net of interest expense (FTE basis)	590	1,003	800	1,112	1,390	2,115	(34)
Provision for credit losses	19	64	(39)	227	(20)	291	n/m
Noninterest expense	660	862	5,242	2,521	5,902	3,383	74
Income (loss) before income taxes	(89)	77	(4,403)	(1,636)	(4,492)	(1,559)	n/m
Income tax expense (benefit) (FTE basis)	(33)	30	(1,657)	(659)	(1,690)	(629)	n/m
Net income (loss)	\$(56)	\$47	\$(2,746)	\$(977)	\$(2,802)	\$(930)	n/m
Net interest yield (FTE basis)	2.49	% 2.57	% 3.65	% 2.94	% 2.98	% 2.75	%
Efficiency ratio (FTE basis)	n/m	85.92	n/m	n/m	n/m	n/m	

Balance Sheet

	Three Months Ended June 30						
Average	2014	2013	2014	2013	2014	2013	% Change
Total loans and leases	\$51,553	\$46,870	\$36,704	\$43,244	\$88,257	\$90,114	(2)%
Total earning assets	53,934	53,739	39,863	48,347	93,797	102,086	(8)
Total assets	53,962	54,000	55,626	68,276	109,588	122,276	(10)
Allocated capital	6,000	6,000	17,000	18,000	23,000	24,000	(4)
n/m = not meaningful							

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	Six Months Ended June 30						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2014	2013	2014	2013	2014	2013	% Change
Net interest income (FTE basis)	\$659	\$ 691	\$739	\$ 751	\$1,398	\$ 1,442	(3)%
Noninterest income:							
Mortgage banking income	415	1,351	660	1,547	1,075	2,898	(63)
All other income (loss)	22	(58)	87	145	109	87	25
Total noninterest income	437	1,293	747	1,692	1,184	2,985	(60)
Total revenue, net of interest expense (FTE basis)	1,096	1,984	1,486	2,443	2,582	4,427	(42)
Provision for credit losses	32	156	(27)	470	5	626	(99)
Noninterest expense	1,375	1,684	12,656	7,104	14,031	8,788	60
Income (loss) before income taxes	(311)	144	(11,143)	(5,131)	(11,454)	(4,987)	130
Income tax expense (benefit) (FTE basis)	(116)	55	(3,509)	(1,956)	(3,625)	(1,901)	91
Net income (loss)	\$(195)	\$ 89	\$(7,634)	\$ (3,175)	\$(7,829)	\$ (3,086)	n/m
Net interest yield (FTE basis)	2.48 %	2.59 %	3.73 %	3.02 %	3.01 %	2.80 %	
Efficiency ratio (FTE basis)	n/m	84.85	n/m	n/m	n/m	n/m	

Balance Sheet

	Six Months Ended June 30						
Average	2014	2013	2014	2013	2014	2013	% Change
Total loans and leases	\$51,183	\$ 47,048	\$37,401	\$ 44,483	\$88,584	\$ 91,531	(3)%
Total earning assets	53,601	53,743	39,944	50,147	93,545	103,890	(10)
Total assets	53,565	54,252	56,508	71,039	110,073	125,291	(12)
Allocated capital	6,000	6,000	17,000	18,000	23,000	24,000	(4)
Period end	June 30	December 31	June 30	December 31	June 30	December 31	% Change
	2014	2013	2014	2013	2014	2013	
Total loans and leases	\$52,172	\$ 51,021	\$35,984	\$ 38,732	\$88,156	\$ 89,753	(2)%
Total earning assets	55,058	54,071	37,233	43,092	92,291	97,163	(5)
Total assets	55,002	53,927	52,648	59,459	107,650	113,386	(5)

n/m = not meaningful

CRES operations include Home Loans and Legacy Assets & Servicing. Home Loans is responsible for ongoing residential first mortgage and home equity loan production activities and the CRES home equity loan portfolio not selected for inclusion in the Legacy Assets & Servicing owned portfolio. Legacy Assets & Servicing is responsible for all of our mortgage servicing activities related to loans serviced for others and loans held by the Corporation, including loans that have been designated as the Legacy Assets & Servicing Portfolios. The Legacy Assets & Servicing 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 38. In addition, Legacy Assets & Servicing is responsible for managing legacy exposures related to CRES (e.g., litigation, representations and warranties). This alignment allows CRES management to lead the ongoing Home Loans business while also providing focus on legacy mortgage issues and servicing activities.

CRES, primarily through its Home Loans operations, generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. CRES products offered by Home Loans include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOCs) and home equity loans. First mortgage products are generally either sold into the secondary mortgage market to investors, while we retain MSRs (which are on the balance sheet of Legacy Assets & Servicing) and the Bank of America customer relationships, or are held on the balance sheet in Home Loans or in All Other for ALM purposes. Home Loans is compensated for loans held for ALM purposes on a management accounting basis with the corresponding offset in All Other. Newly originated HELOCs and home equity loans are retained on the CRES balance sheet in Home Loans.

CRES includes the impact of migrating certain customers and their related loan balances from GWIM to CRES.

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CRES Results

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The net loss for CRES increased \$1.9 billion to a net loss of \$2.8 billion primarily driven by higher noninterest expense, resulting from higher litigation expense, and lower mortgage banking income, partially offset by lower provision for credit losses. Mortgage banking income decreased \$805 million due to both lower core production revenue and lower servicing income, partially offset by lower representations and warranties provision. The provision for credit losses decreased \$311 million to a benefit of \$20 million primarily driven by continued improvement in portfolio trends including increased home prices. Noninterest expense increased \$2.5 billion due to a \$3.6 billion increase in litigation expense for previously disclosed legacy mortgage-related matters, partially offset by lower operating expenses.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The net loss for CRES increased \$4.7 billion to a net loss of \$7.8 billion driven by the same factors as described in the three-month discussion above. Mortgage banking income decreased \$1.8 billion, and the provision for credit losses decreased \$621 million to \$5 million driven by the same factors as described in the three-month discussion above. Noninterest expense increased \$5.2 billion primarily due to a \$7.4 billion increase in litigation expense as a result of the Federal Housing Finance Agency (FHFA) Settlement and for previously disclosed legacy mortgage-related matters, partially offset by the same factors as described in the three-month discussion above.

Home Loans

Home Loans products are available to our customers through our retail network, direct telephone and online access delivered by a sales force of approximately 2,700 mortgage loan officers, including over 1,500 banking center mortgage loan officers covering nearly 2,800 banking centers, and a 750-person centralized sales force based in five call centers.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Results for Home Loans decreased \$103 million to a net loss of \$56 million driven by lower revenue, partially offset by a decrease in noninterest expense and lower provision for credit losses. Noninterest income decreased \$404 million due to lower mortgage banking income driven by a decline in core production revenue as a result of lower origination volumes combined with continued industry-wide margin compression. The provision for credit losses decreased \$45 million primarily driven by continued improvement in portfolio trends including increased home prices. Noninterest expense decreased \$202 million primarily due to lower personnel expenses resulting from lower loan originations.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Results for Home Loans decreased \$284 million to a net loss of \$195 million driven by the same factors as described in the three-month discussion above. Noninterest income decreased \$856 million, the provision for credit losses decreased \$124 million and noninterest expense decreased \$309 million. These changes were driven by the same factors as described in the three-month discussion above.

Legacy Assets & Servicing

Legacy Assets & Servicing is responsible for all of our 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 29 percent and 34 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at June 30, 2014 and 2013.

Legacy Assets & Servicing results reflect the net cost of legacy exposures that are included in the results of CRES, including representations and warranties provision, litigation expense, financial results of the CRES home equity portfolio selected as part of the Legacy Owned Portfolio, the financial results of the servicing operations and the results of MSR activities, including net hedge results. The financial results of the servicing operations reflect certain revenues and expenses on loans serviced for others, including owned loans serviced for Home Loans, GWIM and All Other.

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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. In an effort to help our customers avoid foreclosure, Legacy Assets & Servicing evaluates various workout options prior to foreclosure which, combined with legislative changes at the state level and ongoing foreclosure delays in states where foreclosure requires a court order following a legal proceeding (judicial states), have resulted in elongated default timelines. For more information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 57 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The net loss for Legacy Assets & Servicing increased \$1.8 billion to a net loss of \$2.7 billion driven by an increase in noninterest expense, primarily litigation expense, and lower noninterest income, partially offset by lower provision for credit losses. Noninterest income decreased \$319 million driven by a decline in servicing income due to a smaller servicing portfolio and less favorable MSR net-of-hedge performance. The provision for credit losses decreased \$266 million to a benefit of \$39 million primarily due to continued improvement in portfolio trends including increased home prices.

