BANK OF AMERICA CORP /DE/
Form 10-Q
May 01, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 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 ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

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

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

On April 30, 2014, there were 10,515,659,722 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
March 31, 2014
Form 10-Q

INDEX Page

Part I. Financial Information

Item 1. Financial Statements
Consolidated Statement of Income 132
Consolidated Statement of Comprehensive Income 133
Consolidated Balance Sheet 134
Consolidated Statement of Changes in Shareholders' Equity 136
Consolidated Statement of Cash Flows 137
Notes to Consolidated Financial Statements 138
1 - Summary of Significant Accounting Principles 138
2 - Derivatives 140
3 - Securities 153
4 - Outstanding Loans and Leases 158
5 - Allowance for Credit Losses 176
6 - Securitizations and Other Variable Interest Entities 178
7 - Representations and Warranties Obligations and Corporate Guarantees 187
8 - Goodwill and Intangible Assets 194
9 - Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings 196
10 - Commitments and Contingencies 198
11 - Shareholders' Equity 204
12 - Accumulated Other Comprehensive Income (Loss) 205
13 - Earnings Per Common Share 207
14 - Fair Value Measurements 208
15 - Fair Value Option 221
16 - Fair Value of Financial Instruments 223
17 - Mortgage Servicing Rights 225
18 - Business Segment Information 227

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 3
Executive Summary 4
Recent Events 5
Financial Highlights 8
Balance Sheet Overview 11
Supplemental Financial Data 15
Business Segment Operations 24
Consumer & Business Banking 26
Consumer Real Estate Services 29
Global Wealth & Investment Management 35
Global Banking 37
Global Markets 40
All Other 42
Off-Balance Sheet Arrangements and Contractual Obligations 44
Regulatory Matters 53
Managing Risk 54

Strategic Risk Management	54
Capital Management	54
Liquidity Risk	65
Credit Risk Management	72

Consumer Portfolio Credit Risk Management	73
Commercial Portfolio Credit Risk Management	93
Non-U.S. Portfolio	104
Provision for Credit Losses	108
Allowance for Credit Losses	108
Market Risk Management	113
Trading Risk Management	114
Interest Rate Risk Management for Nontrading Activities	119
Mortgage Banking Risk Management	123
Compliance Risk Management	124
Operational Risk Management	124
Complex Accounting Estimates	125
Glossary	128
Item 3. Quantitative and Qualitative Disclosures about Market Risk	131
Item 4. Controls and Procedures	131
Part II. Other Information	231
Item 1. Legal Proceedings	231
Item 1A. Risk Factors	231
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	231
Item 6. Exhibits	232
Signature	233
Index to Exhibits	234

Table of Contents

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 adjustment to its regulatory capital ratios, including, without limitation, that there can be no assurance as to the timing of completion of the third-party review, the results of that review or the Federal Reserve's review of the resubmitted Comprehensive Capital Analysis and Review, or as to the revised capital actions that will be approved by the Federal Reserve, if any; 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 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 and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation’s exposures to such risks, including direct, indirect and operational; 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 Dodd-Frank Wall Street Reform and Consumer Protection 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 cost savings in Legacy Assets & Servicing and the cost savings and other anticipated 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.

Table of Contents

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, expect to complete the merger on October 1, 2014. At March 31, 2014, the Corporation had approximately $2.1 trillion in assets and approximately 239,000 full-time equivalent employees.

As of March 31, 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 5,100 banking centers, 16,200 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.

First Quarter 2014 Economic and Business Environment

In the U.S., economic growth slowed significantly in the first quarter of 2014 following healthy growth in the second half of 2013. Severe winter weather restrained manufacturing, housing activity and retail spending. Employment gains remained moderate and steady, and the unemployment rate of 6.7 percent remained unchanged from year end. Core inflation also remained unchanged from year end at almost a full percentage point below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term target of two percent. Retail spending and manufacturing began to rebound late in the quarter, primarily driven by improved weather conditions.

With financial markets impacted by Russian-Ukrainian tensions, U.S. Treasury yields declined modestly over the quarter, while equity markets were essentially flat. During the first quarter of 2014, the Federal Reserve reduced, as previously announced, its securities purchases, bringing targeted monthly purchases to $55 billion in April. The Federal Reserve also indicated that it was likely to continue to reduce the pace of its purchases.