Noninterest expense increased \$2.7 billion due to a \$3.6 billion increase in litigation expense as discussed in CRES results above, partially offset by a decrease in default-related servicing expenses and lower mortgage-related assessments, waivers and similar costs related to foreclosure delays. Excluding litigation, noninterest expense decreased \$871 million to \$1.4 billion. Regarding LAS non-litigation costs, compliance with applicable mortgage programs and governance guidelines may delay the expected timing of achieving our \$1.1 billion quarterly expense goal until the first quarter of 2015 as opposed to the fourth quarter of 2014.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The net loss for Legacy Assets & Servicing increased \$4.5 billion to a net loss of \$7.6 billion driven by an increase of \$5.6 billion in noninterest expense as discussed in CRES results above and lower noninterest income, partially offset by lower provision for credit losses. Noninterest income decreased \$945 million and the provision for credit losses decreased \$497 million to a benefit of \$27 million due to the same factors as described in three-month discussion above.

Noninterest expense increased \$5.6 billion due to the same factors as described in three-month discussion above. Excluding litigation, noninterest expense decreased \$1.8 billion to \$3.0 billion.

Legacy Portfolios

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

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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. The home equity loan portfolio is held on the balance sheet of Legacy Assets & Servicing, and the residential mortgage loan portfolio is held on the balance sheet 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 \$10.8 billion during the six months ended June 30, 2014 to \$101.3 billion, of which \$36.0 billion were held on the Legacy Assets & Servicing balance sheet and the remainder was held on the balance sheet of All Other. The decrease was primarily related to paydowns, loan sales, PCI write-offs and charge-offs.

Legacy Serviced Portfolio

The Legacy Serviced Portfolio includes 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 27 percent and 33 percent of the total residential mortgage serviced portfolio of \$672 billion and \$887 billion, as measured by unpaid principal balance, at June 30, 2014 and 2013. The decline in the Legacy Residential Mortgage Serviced Portfolio was primarily due to MSR sales, loan sales and other servicing transfers, paydowns and payoffs.

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

	June 30	
(Dollars in billions)	2014	2013
Unpaid principal balance		
Residential mortgage loans		
Total	\$181	\$289
60 days or more past due	38	96
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	987	1,468
60 days or more past due	202	404

⁽¹⁾ Excludes \$37 billion and \$45 billion of home equity loans and HELOCs at June 30, 2014 and 2013.

Non-Legacy Portfolio

As previously discussed, Legacy Assets & Servicing 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 73 percent and 67 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at June 30, 2014 and 2013. The decline in the Non-Legacy Residential Mortgage Serviced Portfolio was primarily due to MSR sales and other servicing transfers, paydowns and payoffs.

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

	June 30	
(Dollars in billions)	2014	2013
Unpaid principal balance		
Residential mortgage loans		
Total	\$491	\$598
60 days or more past due	10	16

Number of loans serviced (in thousands)

Residential mortgage loans

Total	3,121	3,790
60 days or more past due	61	88

⁽¹⁾ Excludes \$51 billion and \$54 billion of home equity loans and HELOCs at June 30, 2014 and 2013.

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Mortgage Banking Income

CRES mortgage banking income is categorized into production and servicing income. Core production income is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and LHFS, the related secondary market execution, costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans, and revenue earned in production-related ancillary businesses. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

Servicing 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.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Production income:				
Core production revenue	\$318	\$860	\$591	\$1,675
Representations and warranties provision	(87)	(197)	(265)	(447)
Total production income	231	663	326	1,228
Servicing income:				
Servicing fees	476	785	990	1,701
Amortization of expected cash flows ⁽¹⁾	(209)	(260)	(419)	(574)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks ⁽²⁾	105	215	171	526
Other servicing-related revenue	3	8	7	17
Total net servicing income	375	748	749	1,670
Total CRES mortgage banking income	606	1,411	1,075	2,898
Eliminations ⁽³⁾	(79)	(233)	(136)	(457)
Total consolidated mortgage banking income	\$527	\$1,178	\$939	\$2,441

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

⁽²⁾ Includes gains on sales of MSRs.

⁽³⁾ Includes the effect of transfers of mortgage loans from CRES to the ALM portfolio included in All Other.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Core production revenue decreased \$542 million due to lower origination volumes as described below, combined with industry-wide margin compression. The representations and warranties provision decreased \$110 million to \$87 million. The provision was related to non-government-sponsored enterprises exposures.

Net servicing income decreased \$373 million driven by lower servicing fees due to a smaller servicing portfolio and less favorable MSR net-of-hedge performance, partially offset by lower amortization of expected cash flows. The decline in the size of our servicing portfolio was driven by strategic sales of MSRs during 2013 as well as loan prepayment activity, which exceeded new originations primarily due to our exit from non-retail channels.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Core production revenue decreased \$1.1 billion due to the same factors as described in the three-month discussion above. The representations and warranties provision decreased \$182 million to \$265 million. The provision included \$103 million related to the FHFA Settlement and \$162 million primarily related to non-government-sponsored enterprises exposures.

Net servicing income decreased \$921 million driven by the same factors as described in the three-month discussion above.

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Key Statistics

(Dollars in millions, except as noted)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Loan production ⁽¹⁾				
Total ⁽²⁾ :				
First mortgage	\$11,099	\$25,276	\$19,949	\$49,196
Home equity	2,602	1,497	4,587	2,615
CRES:				
First mortgage	\$8,461	\$20,509	\$15,163	\$39,778
Home equity	2,396	1,283	4,187	2,225
Period end			June 30	December 31
Mortgage serviced portfolio (in billions) ^(1, 3)			2014	2013
Mortgage loans serviced for investors (in billions) ⁽¹⁾			\$760	\$810
Mortgage servicing rights:			505	550
Balance ⁽⁴⁾			4,134	5,042
Capitalized mortgage servicing rights (% of loans serviced for investors)			82	92
			bps	bps

(1) The above loan production and period-end servicing portfolio and mortgage loans serviced for investors represent the unpaid principal balance of loans.

(2) In addition to loan production in CRES, the remaining first mortgage and home equity loan production is primarily in GWIM.

(3) Servicing of residential mortgage loans, HELOCs and home equity loans.

(4) At June 30, 2014, excludes \$234 million of certain non-U.S. residential mortgage MSR balances that are recorded in Global Markets.

Reflecting a decline in the overall mortgage market because of higher interest rates driving a decline in refinances, first mortgage loan originations in CRES declined \$12.0 billion, or 59 percent, to \$8.5 billion for the three months ended June 30, 2014, and for the total Corporation, decreased \$14.2 billion, or 56 percent, to \$11.1 billion compared to same period in 2013. First mortgage loan originations in CRES declined \$24.6 billion, or 62 percent, to \$15.2 billion for the six months ended June 30, 2014, and for the total Corporation, decreased \$29.2 billion, or 59 percent, to \$19.9 billion compared to the same period in 2013. The increase in interest rates also had an adverse impact on our mortgage loan applications, particularly for refinance mortgage loans compared to the same period in 2013.

During the three months ended June 30, 2014, 53 percent of our first mortgage production volume was for refinance originations and 47 percent was for purchase originations compared to 83 percent and 17 percent for the same period in 2013. Home Affordable Refinance Program (HARP) refinance originations were eight percent of all refinance originations as compared to 24 percent for the same period in 2013. Making Home Affordable non-HARP refinance originations were 19 percent of all refinance originations as compared to 21 percent for the same period in 2013. The remaining 73 percent of refinance originations was conventional refinances as compared to 55 percent for the same period in 2013.

During the six months ended June 30, 2014, 59 percent of our first mortgage production volume was for refinance originations and 41 percent was for purchase originations compared to 87 percent and 13 percent for the same period in 2013. HARP refinance originations were eight percent of all refinance originations as compared to 26 percent for the same period in 2013. Making Home Affordable non-HARP refinance originations were 20 percent of all refinance originations for both periods. The remaining 72 percent of refinance originations was conventional refinances as compared to 54 percent for the same period in 2013.

Home equity production for the total Corporation was \$2.6 billion and \$4.6 billion for the three and six months ended June 30, 2014 compared to \$1.5 billion and \$2.6 billion for the same periods in 2013 with the increase due to a higher demand in the market based on improving housing trends, and increased market share driven by improved banking center engagement with customers and more competitive pricing.

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Mortgage Servicing Rights

At June 30, 2014, the balance of consumer MSRs managed within CRES, which excludes \$234 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was \$4.1 billion, which represented 82 bps of the related unpaid principal balance compared to \$5.0 billion, or 92 bps of the related unpaid principal balance at December 31, 2013. The consumer MSR balance managed within CRES decreased \$908 million in the six months ended June 30, 2014 primarily driven by a decrease in value due to lower mortgage rates compared to December 31, 2013, which resulted in higher forecasted prepayment speeds, and the recognition of modeled cash flows. For more information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 61. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

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Global Wealth & Investment Management

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2014	2013	% Change	2014	2013	% Change
Net interest income (FTE basis)	\$1,485	\$1,505	(1)%	\$2,970	\$3,101	(4)%
Noninterest income:						
Investment and brokerage services	2,642	2,441	8	5,246	4,772	10
All other income	462	553	(16)	920	1,047	(12)
Total noninterest income	3,104	2,994	4	6,166	5,819	6
Total revenue, net of interest expense (FTE basis)	4,589	4,499	2	9,136	8,920	2
Provision for credit losses	(8)	(15)	(47)	15	7	114
Noninterest expense	3,447	3,270	5	6,806	6,523	4
Income before income taxes	1,150	1,244	(8)	2,315	2,390	(3)
Income tax expense (FTE basis)	426	485	(12)	862	911	(5)
Net income	\$724	\$759	(5)	\$1,453	\$1,479	(2)
Net interest yield (FTE basis)	2.38	% 2.47	%	2.38	% 2.46	%
Return on average allocated capital	24.33	30.59		24.53	30.00	
Efficiency ratio (FTE basis)	75.11	72.70		74.50	73.12	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2014	2013	% Change	2014	2013	% Change
Total loans and leases	\$118,512	\$109,589	8 %	\$117,235	\$107,845	9 %
Total earning assets	249,892	244,860	2	251,705	254,155	(1)
Total assets	268,294	263,735	2	270,674	272,966	(1)
Total deposits	240,042	235,344	2	241,409	244,329	(1)
Allocated capital	12,000	10,000	20	12,000	10,000	20
Period end				June 30	December 31	% Change
Total loans and leases				2014	2013	
Total earning assets				\$120,187	\$115,846	4 %
Total assets				247,179	254,031	(3)
Total deposits				265,581	274,112	(3)
				237,046	244,901	(3)

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

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

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

management services.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income decreased \$35 million to \$724 million driven by higher noninterest expense, partially offset by higher noninterest income. Noninterest income increased \$110 million to \$3.1 billion primarily driven by higher market valuation and long-term AUM flows, partially offset by lower transactional activity. Noninterest expense increased \$177 million to \$3.4 billion primarily due to higher revenue-related

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incentive compensation and other volume-related expenses, and additional investments in technology and other areas to support business growth.

Revenue from MLGWM was \$3.8 billion, up one percent, and revenue from U.S. Trust was \$783 million, up six percent, both driven by an increase in asset management fees related to higher market valuation and long-term AUM flows.

Return on average allocated capital was 24.3 percent, down from 30.6 percent as relatively stable earnings were more than offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 28.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income decreased \$26 million to \$1.5 billion driven by higher noninterest expense and lower net interest income, partially offset by higher noninterest income. Noninterest income increased \$347 million to \$6.2 billion and noninterest expense increased \$283 million to \$6.8 billion. These changes were driven by the same factors as described in the three-month discussion above.

Revenue from MLGWM was \$7.6 billion, up two percent, and revenue from U.S. Trust was \$1.6 billion, up six percent, both driven by the same factors as described in the three-month discussion above.

Return on average allocated capital was 24.5 percent, down from 30.0 percent driven by the same factors as described in the three-month discussion above.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their related deposit and loan balances to or from CBB, Global Banking, CRES and the ALM portfolio, as presented in the table below. We move clients between business segments to better meet their needs. During the first quarter of 2013, GWIM identified and transferred deposit balances of approximately \$19 billion to CBB. Additionally, beginning in March 2013, the revenue and expense associated with GWIM clients who hold credit cards are included in GWIM; prior periods are in CBB.

Net Migration Summary

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Total deposits, net – GWIM from / (to) CBB and Global Banking	\$691	\$660	\$1,835	\$(17,888)
Total loans, net – GWIM from / (to) CBB, CRES and the ALM portfolio	(18)	(30)	(18)	(59)

Client Balances

The table below presents client balances which consist of AUM, brokerage assets, assets in custody, deposits, and loans and leases.

Client Balances by Type

(Dollars in millions)	June 30 2014	December 31 2013
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Assets under management	\$878,741	\$821,449
Brokerage assets	1,091,558	1,045,122
Assets in custody	137,391	136,190
Deposits	237,046	244,901
Loans and leases ⁽¹⁾	123,432	118,776
Total client balances	\$2,468,168	\$2,366,438

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

The increase of \$101.7 billion, or four percent, in client balances was driven by higher market valuation and long-term AUM flows.

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Global Banking

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2014	2013	% Change	2014	2013	% Change
Net interest income (FTE basis)	\$2,239	\$2,252	(1)%	\$4,541	\$4,411	3 %
Noninterest income:						
Service charges	680	701	(3)	1,367	1,387	(1)
Investment banking fees	834	792	5	1,656	1,582	5
All other income	426	393	8	884	788	12
Total noninterest income	1,940	1,886	3	3,907	3,757	4
Total revenue, net of interest expense (FTE basis)	4,179	4,138	1	8,448	8,168	3
Provision for credit losses	132	163	(19)	397	312	27
Noninterest expense	1,899	1,849	3	3,927	3,685	7
Income before income taxes	2,148	2,126	1	4,124	4,171	(1)
Income tax expense (FTE basis)	795	829	(4)	1,535	1,590	(3)
Net income	\$1,353	\$1,297	4	\$2,589	\$2,581	—
Net interest yield (FTE basis)	2.58	% 3.17	%	2.63	% 3.18	%
Return on average allocated capital	17.51	22.62		16.85	22.64	
Efficiency ratio (FTE basis)	45.44	44.71		46.48	45.13	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2014	2013	% Change	2014	2013	% Change
Total loans and leases	\$271,417	\$255,674	6 %	\$271,446	\$249,903	9 %
Total earning assets	347,661	285,000	22	347,793	280,143	24
Total assets	390,997	326,775	20	392,030	322,036	22
Total deposits	258,937	226,912	14	257,692	224,132	15
Allocated capital	31,000	23,000	35	31,000	23,000	35
Period end				June 30	December 31	%
				2014	2013	Change
Total loans and leases				\$270,683	\$269,469	— %
Total earning assets				363,713	336,607	8
Total assets				407,367	378,659	8
Total deposits				270,268	265,171	2

Global Banking, which includes Global Corporate and Global Commercial Banking, and 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 work with our clients to provide investment banking products such as debt and equity underwriting and distribution, and merger-related and other advisory services. Underwriting

debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through our global broker/dealer affiliates which are our primary dealers in several countries. Within Global Banking, Global Commercial Banking clients generally include middle-market companies, commercial real estate firms, auto dealerships and not-for-profit companies. Global Corporate Banking includes large global corporations, financial institutions and leasing clients.

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Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income for Global Banking increased \$56 million to \$1.4 billion primarily driven by a decrease in the provision for credit losses, partially offset by higher noninterest expense. Revenue of \$4.2 billion remained relatively unchanged.

The provision for credit losses decreased \$31 million to \$132 million. Noninterest expense increased \$50 million to \$1.9 billion primarily due to higher litigation expense.

Return on average allocated capital was 17.5 percent, down from 22.6 percent as modest earnings improvement was more than offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 28.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income for Global Banking of \$2.6 billion remained relatively unchanged as higher revenue was offset by higher noninterest expense and an increase in the provision for credit losses. Revenue increased \$280 million to \$8.4 billion driven by higher net interest income from loan growth and higher investment banking fees.

The provision for credit losses increased \$85 million to \$397 million. Noninterest expense increased \$242 million to \$3.9 billion primarily from technology investments in our Global Transaction Services and lending platforms, additional client-facing personnel and higher litigation expense.

Return on average allocated capital was 16.9 percent, down from 22.6 percent driven by the same factors as described in the three-month discussion above.