Internationally, Europe experienced sustained economic improvement in the first quarter of 2014, particularly in the U.K. where unemployment is down and job growth has been steady. Monetary policies in Japan led to accelerated economic expansion in the first quarter of 2014. China’s economy remained stable amid its latest set of reforms designed to address potential imbalances, including its housing market. However, growth rates in a number of emerging nations have decreased amid rising interest rates and uncertainty surrounding increased political unrest and potential international sanctions. For more information on our international exposure, see Non-U.S. Portfolio on page 104.

4

Table of Contents

Recent Events

Capital Management

On March 26, 2014, we announced that the Federal Reserve had informed us that it completed its 2014 Comprehensive Capital Analysis and Review (CCAR) and did not object to our 2014 capital plan, which included a request to repurchase up to $4.0 billion of common stock over four quarters and to increase the quarterly common stock dividend to $0.05 per share with both actions beginning in the second quarter of 2014. However, on April 28th, we announced the revision of certain regulatory capital amounts and ratios that were included in an April 16th announcement of our results for the first quarter of 2014 (earnings announcement). The April 28th announcement also refers to the suspension of our previously announced planned 2014 capital actions and stated that we will resubmit the Corporation’s capital plan pursuant to the 2014 CCAR to the Federal Reserve.
More specifically, with regard to the regulatory capital revisions, our earnings announcement included estimated preliminary Basel 3 capital amounts and ratios under the Standardized approach on both a transition and fully phased-in basis and under the Advanced approaches on a fully phased-in basis, as well as Basel 1 capital amounts and ratios for 2013. Subsequent to the earnings announcement, we discovered an incorrect adjustment being applied in the determination of regulatory capital related to the treatment of the fair value option adjustment for structured notes assumed in the Merrill Lynch & Co, Inc. acquisition in 2009, resulting in an overstatement of regulatory capital amounts and ratios. The Corporation's historical consolidated financial statements, including shareholders' equity, have been properly stated in accordance with accounting principles generally accepted in the United States of America (GAAP).

We are required to update and resubmit our 2014 CCAR submission by May 27th, unless that period is extended by the Federal Reserve. We must address the quantitative errors in our capital plan as part of the resubmission and will undertake a third-party review of our regulatory capital reporting. We expect any requested capital actions that may be included in our revised 2014 CCAR capital plan to be less than the capital actions announced on March 26th.
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 has approved certain capital actions, including continued payment of a quarterly common stock dividend of $0.01 per share, 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.
During the first quarter, pursuant to the share repurchase authorization announced in March 2013, we repurchased and retired 86.7 million common shares for an aggregate purchase price of approximately $1.4 billion. In April 2014, prior to the suspension of our 2014 CCAR capital plan, we repurchased and retired 14.4 million common shares for an aggregate purchase price of approximately $233 million.
See Capital Management on page 54 for additional information including the capital amounts and ratios for the three months ended March 31, 2014 and the revised ratios for 2013.

Regulatory and Governmental Investigations

We are subject to inquiries and investigations, and may be subject to 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 residential mortgage-backed securities (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 the matters. For more information, see Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K.

Recent Settlements

FHFA

On March 25, 2014, we entered into a settlement with the Federal Housing Finance Agency (FHFA) as conservator of Fannie Mae (FNMA) and Freddie Mac (FHLMC) to resolve (1) all outstanding RMBS litigation between FHFA, FNMA and FHLMC, and the Corporation and its affiliates, and (2) other legacy contract claims related to representations and warranties (collectively, the FHFA Settlement). In connection with the FHFA Settlement, on April 1, 2014, we paid FNMA and FHLMC, collectively, $9.5 billion and received from them RMBS with a fair market value of approximately $3.2 billion, for a net cost of $6.3 billion. The total costs associated with the FHFA Settlement were covered by previously established reserves and an additional charge of $3.7 billion recorded as of

Table of Contents

March 31, 2014. For additional information, including a description of the FHFA Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

FGIC

On April 7, 2014, we 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 The Bank of New York Mellon (BNY Mellon) as trustee with respect to seven of those trusts. 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 second-lien RMBS trusts for which FGIC provided financial guarantee insurance.