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Global Corporate and Global Commercial Banking

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

Global Corporate and Global Commercial Banking

	Three Months Ended June 30					
	Global Corporate Banking		Global Commercial Banking	Total		
(Dollars in millions)	2014	2013	2014	2013	2014	2013
Revenue						
Business Lending	\$820	\$855	\$1,005	\$1,050	\$1,825	\$1,905
Global Transaction Services	766	702	719	733	1,485	1,435
Total revenue, net of interest expense	\$1,586	\$1,557	\$1,724	\$1,783	\$3,310	\$3,340
Balance Sheet						
Average						
Total loans and leases	\$129,836	\$126,734	\$141,559	\$128,910	\$271,395	\$255,644
Total deposits	143,420	123,482	115,518	103,385	258,938	226,867
	Six Months Ended June 30					
	2014	2013	2014	2013	2014	2013
Revenue						
Business Lending	\$1,724	\$1,706	\$2,014	\$2,001	\$3,738	\$3,707
Global Transaction Services	1,506	1,368	1,454	1,446	2,960	2,814
Total revenue, net of interest expense	\$3,230	\$3,074	\$3,468	\$3,447	\$6,698	\$6,521
Balance Sheet						
Average						
Total loans and leases	\$130,519	\$122,768	\$140,912	\$127,115	\$271,431	\$249,883
Total deposits	141,948	121,348	115,745	102,741	257,693	224,089
Period end						
Total loans and leases	\$129,974	\$127,348	\$140,684	\$131,126	\$270,658	\$258,474
Total deposits	150,938	124,646	119,330	104,242	270,268	228,888

Global Corporate and Global Commercial Banking revenue decreased \$30 million for the three months ended June 30, 2014 compared to the same period in 2013 due to lower revenue in Business Lending, partially offset by higher revenue in Global Transaction Services. Global Corporate and Global Commercial Banking revenue increased \$177 million for the six months ended June 30, 2014 compared to the same period in 2013 due to higher revenue in both Business Lending and Global Transaction Services.

Business Lending revenue in Global Corporate Banking declined \$35 million for the three months ended June 30, 2014 compared to the same period in 2013 primarily due to lower credit service charges and declined \$45 million in Global Commercial Banking due to prior-year accretion on acquired portfolios. Business Lending revenue in Global Corporate Banking and Global Commercial Banking increased \$18 million and \$13 million for the six months ended June 30, 2014 compared to the same period in 2013 due to the impact of higher loan balances, partially offset by lower loan spreads and prior-year accretion on acquired portfolios in Global Commercial Banking.

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Global Transaction Services revenue in Global Corporate Banking increased \$64 million and \$138 million for the three and six months ended June 30, 2014 compared to the same periods in 2013 driven by the impact of growth in U.S. and non-U.S. deposit balances, partially offset by the impact of the low rate environment. Global Transaction Services revenue in Global Commercial Banking remained relatively unchanged for the three and six months ended June 30, 2014 compared to the same periods in 2013.

Average loans and leases in Global Corporate and Global Commercial Banking increased six percent and nine percent for the three and six months ended June 30, 2014 compared to the same periods in 2013 driven by growth in the commercial and industrial, commercial real estate and commercial leasing portfolios. Average deposits in Global Corporate and Global Commercial Banking increased 14 percent and 15 percent for the three and six months ended June 30, 2014 compared to the same periods in 2013 due to client liquidity, international growth and new client acquisitions.

Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of most investment banking and underwriting activities are shared primarily between Global Banking and Global Markets based on the activities performed by each segment. To provide a complete discussion of our consolidated investment banking fees, the table below presents total Corporation investment banking fees as well as the portion attributable to Global Banking.

Investment Banking Fees

	Three Months Ended June 30				Six Months Ended June 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
(Dollars in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Products								
Advisory	\$234	\$240	\$265	\$262	\$491	\$473	\$551	\$519
Debt issuance	388	405	891	987	835	833	1,916	2,009
Equity issuance	212	147	514	356	330	276	827	679
Gross investment banking fees	834	792	1,670	1,605	1,656	1,582	3,294	3,207
Self-led deals	(16)	(7)	(39)	(49)	(51)	(35)	(121)	(116)
Total investment banking fees	\$818	\$785	\$1,631	\$1,556	\$1,605	\$1,547	\$3,173	\$3,091

Total Corporation investment banking fees of \$1.6 billion and \$3.2 billion, excluding self-led deals, included within Global Banking and Global Markets, increased five percent and three percent for the three and six months ended June 30, 2014 compared to the same periods in 2013 as strong equity underwriting, investment-grade underwriting and advisory fees were partially offset by lower underwriting fees for other debt products.

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Global Markets

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2014	2013	% Change	2014	2013	% Change
Net interest income (FTE basis)	\$952	\$1,009	(6)%	\$1,949	\$2,117	(8)%
Noninterest income:						
Investment and brokerage services	540	549	(2)	1,101	1,077	2
Investment banking fees	760	668	14	1,496	1,347	11
Trading account profits	1,768	1,848	(4)	4,135	4,738	(13)
All other income (loss)	563	120	n/m	914	(306)	n/m
Total noninterest income	3,631	3,185	14	7,646	6,856	12
Total revenue, net of interest expense (FTE basis)	4,583	4,194	9	9,595	8,973	7
Provision for credit losses	19	(16)	n/m	38	(11)	n/m
Noninterest expense	2,862	2,770	3	5,939	5,843	2
Income before income taxes	1,702	1,440	18	3,618	3,141	15
Income tax expense (FTE basis)	601	478	26	1,209	1,067	13
Net income	\$1,101	\$962	14	\$2,409	\$2,074	16
Return on average allocated capital	13.01	% 12.89	%	14.32	% 13.97	%
Efficiency ratio (FTE basis)	62.45	66.05		61.90	65.12	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2014	2013	% Change	2014	2013	% Change
Total trading-related assets ⁽¹⁾	\$459,938	\$490,972	(6)%	\$448,596	\$497,582	(10)%
Total loans and leases	63,579	56,354	13	63,637	54,529	17
Total earning assets ⁽¹⁾	478,192	499,338	(4)	467,594	504,450	(7)
Total assets	617,103	656,109	(6)	609,315	663,021	(8)
Allocated capital	34,000	30,000	13	34,000	30,000	13

Period end	June 30 2014	December 31 2013	% Change
Total trading-related assets ⁽¹⁾	\$443,386	\$411,080	8 %
Total loans and leases	66,260	67,381	(2)
Total earning assets ⁽¹⁾	465,383	432,807	8
Total assets	610,395	575,584	6

⁽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). In addition, the economics of most investment banking and underwriting activities are shared primarily between Global Markets and Global Banking based on the activities performed by each segment. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For more information on investment banking fees on a consolidated basis, see page 48. On January 1, 2014, the results for structured liabilities including DVA were moved into Global Markets from All Other to better align the performance and risk management of these instruments. As such, net DVA in Global Markets

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represents the combined total of net DVA on derivatives and structured liabilities. Prior periods have been reclassified to conform to current period presentation.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income for Global Markets increased \$139 million to \$1.1 billion primarily driven by higher equity investment gains, which included a \$240 million gain related to the initial public offering of an equity investment, and increased investment banking fees. Net DVA gains were \$69 million compared to gains of \$49 million. Noninterest expense increased \$92 million to \$2.9 billion due to higher technology and staff support costs as well as increased personnel expense and professional fees.

Average earning assets decreased \$21.1 billion to \$478.2 billion largely driven by a lower matched-book and trading related securities.

The return on average allocated capital was 13.01 percent, up from 12.89 percent, reflecting increased 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 28.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income for Global Markets increased \$335 million to \$2.4 billion primarily driven by the same factors as described in the three-month discussion above, as well as a first quarter 2013 write-down of a monoline receivable due to the settlement of a legacy matter. This was offset by a decrease in trading account profits due to declines in market volumes and reduced volatility. Net DVA gains were \$181 million compared to losses of \$96 million. Noninterest expense increased \$96 million to \$5.9 billion due to higher technology costs and professional fees, partially offset by decreased personnel expense.

Average earning assets decreased \$36.9 billion to \$467.6 billion largely driven by the same factors as described in the three-month discussion above.

The return on average allocated capital was 14.32 percent, up from 13.97 percent, largely driven by the same factors as described in the three-month discussion above.

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Sales and Trading Revenue

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

Sales and Trading Revenue ^(1, 2)

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Sales and trading revenue				
Fixed income, currencies and commodities	\$2,426	\$2,216	\$5,452	\$5,067
Equities	1,045	1,280	2,230	2,433
Total sales and trading revenue	\$3,471	\$3,496	\$7,682	\$7,500

Sales and trading revenue, excluding net DVA ⁽³⁾

Fixed income, currencies and commodities	\$2,370	\$2,253	\$5,316	\$5,252
Equities	1,032	1,194	2,185	2,344
Total sales and trading revenue, excluding net DVA	\$3,402	\$3,447	\$7,501	\$7,596

Includes FTE adjustments of \$51 million and \$88 million for the three and six months ended June 30, 2014

⁽¹⁾ compared to \$47 million and \$93 million for the same periods in 2013. 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 \$68 million and \$153 million for the three and six months ended June 30, 2014 compared to \$143 million and \$210 million for the same periods in 2013.

FICC and Equities sales and trading revenue, excluding the impact of net DVA, is a non-GAAP financial measure. FICC net DVA gains were \$56 million and \$136 million for the three and six months ended June 30, 2014

⁽³⁾ compared to net DVA losses of \$37 million and \$185 million for the same periods in 2013. Equities net DVA gains were \$13 million and \$45 million for the three and six months ended June 30, 2014 compared to net DVA gains of \$86 million and \$89 million for the same periods in 2013.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Fixed-income, currency and commodities (FICC) revenue, excluding net DVA, increased \$117 million to \$2.4 billion primarily due to improved performance in mortgage and municipal products, partially offset by declines in foreign exchange and commodities. Equities revenue, excluding net DVA, decreased \$162 million to \$1.0 billion due to lower market volumes and reduced client activity. Sales and trading revenue included total commissions and brokerage fee revenue of \$540 million, substantially all from equities, which remained relatively unchanged.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

FICC revenue, excluding net DVA, increased \$64 million to \$5.3 billion as the prior-year period included a \$450 million write-down of a monoline receivable related to the settlement of a legacy matter. Equities revenue, excluding

net DVA, decreased \$159 million to \$2.2 billion due to the same factors as described in the three-month discussion above. Sales and trading revenue included total commissions and brokerage fee revenue of \$1.1 billion, substantially all from equities, which remained relatively unchanged.

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All Other

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2014	2013	% Change	2014	2013	% Change
Net interest income (FTE basis)	\$(76	) \$272	n/m	\$(226	) \$528	n/m
Noninterest income:						
Card income	88	81	9 %	174	166	5 %
Equity investment income	56	576	(90)	730	1,096	(33)
Gains on sales of debt securities	382	452	(15)	739	519	42
All other loss	(604	) (812	) (26)	(1,262	) (1,286	) (2)
Total noninterest income	(78	) 297	n/m	381	495	(23)
Total revenue, net of interest expense (FTE basis)	(154	) 569	n/m	155	1,023	(85)
Provision for credit losses	(246	) (179	) 37	(381	) 71	n/m
Noninterest expense	431	562	(23)	2,113	2,330	(9)
Income (loss) before income taxes	(339	) 186	n/m	(1,577	) (1,378	) 14
Income tax benefit (FTE basis)	(466	) (347	) 34	(1,516	) (992	) 53
Net income (loss)	\$127	\$533	(76)	\$(61	) \$(386	) (84)

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2014	2013	% Change	2014	2013	% Change
Loans and leases:						
Residential mortgage	\$187,854	\$211,137	(11)%	\$190,904	\$213,156	(10)%
Non-U.S. credit card	11,759	10,613	11	11,657	10,819	8
Other	10,962	17,160	(36)	11,404	17,773	(36)
Total loans and leases	210,575	238,910	(12)	213,965	241,748	(11)
Total assets ⁽¹⁾	175,720	231,498	(24)	170,699	240,677	(29)
Total deposits	35,851	34,017	5	35,119	34,883	1

Period end	June 30 2014	December 31 2013	% Change
Loans and leases:			
Residential mortgage	\$182,221	\$197,061	(8)%
Non-U.S. credit card	11,999	11,541	4
Other	11,251	12,088	(7)
Total loans and leases	205,471	220,690	(7)
Total assets ⁽¹⁾	167,364	167,433	—
Total deposits	31,999	27,851	15

For presentation purposes, 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 \$593.1 billion and \$589.2 billion for the three and six months ended June 30, 2014 compared to \$524.5 billion and \$525.3 billion for the same periods in 2013, and \$608.8 billion and \$569.9 billion at June 30, 2014 and December 31, 2013.

n/m = not meaningful

All Other consists of ALM activities, equity investments, the international consumer card business, liquidating businesses, residual expense allocations and other. ALM activities encompass the whole-loan residential mortgage portfolio and investment securities, interest rate and foreign currency risk management activities including the residual net interest income allocation, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 128. Equity investments include GPI which is comprised of a portfolio of equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. Additionally, certain residential mortgage loans that are managed by Legacy Assets & Servicing are held in All Other.

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On January 1, 2014, the results for structured liabilities including DVA (previously referred to as fair value adjustments on structured liabilities) were moved from All Other into Global Markets to better align the performance and risk management of these instruments. Prior periods have been reclassified to conform to current period presentation.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net income for All Other decreased \$406 million to \$127 million primarily due to a decrease in equity investment income of \$520 million, the negative impact of market-related premium amortization expense on debt securities and a decrease of \$70 million in gains on sales of debt securities, partially offset by an improvement in the provision for credit losses and lower noninterest expense. The bulk sales of \$2.1 billion in nonperforming residential mortgage loans also had a positive impact of approximately \$350 million, including the gains on the sale of approximately \$150 million with the remainder primarily reflected as recoveries through the provision for credit losses as noted in the paragraph below.

The provision for credit losses improved \$67 million to a benefit of \$246 million primarily driven by \$185 million of recoveries on the bulk sales.

Noninterest expense decreased \$131 million to \$431 million primarily due to a decline in other general operating expenses. The income tax benefit was \$466 million compared to a benefit of \$347 million, with the increase primarily driven by the change in pre-tax earnings.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The net loss for All Other decreased \$325 million to a net loss of \$61 million primarily due to the same factors as described in the three-month discussion above, partially offset by an increase of \$220 million in gains on sales of debt securities.

The provision for credit losses improved \$452 million to a benefit of \$381 million primarily driven by the same factor as described in the three-month discussion above as well as continued improvement in residential mortgage portfolio trends including increased home prices.

Noninterest expense decreased \$217 million to \$2.1 billion driven by a decline in foreclosed properties expense. The income tax benefit was \$1.5 billion compared to a benefit of \$992 million, with the increase primarily driven by the same factor as described in the three-month discussion above as well as the resolution of certain tax matters and recurring tax preference items.

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Equity Investment Activity

The tables below present the components of equity investments included in All Other at June 30, 2014 and December 31, 2013, and also a reconciliation to the total consolidated equity investment income for the three and six months ended June 30, 2014 and 2013.

Equity Investments

(Dollars in millions)	June 30 2014	December 31 2013
Global Principal Investments	\$1,136	\$1,604
Strategic and other investments	827	822
Total equity investments included in All Other	\$1,963	\$2,426

Equity Investment Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2014	2013	2014	2013
Global Principal Investments	\$71	\$52	\$43	\$156
Strategic and other investments	(15)	524	687	940
Total equity investment income included in All Other	56	576	730	1,096
Total equity investment income included in the business segments	301	104	411	147
Total consolidated equity investment income	\$357	\$680	\$1,141	\$1,243

Equity investments included in All Other decreased \$463 million to \$2.0 billion at June 30, 2014 compared to December 31, 2013, with the decrease due to sales in the GPI portfolio. GPI had unfunded equity commitments of \$54 million at June 30, 2014 compared to \$127 million at December 31, 2013.

Equity investment income included in All Other was \$56 million and \$730 million for the three and six months ended June 30, 2014, a decrease of \$520 million and \$366 million compared to the same periods in 2013. The decrease for the three-month period was due to gains on the sales of portions of an equity investment in the prior-year period. The six-month decline was due to the same factors as described in the three-month discussion as well as lower GPI results. Total Corporation equity investment income was \$357 million and \$1.1 billion for the three and six months ended June 30, 2014, a decrease of \$323 million and \$102 million from the same periods in 2013, due to the same factors as described above, partially offset by a gain related to the initial public offering of an equity investment in Global Markets.