In addition to the seven trust settlements with BNY Mellon that have already been completed, two remaining trust settlements are subject to additional investor approval. The process is scheduled to be completed on or before May 27, 2014. We have made payments totaling $900 million under the FGIC and the completed trust settlements and will pay an additional $50 million if and when the remaining two trust settlements are completed. The total costs of the FGIC and trust settlements were covered by previously established reserves. For additional information, including a description of the settlements, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

CFPB and OCC

On April 9, 2014, we announced a settlement with the Consumer Financial Protection Bureau (CFPB) and the OCC to resolve issues related to the marketing and sale of credit card debt cancellation products and billing of identity theft protection products. Under the terms of the settlement, we paid, in April 2014, $45 million in civil monetary penalties and will provide approximately $738 million in refunds to affected consumers, a substantial amount of which has previously been refunded to consumers. The penalties and customer refund payments are covered by previously established reserves. In addition, we have agreed to certain enhancements in our vendor, third-party provider and risk management programs for certain products. For additional information, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

BNY Mellon

In the first quarter of 2014, the New York Supreme Court entered final 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. The court's January 31, 2014 decision, order and judgment remain subject to ongoing appeals, as well as two motions to reargue, and it is not possible at this time to predict the timing of appeals or when the court approval process will be completed. For additional information, including a description of the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Basel 3 Standardized and Advanced Approaches

The final Basel 3 rules became effective on January 1, 2014, and for 2014, we will report under Basel 3 under the Standardized approach on a transition basis. Various aspects of Basel 3 will be subject to multi-year transition periods through December 31, 2018 and Basel 3 generally continues to be subject to interpretation by the U.S. banking

regulators. Basel 3 materially changes Tier 1 and Total capital calculations and formally establishes a common equity tier 1 capital ratio. Basel 3 introduces new minimum capital ratios and buffer requirements and a supplementary leverage ratio; changes the composition of regulatory capital; revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework; expands and modifies the risk-sensitive calculation of risk-weighted assets for credit and market risk (the Advanced approaches); and introduces a Standardized approach for the calculation of risk-weighted assets. On April 8, 2014, U.S. banking regulators voted to adopt a final rule to modify the supplementary leverage ratio minimum requirements under Basel 3 effective in 2018. For additional information, see Capital Management – Regulatory Capital on page 56.

Series T Preferred Stock

In 2013, we entered into an agreement with Berkshire Hathaway, Inc. and its affiliates (Berkshire), who hold all the outstanding shares of the Corporation’s Series T Preferred Stock to amend the terms of the Series T Preferred Stock such that it will qualify as Tier 1 capital. If our stockholders approve the Series T Preferred Stock amendment at the annual meeting of stockholders to be held on May 7, 2014 and it becomes effective, our Tier 1 capital will increase by approximately $2.9 billion, which will benefit our Tier 1 capital and leverage ratios. For more information on the Series T Preferred Stock, see Capital Management – Regulatory Capital on page 56.

Table of Contents

Selected Financial Data

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

Table 1
Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended March 31 2014		2013	
Income statement				
Revenue, net of interest expense (FTE basis) [1]	$22,767		$23,408	
Net income (loss)	(276	)	1,483	
Diluted earnings (loss) per common share [2]	(0.05	)	0.10	
Dividends paid per common share	0.01		0.01	
Performance ratios				
Return on average assets	n/m		0.27	%
Return on average tangible shareholders' equity [1]	n/m		3.69	
Efficiency ratio (FTE basis) [1]	97.68	%	83.31	
Asset quality				
Allowance for loan and lease losses at period end	$16,618		$22,441	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [3]	1.84	%	2.49	%
Nonperforming loans, leases and foreclosed properties at period end [3]	$17,732		$22,842	
Net charge-offs [4]	1,388		2,517	
Annualized net charge-offs as a percentage of average loans and leases outstanding [3, 4]	0.62	%	1.14	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [3]	0.64		1.18	
Annualized net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [3]	0.79		1.52	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [4]	2.95		2.20	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the purchased credit-impaired loan portfolio	2.58		1.76	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and purchased credit-impaired write-offs	2.30		1.65	

	March 31 2014		December 31 2013	
Balance sheet				
Total loans and leases	$916,217		$928,233	
Total assets	2,149,851		2,102,273	
Total deposits	1,133,650		1,119,271	
Total common shareholders' equity	218,536		219,333	
Total shareholders' equity	231,888		232,685	
Capital ratios [5, 6]				
Common equity tier 1 capital	11.8	%	n/a	
Tier 1 common capital	n/a		10.9	%
Tier 1 capital	11.9		12.2	

Total capital	14.8	15.1
Tier 1 leverage	7.4	7.7

(1) 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 15.