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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 52 of the MD&A of the Corporation's 2013 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 2013 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) 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. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties have resulted in and may continue to result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, U.S. Department of Housing and Urban Development with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guarantee payments that we may receive.

For more information on accounting for representations and warranties and our representations and warranties repurchase claims and exposures, 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 2013 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K.

We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, certain of which have been for significant amounts in lieu of a loan-by-loan review process, including with the GSEs, with four monoline insurers and with the Bank of New York Mellon (BNY Mellon), as trustee (the Trustee) for certain trusts. As a result of various settlements with the GSEs, we have resolved substantially all outstanding and potential representations and warranties repurchase claims on whole loans sold by legacy Bank of America and Countrywide Financial Corporation (Countrywide) to Fannie Mae (FNMA) and Freddie Mac (FHLMC) through June 30, 2012 and December 31, 2009, respectively.

We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. However, there can be no assurance that we will reach future settlements or, if we do, that the terms of past settlements can be relied upon to predict the terms of future settlements. These bulk settlements generally did not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims. For example, we are currently involved in RMBS litigation including purported class action suits, actions brought by individual RMBS purchasers and actions by Governmental Authorities. Our liability in connection with the transactions and claims not covered by these settlements could be material. For more information on our exposure to RMBS matters involving securities law, fraud or related claims, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

BNY Mellon Settlement

The settlement with Bank of New York Mellon (BNY Mellon Settlement) remains subject to final court approval and certain other conditions. It is not currently possible to predict the ultimate outcome or timing of the court approval process, which includes appeals and could take a substantial period of time. The court approval hearing began in the New York Supreme Court, New York County, on June 3, 2013 and concluded on November 21, 2013. On January 31, 2014, the court issued a decision, order and judgment approving the BNY Mellon Settlement. The court overruled the objections to the settlement, holding that the Trustee, BNY Mellon, acted in good faith, within its discretion and within the bounds of reasonableness in determining that the settlement agreement was in the best interests of the covered trusts. The court declined to approve the Trustee's conduct only with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. On February 21, 2014, final judgment was entered and the Trustee filed a notice of appeal regarding the court's ruling on loan modification claims in the settlement. Certain objectors to the settlement have filed cross-appeals appealing the court's approval of the settlement. Pursuant to our settlement with AIG on July 15, 2014, AIG withdrew its objection to the BNY Mellon Settlement, including its participation in all pending appeals and cross-appeals. Under the current schedule,

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all appeals will be fully briefed by September 22, 2014. The court's January 31, 2014 decision, order and judgment remain subject to these appeals, as well as a motion to reargue to be heard on September 24, 2014, and it is not possible at this time to predict when the court approval process will be completed.

Although we are not a party to the proceeding, certain of our rights and obligations under the settlement agreement are conditioned on final court approval of the settlement. There can be no assurance final court approval will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied, or if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and Countrywide will not withdraw from the settlement. If final court approval is not obtained, or if we and Countrywide withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different from existing accruals and the estimated range of possible loss over existing accruals.

FGIC Settlement

On April 7, 2014, the Corporation entered into a settlement with Financial Guaranty Insurance Company (FGIC) for certain second-lien RMBS trusts for which FGIC provided financial guarantee insurance. In addition, on April 11, 2014, separate settlements were entered into with BNY Mellon as trustee with respect to seven of those trusts; settlements on two additional trusts with BNY Mellon as trustee were entered into on May 15, 2014 and May 28, 2014. The agreements resolve all outstanding litigation between FGIC and the Corporation, as well as outstanding and potential claims by FGIC and the trustee related to alleged representations and warranties breaches and other claims involving certain second-lien RMBS trusts for which FGIC provided financial guarantee insurance.

For additional information on the FGIC Settlement, and for a summary of the larger settlement actions and the related impact on the representations and warranties provision and liability, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Unresolved Repurchase Claims

Repurchase claims received from a counterparty are considered unresolved repurchase claims until the underlying loan is repurchased or the claim is rescinded by the counterparty. Unresolved repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, MI or mortgage guarantee payments. When a claim is denied and we do not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution. Table 16 presents unresolved repurchase claims by counterparty at June 30, 2014 and December 31, 2013.

Table 16

Unresolved Repurchase Claims by Counterparty ⁽¹⁾

(Dollars in millions)	June 30 2014	December 31 2013
Private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and other ^(2, 3)	\$20,551	\$17,953
Monolines ⁽⁴⁾	1,085	1,532
GSEs	76	170
Total unresolved repurchase claims ⁽³⁾	\$21,712	\$19,655

⁽¹⁾ At both June 30, 2014 and December 31, 2013, unresolved repurchase claims did not include repurchase demands of \$1.2 billion where the Corporation believes that these demands are procedurally or substantively invalid.

⁽²⁾

The total notional amount of unresolved repurchase claims does not include repurchase claims related to the trusts covered by the BNY Mellon Settlement.

- (3) Includes \$13.7 billion and \$13.8 billion of claims based on individual file reviews and \$6.8 billion and \$4.1 billion of claims submitted without individual file reviews at June 30, 2014 and December 31, 2013.
- (4) At June 30, 2014, substantially all of the unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation with a single monoline insurer.

During the three months ended June 30, 2014, we received \$2.4 billion in new repurchase claims, including \$1.9 billion of claims submitted without individual loan file reviews and \$258 million of claims based on individual loan file reviews submitted by private-label securitization trustees, \$88 million submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs and \$168 million submitted by whole-loan investors. During the three months ended June 30, 2014, \$964 million in claims were resolved. Of the claims resolved, \$469 million were resolved through settlements, including \$450 million related to the FGIC Settlement, \$255 million were resolved through rescissions and \$240 million were resolved through mortgage repurchases and make-whole payments with private-label securitization trustees, whole-loan investors and the GSEs.

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During the six months ended June 30, 2014, we received \$3.7 billion in new repurchase claims, including \$2.8 billion of claims submitted without an individual loan file review and \$449 million of claims based on individual loan file reviews submitted by private-label securitization trustees and a financial guarantee provider, \$241 million submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs and \$198 million submitted by whole-loan investors. During the six months ended June 30, 2014, \$1.7 billion in claims were resolved. Of the claims resolved, \$856 million were resolved through settlement, including \$450 million related to the FGIC Settlement and \$387 million related to the FHFA Settlement, \$417 million were resolved through rescissions and \$417 million were resolved through mortgage repurchases and make-whole payments with private-label securitization trustees, whole-loan investors and the GSEs.

The increase in the notional amount of unresolved repurchase claims during the three and six months ended June 30, 2014 is primarily due to: (1) continued submission of claims by private-label securitization trustees, (2) the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claims resolution, and (3) the lack of an established process to resolve disputes related to these claims. For example, claims submitted without individual file reviews generally lack the level of detail and analysis of individual loans found in other claims that is necessary to support a claim. We expect unresolved repurchase claims related to private-label securitizations to increase as such claims continue to be submitted and there is not an established process for the ultimate resolution of such claims on which there is a disagreement.

In addition to, and not included in, the total unresolved repurchase claims of \$21.7 billion at June 30, 2014, are repurchase demands we have received from private-label securitization investors and a master servicer where we believe that these demands are procedurally or substantively invalid. The total amount outstanding of such demands was \$1.2 billion at both June 30, 2014 and December 31, 2013, comprised of \$931 million of demands received during 2012 and \$272 million of demands related to trusts covered by the BNY Mellon Settlement. We do not believe that the demands outstanding at June 30, 2014 are valid repurchase claims and, therefore, it is not possible to predict the resolution with respect to such demands.

Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income in the Consolidated Statement of Income. For additional discussion of the representations and warranties liability and the corresponding estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Estimated Range of Possible Loss on page 60.

At June 30, 2014 and December 31, 2013, the liability for representations and warranties was \$12.1 billion and \$13.3 billion. For the three and six months ended June 30, 2014, the representations and warranties provision was \$87 million and \$265 million compared to \$197 million and \$447 million for the same periods in 2013. The provision for the six months ended June 30, 2014 included \$103 million related to the FHFA Settlement and \$162 million primarily for our remaining non-GSE exposures.

Our estimated liability at June 30, 2014 for obligations under representations and warranties is necessarily dependent on, and limited by, a number of factors, including for private-label securitizations, the implied repurchase experience based on the BNY Mellon Settlement, as well as certain other assumptions and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if actual experiences are different from historical experience or our understandings, interpretations or assumptions. Although we have not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where we have had little to no claim activity, or where the applicable statute of limitations has expired, these exposures are included in the estimated range of possible loss.

Experience with Government-sponsored Enterprises

As a result of various settlements with the GSEs, we have resolved substantially all outstanding and potential representations and warranties repurchase claims on whole loans sold by legacy Bank of America and Countrywide to FNMA and FHLMC through June 30, 2012 and December 31, 2009, respectively. After these settlements, our exposure to representations and warranties liability for loans originated prior to 2009 and sold to the GSEs is limited to loans with an original principal balance of \$14.0 billion and loans with certain defects excluded from the settlements that we do not believe will be material, such as title defects and certain specified violations of the GSEs' charters. As of June 30, 2014, of the \$14.0 billion, approximately \$11.3 billion in principal has been paid, \$942 million in principal has defaulted or was severely delinquent, and the notional amount of unresolved repurchase claims submitted by the GSEs was \$63 million related to these vintages.

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Experience with Investors Other than Government-sponsored Enterprises

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 originated from 2004 through 2008 with an original principal balance of \$965 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), including \$781 billion to private-label and whole-loan investors without monoline insurance and \$184 billion with monoline insurance. Of the \$965 billion, \$562 billion in principal has been paid, \$195 billion in principal has defaulted, \$50 billion in principal was severely delinquent, and \$158 billion in principal was current or less than 180 days past due at June 30, 2014.

Table 17 details the population of loans originated between 2004 and 2008 and sold in non-agency securitizations or as whole loans by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent as of June 30, 2014.

Table 17

Overview of Non-Agency Securitization and Whole-Loan Balances

(Dollars in billions)	Principal Balance		Defaulted or Severely Delinquent						
	Original Principal Balance	Outstanding Principal Balance June 30 2014	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made Less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made More than 36 Payments
By Entity									
Bank of America	\$100	\$17	\$3	\$7	\$10	\$1	\$2	\$2	\$5
Countrywide	716	163	40	147	187	24	45	44	74
Merrill Lynch	67	14	3	16	19	3	4	3	9
First Franklin	82	14	4	25	29	5	6	5	13
Total ^(1, 2)	\$965	\$208	\$50	\$195	\$245	\$33	\$57	\$54	\$101
By Product									
Prime	\$302	\$60	\$7	\$27	\$34	\$2	\$6	\$7	\$19
Alt-A	172	47	10	39	49	7	12	11	19
Pay option	150	34	11	43	54	5	13	15	21
Subprime	247	52	17	67	84	17	20	15	32
Home equity	88	10	—	18	18	2	5	4	7
Other	6	5	5	1	6	—	1	2	3
Total	\$965	\$208	\$50	\$195	\$245	\$33	\$57	\$54	\$101

⁽¹⁾ Excludes transactions sponsored by Bank of America and Merrill Lynch where no representations or warranties were made.

⁽²⁾ Includes exposures on third-party sponsored transactions related to legacy entity originations.

As it relates to private-label securitizations, a contractual liability to repurchase mortgage loans generally arises only if counterparties prove there is a breach of representations and warranties that materially and adversely affects the interest of the investor or all the investors in a securitization trust or of the monoline insurer or other financial guarantor (as applicable). We believe many of the loan defaults observed in these securitizations and whole-loan balances were driven by external factors like the substantial depreciation in home prices, persistently high

unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan's default. As of June 30, 2014, approximately 25 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, \$409 billion is included in the BNY Mellon Settlement and, of this amount, \$110 billion was defaulted or severely delinquent at June 30, 2014.

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Experience with Private-label Securitizations and Whole Loans

Legacy entities, and to a lesser extent Bank of America, sold loans to investors via private-label securitizations or as whole loans. The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. We provided representations and warranties to the whole-loan investors and these investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The loans sold with an original total principal balance of \$780.5 billion, without monoline insurance, included in Table 17, were originated between 2004 and 2008. Of the \$780.5 billion, \$456.4 billion have been paid in full and \$191.6 billion were defaulted or severely delinquent at June 30, 2014. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans. We have received approximately \$29.3 billion of representations and warranties repurchase claims related to these vintages, including \$20.2 billion from private-label securitization trustees and a financial guarantee provider, \$8.3 billion from whole-loan investors and \$815 million from one private-label securitization counterparty. In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. Continued high levels of new private-label claims are primarily related to repurchase requests received from trustees and third-party sponsors for private-label securitization transactions not included in the BNY Mellon Settlement, including claims related to first-lien third-party sponsored securitizations that include monoline insurance. Over time, there has been an increase in requests for loan files from certain private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statute of limitations relating to representations and warranties repurchase claims and we believe it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees with standing to bring such claims. In addition, private-label securitization trustees may have obtained loan files through other means, including litigation and administrative subpoenas, which may increase our total exposure.

A December 2013 decision by the New York intermediate appellate court held that, under New York law, which governs many RMBS trusts, the six-year statute of limitations starts to run at the time the representations and warranties are made (i.e., the date the transaction closed and not when the repurchase demand was denied). That decision has been applied by the state and federal courts in several RMBS lawsuits not involving the Corporation, resulting in the dismissal as untimely of claims involving representations and warranties made more than six years prior to the initiation of the lawsuit. Unless overturned by New York's highest appellate court, which has taken the case for review, this decision would apply to claims and lawsuits brought against the Corporation where New York law governs. A significant amount of representations and warranties claims and/or lawsuits that we have received or may receive involve representations and warranties claims where the statute of limitations has expired under this ruling and has not been tolled by agreement, and which we therefore believe would be untimely. The Corporation believes this ruling may have had an influence on recent activity in requests for tolling agreements and the pace of lawsuits filed by private-label securitization trustees prior to the expiration of the statute of limitations. In addition, it is possible that in response to the statute of limitations rulings, parties seeking to pursue representations and warranties claims and/or lawsuits with respect to trusts where the statute of limitations for representations and warranties claims against the sponsor and/or issuer has run, may pursue alternate legal theories of recovery and/or assert claims against other contractual parties. For example, on June 18, 2014, a group of institutional investors filed six lawsuits against six trustees covering more than 2,200 RMBS trusts alleging failure to pursue representations and warranties claims and servicer defaults based upon alleged contractual, statutory and tort theories of liability. The Corporation and its affiliates have not been named as parties to these lawsuits. The impact on the Corporation, if any, of such alternative legal theories or assertions is unclear.

We have resolved \$8.8 billion of the \$29.3 billion of claims received from whole-loan and private-label securitization counterparties with losses of \$1.9 billion. The majority of these resolved claims were from third-party whole-loan investors. Approximately \$3.5 billion of these claims were resolved through repurchase or indemnification, \$5.0 billion were rescinded by the investor and \$331 million were resolved through the FHFA Settlement. At June 30,

2014, for loans originated between 2004 and 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 \$20.5 billion. We have performed an initial review with respect to substantially all of these claims and do not believe a valid basis for repurchase has been established by the claimant. Until we receive a repurchase claim, we generally do not review loan files related to private-label securitizations sponsored by third-party whole-loan investors and are not required by the governing documents to do so.

Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that and other experience to record a liability related to existing and future claims from such counterparties. The BNY Mellon Settlement and subsequent activity with certain counterparties led to the determination that we had sufficient experience to record a liability related to our exposure on certain private-label securitizations, including certain private-label securitizations sponsored by third-party whole-loan investors, however, it did not provide sufficient experience to record a liability related to other private-label securitizations sponsored by third-party whole-loan investors. As it relates to the other private-label securitizations sponsored by third-party whole-loan investors and certain other whole-loan sales, as well as certain private-label securitizations impacted by recent court rulings on the statute of limitations, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. As discussed below, our estimated range of possible loss related to representations and warranties exposures as of June 30, 2014 included possible losses related to these whole-loan sales and private-label securitizations.

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The representations and warranties, as governed by the private-label securitization agreements, generally require that counterparties have the ability to both assert a claim and to actually prove that a loan has an actionable defect under the applicable contracts. While the Corporation believes the agreements for private-label securitizations generally contain less rigorous representations and warranties and place higher burdens on claimants seeking repurchases than the express provisions of comparable agreements with the GSEs, without regard to any variations that may have arisen as a result of dealings with the GSEs, the agreements generally include a representation that underwriting practices were prudent and customary. In the case of private-label securitization trustees and third-party sponsors, there is currently no established process in place for the parties to reach a conclusion on an individual loan if there is a disagreement on the resolution of the claim. Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files.