(2) The diluted earnings (loss) per common share excludes the effect of any equity instruments that are antidilutive to earnings per share. There were no potential common shares that were dilutive for the three months ended March 31, 2014 because of the net loss.

(3) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 90 and corresponding Table 43, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 99 and corresponding Table 52.

(4) Net charge-offs exclude $391 million of write-offs in the purchased credit-impaired loan portfolio for the three months ended March 31, 2014 compared to $839 million for the same period 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 84.

(5) 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.

(6) Capital ratios for December 31, 2013 were adjusted as more fully described in Capital Management – CCAR and Capital Planning on page 55.

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

Table of Contents

Financial Highlights

The results for the three months ended March 31, 2014 were a net loss of $276 million, or $0.05 per diluted share compared to net income of $1.5 billion, or $0.10 per diluted share for the same period in 2013. Although the FHFA Settlement and the establishment of additional reserves primarily for legacy mortgage-related matters resulted in an increase of $3.8 billion in litigation expense compared to the same period 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 March 31	
(Dollars in millions)	2014	2013
Net interest income (FTE basis) [1]	$ 10,286	$ 10,875
Noninterest income	12,481	12,533
Total revenue, net of interest expense (FTE basis) [1]	22,767	23,408
Provision for credit losses	1,009	1,713
Noninterest expense	22,238	19,500
Income (loss) before income taxes	(480)	2,195
Income tax expense (benefit) (FTE basis) [1]	(204)	712
Net income (loss)	(276)	1,483
Preferred stock dividends	238	373
Net income (loss) applicable to common shareholders	$ (514)	$ 1,110
Per common share information		
Earnings (loss)	$ (0.05)	$ 0.10
Diluted earnings (loss)	(0.05)	0.10

(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 15.

Net Interest Income

Net interest income on a fully taxable-equivalent (FTE) basis decreased $589 million to $10.3 billion for the three months ended March 31, 2014 compared to the same period in 2013. The decrease was primarily due to lower yields on debt securities including the impact of market-related premium amortization expense, 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 seven basis points (bps) to 2.29 percent for the three months ended March 31, 2014 compared to the same period in 2013 due to the same factors as described above. Given the additional liquidity during the quarter, coupled with the average balance impact of seasonally lower consumer loan balances, we expect that net interest income in the second quarter of 2014 may be slightly lower compared to the level for the first quarter, excluding market-related adjustments, before increasing modestly throughout the second half of 2014.

Table of Contents

Noninterest Income

Table 3

Noninterest Income

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Card income	$1,393	$1,410
Service charges	1,826	1,799
Investment and brokerage services	3,269	3,027
Investment banking income	1,542	1,535
Equity investment income	784	563
Trading account profits	2,467	2,989
Mortgage banking income	412	1,263
Gains on sales of debt securities	377	68
Other income (loss)	412	(112)
Net impairment losses recognized in earnings on AFS debt securities	(1)	(9)
Total noninterest income	$12,481	$12,533

Noninterest income decreased $52 million to $12.5 billion for the three months ended March 31, 2014 compared to the same period in 2013. The following highlights the significant changes.

- Investment and brokerage services income increased $242 million primarily driven by higher market levels and the impact of long-term assets under management (AUM) inflows.

- Equity investment income increased $221 million primarily due to a gain on the sale of the remaining portion of an equity investment.

- Trading account profits decreased $522 million. Net debit valuation adjustment (DVA) losses on derivatives were $85 million for the three months ended March 31, 2014 compared to $55 million in the prior-year period. Excluding net DVA on derivatives, trading account profits decreased $492 million primarily due to decreases in our rates and currencies businesses driven by declines in market volumes and reduced volatility.

- Mortgage banking income decreased $851 million primarily driven by lower servicing income and core production revenue, partially offset by lower representations and warranties provision.

- Other income increased to $412 million from a loss of $112 million in the prior-year period. The increase was due to the write-down of a monoline receivable in the prior-year period and positive DVA on structured liabilities of $197 million compared to negative DVA of $90 million for the same period in 2013.

Provision for Credit Losses

The provision for credit losses decreased $704 million to $1.0 billion compared to the prior-year period. The provision for credit losses was $379 million lower than net charge-offs resulting in a reduction in the allowance for credit losses compared to a reduction of $804 million in the prior-year period. The reduction in provision was driven by portfolio improvement, including increased home prices in the consumer real estate 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 as the decline in net charge-offs was more than offset by increased reserves.

Net charge-offs totaled $1.4 billion, or 0.62 percent of average loans and leases for the three months ended March 31, 2014 compared to $2.5 billion, or 1.14 percent for the same period in 2013. The decrease in net charge-offs was due to credit quality improvement across nearly all major portfolios.

If the economy and our asset quality continue to improve, we anticipate moderate reductions in both the allowance for credit losses and net charge-offs in subsequent quarters in 2014. For more information on the provision for credit losses, see Provision for Credit Losses on page 108.

Table of Contents

Noninterest Expense

Table 4

Noninterest Expense

(Dollars in millions)	Three Months Ended March 31 2014	2013
Personnel	$9,749	$9,891
Occupancy	1,115	1,154
Equipment	546	550
Marketing	442	429
Professional fees	558	649
Amortization of intangibles	239	276
Data processing	833	812
Telecommunications	370	409
Other general operating	8,386	5,330
Total noninterest expense	$22,238	$19,500

Noninterest expense increased $2.7 billion to $22.2 billion for the three months ended March 31, 2014 compared to the same period in 2013 primarily driven by a $3.1 billion increase in other general operating expense. The increase in other general operating expense reflected a $3.8 billion increase in litigation expense to $6.0 billion as a result of the FHFA Settlement and the establishment of additional reserves primarily for legacy mortgage-related matters, partially offset by a decline in other operating expenses in Legacy Assets & Servicing. Personnel expense decreased $142 million as we continued to streamline processes and achieve cost savings. Noninterest expense also included $956 million of annual expense associated with retirement-eligible stock compensation for the three months ended March 31, 2014 compared to $893 million for the same period in 2013.

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. We are on track to achieve the quarterly savings by mid-2015.

Income Tax Expense

Table 5

Income Tax Expense (Benefit)

(Dollars in millions)	Three Months Ended March 31 2014	2013
Income (loss) before income taxes	$(681)	$1,984
Income tax expense (benefit)	(405)	501
Effective tax rate	(59.5)%	25.3%

The effective tax rate for the three months ended March 31, 2014 was primarily driven by our recurring tax preference items and by certain accruals estimated to be nondeductible, largely offset by discrete tax benefits, principally from the resolution of certain tax matters. The effective tax rate for the three months ended March 31, 2013 was primarily driven by our recurring tax preference items. We expect an effective tax rate of approximately 31 percent, absent any unusual items, for the remainder of 2014.

Table of Contents

Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	March 31 2014	December 31 2013	% Change	Average Balance Three Months Ended March 31 2014	2013	% Change
Assets						
Cash and cash equivalents	$151,645	$131,322	15 %	$140,828	$92,846	52 %
Federal funds sold and securities borrowed or purchased under agreements to resell	215,299	190,328	13	212,504	237,463	(11)
Trading account assets	195,949	200,993	(3)	203,836	239,964	(15)
Debt securities	340,696	323,945	5	329,711	356,399	(7)
Loans and leases	916,217	928,233	(1)	919,482	906,259	1
Allowance for loan and lease losses	(16,618)	(17,428)	(5)	(17,144)	(23,593)	(27)
All other assets	346,663	344,880	1	350,049	403,092	(13)
Total assets	$2,149,851	$2,102,273	2	$2,139,266	$2,212,430	(3)
Liabilities						
Deposits	$1,133,650	$1,119,271	1	$1,118,178	$1,075,280	4
Federal funds purchased and securities loaned or sold under agreements to repurchase	203,108	198,106	3	204,804	300,938	(32)
Trading account liabilities	89,076	83,469	7	90,448	92,047	(2)
Short-term borrowings	51,409	45,999	12	48,167	36,706	31
Long-term debt	254,785	249,674	2	253,678	273,999	(7)
All other liabilities	185,935	173,069	7	187,438	196,465	(5)
Total liabilities	1,917,963	1,869,588	3	1,902,713	1,975,435	(4)
Shareholders' equity	231,888	232,685	—	236,553	236,995	—
Total liabilities and shareholders' equity	$2,149,851	$2,102,273	2	$2,139,266	$2,212,430	(3)

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 March 31, 2014, total assets were approximately $2.1 trillion, up $47.6 billion from December 31, 2013. The key drivers were higher securities borrowed or purchased under agreements to resell to cover an increase in client short positions, 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, and higher debt securities driven by treasury purchases in the investment portfolio. These increases were partially offset by a decline in consumer loan balances due to paydowns and net charge-offs outpacing new originations and repurchases of certain consumer loans.

Average total assets decreased $73.2 billion for the three months ended March 31, 2014 compared to the same period in 2013. The decrease was driven by a decline in trading account assets due to a reduction in treasuries inventory, lower debt securities driven by paydowns, sales, and decreases in fair value of available-for-sale (AFS) debt securities, a decline in consumer loans due to run-off and paydowns outpacing originations, and a decline in securities borrowed or purchased under agreements to repurchase due to a lower matched-book. The decrease in average total assets was also driven by a decline in all other assets primarily due to decreases in customer and other receivables, derivative dealer assets, other earning assets and loans held-for-sale (LHFS). The decrease in average total assets was 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 lending driven by higher customer demand.

Table of Contents

Liabilities and Shareholders' Equity

At March 31, 2014, total liabilities were approximately $1.9 trillion, up $48.4 billion from December 31, 2013 primarily driven by an increase in deposits and higher all other liabilities primarily due to higher cash clearing balances and dealer payables. The increase in total liabilities was also driven by higher trading account liabilities, an increase in short-term borrowings due to increases in Federal Home Loan Bank (FHLB) advances and long-term debt, as well as higher securities loaned or sold under agreements to repurchase due to increased funding of trading inventory.

Average total liabilities decreased $72.7 billion for the three months ended March 31, 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 lower matched-book, lower funding inventory and planned reductions in long-term debt, partially offset by growth in deposits.

At March 31, 2014, shareholders' equity of $231.9 billion remained relatively unchanged from December 31, 2013 driven by common stock repurchases and a net loss, partially offset by an increase in the fair value of AFS debt securities, which is recorded in accumulated other comprehensive income (OCI).

Average shareholders' equity of $236.6 billion remained relatively unchanged for the three months ended March 31, 2014 compared to the same period in 2013 as net preferred stock redemptions, decreases in the fair value of AFS debt securities, which is recorded in accumulated OCI, and common stock repurchases were partially offset by earnings.

Table of Contents

Table 7
Selected Quarterly Financial Data

	2014 Quarter	2013 Quarters			
(In millions, except per share information)	First	Fourth	Third	Second	First
Income statement					
Net interest income	$10,085	$10,786	$10,266	$10,549	$10,664
Noninterest income	12,481	10,702	11,264	12,178	12,533
Total revenue, net of interest expense	22,566	21,488	21,530	22,727	23,197
Provision for credit losses	1,009	336	296	1,211	1,713
Noninterest expense	22,238	17,307	16,389	16,018	19,500
Income (loss) before income taxes	(681)	3,845	4,845	5,498	1,984
Income tax expense (benefit)	(405)	406	2,348	1,486	501
Net income (loss)	(276)	3,439	2,497	4,012	1,483
Net income (loss) applicable to common shareholders	(514)	3,183	2,218	3,571	1,110
Average common shares issued and outstanding	10,561	10,633	10,719	10,776	10,799
Average diluted common shares issued and outstanding (1)	10,561	11,404	11,482	11,525	11,155
Performance ratios					
Return on average assets	n/m	0.64 %	0.47 %	0.74 %	0.27 %
Four quarter trailing return on average assets (2)	0.45 %	0.53	0.40	0.30	0.23
Return on average common shareholders' equity	n/m	5.74	4.06	6.55	2.06
Return on average tangible common shareholders' equity (3)	n/m	8.61	6.15	9.88	3.12
Return on average tangible shareholders' equity (3)	n/m	8.53	6.32	9.98	3.69
Total ending equity to total ending assets	10.79	11.07	10.92	10.88	10.91
Total average equity to total average assets	11.06	10.93	10.85	10.76	10.71
Dividend payout	n/m	3.33	4.82	3.01	9.75
Per common share data					
Earnings (loss)	$(0.05)	$0.30	$0.21	$0.33	$0.10
Diluted earnings (loss) (1)	(0.05)	0.29	0.20	0.32	0.10
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.75	20.71	20.50	20.18	20.19
Tangible book value (3)	13.81	13.79	13.62	13.32	13.36
Market price per share of common stock					
Closing	$17.20	$15.57	$13.80	$12.86	$12.18
High closing	17.92	15.88	14.95	13.83	12.78
Low closing	16.10	13.69	12.83	11.44	11.03
Market capitalization	$181,117	$164,914	$147,429	$138,156	$131,817

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 15.

(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 73.

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

(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 90 and corresponding Table 43, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 99 and corresponding Table 52.

(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.

(8) Net charge-offs exclude $391 million, $741 million, $443 million, $313 million and $839 million of write-offs in the purchased credit-impaired loan portfolio in the first quarter of 2014 and in the fourth, third, second and first 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 84.

(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.

(10) Capital ratios for 2013 were adjusted as more fully described in Capital Management – CCAR and Capital Planning on page 55.

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

Table of Contents

Table 7
Selected Quarterly Financial Data (continued)

(Dollars in millions)	2014 Quarter First		2013 Quarters Fourth		Third		Second		First	
Average balance sheet										
Total loans and leases	$919,482		$929,777		$923,978		$914,234		$906,259	
Total assets	2,139,266		2,134,875		2,123,430		2,184,610		2,212,430	
Total deposits	1,118,178		1,112,674		1,090,611		1,079,956		1,075,280	
Long-term debt	253,678		251,055		258,717		270,198		273,999	
Common shareholders' equity	223,201		220,088		216,766		218,790		218,225	
Total shareholders' equity	236,553		233,415		230,392		235,063		236,995	
Asset quality [4]										
Allowance for credit losses [5]	$17,127		$17,912		$19,912		$21,709		$22,927	
Nonperforming loans, leases and foreclosed properties [6]	17,732		17,772		20,028		21,280		22,842	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [6]	1.84	%	1.90	%	2.10	%	2.33	%	2.49	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [6]	97		102		100		103		102	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [6]	85		87		84		84		82	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [7]	$7,143		$7,680		$8,972		$9,919		$10,690	
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]	55	%	57	%	54	%	55	%	53	%
Net charge-offs [8]	$1,388		$1,582		$1,687		$2,111		$2,517	
Annualized net charge-offs as a percentage of average loans and leases outstanding [6, 8]	0.62	%	0.68	%	0.73	%	0.94	%	1.14	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [6]	0.64		0.70		0.75		0.97		1.18	
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [6]	0.79		1.00		0.92		1.07		1.52	
Nonperforming loans and leases as a percentage of total loans and leases outstanding [6]	1.89		1.87		2.10		2.26		2.44	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [6]	1.96		1.93		2.17		2.33		2.53	

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [8]	2.95	2.78	2.90	2.51	2.20
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.58	2.38	2.42	2.04	1.76
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.30	1.89	2.30	2.18	1.65
Capital ratios at period end [9]					
Risk-based capital:					
Common equity tier 1 capital [10]	11.8 %	n/a	n/a	n/a	n/a
Tier 1 common capital [10]	n/a	10.9 %	10.8 %	10.6 %	10.3 %
Tier 1 capital [10]	11.9	12.2	12.1	11.9	12.0
Total capital [10]	14.8	15.1	15.1	15.0	15.3
Tier 1 leverage [10]	7.4	7.7	7.6	7.4	7.4
Tangible equity [3]	7.65	7.86	7.73	7.67	7.78
Tangible common equity [3]	7.00	7.20	7.08	6.98	6.88

For footnotes see page 13.

14

Table of Contents

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 all use return on average tangible shareholders' equity (ROTE) 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.

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

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

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

Table of Contents

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 24 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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

Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2014 Quarter	2013 Quarters			
(Dollars in millions)	First	Fourth	Third	Second	First
Fully taxable-equivalent basis data					
Net interest income	$10,286	$10,999	$10,479	$10,771	$10,875
Total revenue, net of interest expense	22,767	21,701	21,743	22,949	23,408
Net interest yield [1]	2.29 %	2.44 %	2.33 %	2.35 %	2.36 %
Efficiency ratio	97.68	79.75	75.38	69.80	83.31

(1) Beginning in the first quarter of 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.

Table of Contents

Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

(Dollars in millions)	2014 Quarter First	2013 Quarters Fourth	Third	Second	First
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,085	$10,786	$10,266	$10,549	$10,664
Fully taxable-equivalent adjustment	201	213	213	222	211
Net interest income on a fully taxable-equivalent basis	$10,286	$10,999	$10,479	$10,771	$10,875
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$22,566	$21,488	$21,530	$22,727	$23,197
Fully taxable-equivalent adjustment	201	213	213	222	211
Total revenue, net of interest expense on a fully taxable-equivalent basis	$22,767	$21,701	$21,743	$22,949	$23,408
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$(405)	$406	$2,348	$1