Experience with Monoline Insurers

Legacy companies sold \$184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 17. At June 30, 2014 and December 31, 2013, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was \$1.1 billion and \$1.5 billion. The FGIC Settlement resolved \$450 million of these claims pertaining to certain second-lien RMBS trusts for which FGIC provided financial guarantee insurance.

Substantially all of the remaining unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation with a single monoline insurer. During the three and six months ended June 30, 2014, there was minimal loan-level repurchase claim activity with the remaining monoline as well as minimal requests for loan files for review through the representations and warranties process. However, there may be additional claims or file requests in the future.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices). Although the number of such open notices has remained elevated, they have decreased over the last several quarters as the resolution of open notices exceeded new notices.

We had approximately 91,000 and 101,000 open MI rescission notices at June 30, 2014 and December 31, 2013. The decline was primarily due to settlements with MI companies. Open MI rescission notices at June 30, 2014 included 30,000 pertaining principally to first-lien mortgages serviced for others, 8,000 pertaining to loans HFI and 53,000 pertaining to ongoing litigation for second-lien mortgages.

On July 15, 2014, certain of our subsidiaries entered into a settlement agreement to resolve all outstanding MI disputes brought by the Corporation against three United Guaranty entities. This settlement will resolve all of the Corporation's pending MI litigation with the United Guaranty entities regarding legacy first- and second-lien mortgages originated or acquired by certain of our subsidiaries prior to 2009. In addition, the settlement will resolve 14,000 rescission notices open as of June 30, 2014. The settlement with the United Guaranty entities with respect to policies related to first-lien mortgages is subject to the consent of the GSEs; and the inclusion of loans other than GSE-insured loans is subject to obtaining any other necessary consents.

For more information on open mortgage insurance rescission notices, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to \$4.0 billion over existing accruals at June 30, 2014. The estimated range of possible loss reflects principally non-GSE exposures. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

The liability for representations and warranties exposures and the corresponding estimated range of possible loss do not consider any losses related to litigation matters, including RMBS litigation or litigation brought by monoline insurers, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any other possible losses related to potential claims for breaches of performance of servicing obligations (except as such losses are included as potential costs of the BNY Mellon Settlement), potential securities law or fraud claims or potential indemnity or other claims against us, including claims related to loans insured by the FHA. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against us, except to the extent reflected in existing accruals or the estimated range of possible loss for litigation and regulatory matters disclosed in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements; however, in light of the inherent uncertainties involved in these matters and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

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Future provisions and/or ranges of possible loss for representations and warranties may be significantly impacted if actual experiences are different from our assumptions in our predictive models, including, without limitation, ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, estimated MI rescission rates, economic conditions, estimated home prices, consumer and counterparty behavior, the applicable statute of limitations and a variety of other judgmental factors.

For more information on the methodology used to estimate the representations and warranties liability and the corresponding estimated range of possible loss, see Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Servicing, Foreclosure and Other Mortgage Matters

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

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

It is not possible to reasonably estimate our liability with respect to certain potential servicing-related claims. While we have recorded certain accruals for servicing-related claims, the amount of potential liability in excess of existing accruals could be material.

2011 OCC Consent Order and 2013 IFR Acceleration Agreement

For more information on the 2011 OCC Consent Order and 2013 IFR Acceleration Agreement, see Off-Balance Sheet Arrangements and Contractual Obligations – 2011 OCC Consent Order and 2013 IFR Acceleration Agreement on page 57 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

National Mortgage Settlement

In March 2012, we entered into the National Mortgage Settlement with the DOJ, various federal regulatory agencies and 49 state Attorneys General to resolve federal and state investigations into certain residential mortgage origination, servicing and foreclosure practices. Our compliance with these servicing standards is subject to ongoing review by an independent monitor who has confirmed that we have fulfilled all national and state obligations with respect to borrower assistance.

For more information on the National Mortgage Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – National Mortgage Settlement on page 57 of the MD&A of the Corporation's 2013 Annual Report on

Form 10-K.

Mortgage Electronic Registration Systems, Inc.

For information on Mortgage Electronic Registration Systems, Inc., see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage Electronic Registration Systems, Inc. on page 58 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

Impact of Foreclosure Delays

Foreclosure delays impact our default-related servicing costs. We believe default-related servicing costs peaked in late 2012 and they began to decline in 2013, and this decline has continued in 2014. However, unexpected foreclosure delays could impact the rate of decline. Default-related servicing costs include costs related to resources needed for implementing new servicing standards mandated for the industry, including as part of the National Mortgage Settlement, other operational changes and operational costs due to delayed foreclosures, and do not include mortgage-related assessments, waivers and similar costs related to foreclosure delays.

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Other areas of our operations are also impacted by foreclosure delays. In the six months ended June 30, 2014, we recorded \$64 million of mortgage-related assessments, waivers and similar costs related to foreclosure delays compared to \$307 million in the same period in 2013. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances, and may impact the collectability of such advances and the value of our MSR asset, RMBS and real estate owned properties. Accordingly, the ultimate resolution of disagreements with counterparties, delays in foreclosure sales beyond those currently anticipated, and any issues that may arise out of alleged irregularities in our foreclosure process could significantly increase the costs associated with our mortgage operations.

Other Mortgage-related Matters

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current origination, servicing, transfer of servicing and servicing rights, and foreclosure activities, including those claims not covered by the National Mortgage Settlement. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. We are also subject to inquiries, investigations, actions and claims from regulators, trustees, investors and other third parties relating to other mortgage-related activities such as the purchase, sale, pooling, and origination and securitization of loans, as well as structuring, marketing, underwriting and issuance of RMBS and other securities, including claims relating to the adequacy and accuracy of disclosures in offering documents and representations and warranties made in connection with whole-loan sales or securitizations. The ongoing environment of heightened scrutiny has subjected us to governmental or regulatory inquiries and investigations, and may subject us to actions, including litigation, penalties and fines, including by the DOJ, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force (the RMBS Working Group), or by other regulators or government agencies that could significantly adversely affect our reputation and result in material costs to us in excess of current reserves and management's estimate of the aggregate range of possible loss for litigation matters. The Corporation has previously disclosed that it is subject to inquiries and investigations, and may be subject to penalties and fines by the DOJ, state Attorneys General and other members of the RMBS Working Group, and is a party to certain litigation proceedings brought by the DOJ and certain other Governmental Authorities regarding the Corporation's RMBS and other mortgage-related matters. We continue to cooperate with and have had discussions about a potential resolution of mortgage and RMBS-related matters with certain Governmental Authorities. There can be no assurances that these discussions will lead to a resolution of any or all of these matters and additional litigation may be filed by the DOJ or certain other Governmental Authorities regarding our RMBS. For additional information regarding the risks associated with matters of this nature, see Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K.

Recent actions by regulators and government agencies indicate that they may, on an industry basis, increasingly pursue claims under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the False Claims Act. For example, the Civil Division of the U.S. Attorney's office for the Eastern District of New York is conducting an investigation concerning our compliance with the requirements of the FHA's Direct Endorsement Program. FIRREA contemplates civil monetary penalties as high as \$1.1 million per violation or, if permitted by the court, based on pecuniary gain derived or pecuniary loss suffered as a result of the violation. Treble damages are potentially available for the False Claims Act claims. The ongoing environment of additional regulation, increased regulatory compliance burdens, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory environment, has resulted in operational and compliance costs and may limit our ability to continue providing certain products and services. For more information on management's estimate of the aggregate range of possible loss and on regulatory investigations, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

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Mortgage-related Settlements – Servicing Matters

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

In connection with the National Mortgage Settlement, BANA has agreed to implement certain additional servicing changes. The uniform servicing standards established under the National Mortgage Settlement are broadly consistent with the residential mortgage servicing practices imposed by the 2011 OCC Consent Order; however, they are more prescriptive and cover a broader range of our residential mortgage servicing activities. These standards are intended to strengthen procedural safeguards and documentation requirements associated with foreclosure, bankruptcy and loss mitigation activities, as well as addressing the imposition of fees and the integrity of documentation, with a goal of ensuring greater transparency for borrowers. These uniform servicing standards also obligate us to implement compliance processes reasonably designed to provide assurance of the achievement of these objectives. Compliance with the uniform servicing standards is being assessed by a monitor based on the measurement of outcomes with respect to these objectives. Implementation of these uniform servicing standards has contributed to elevated costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures.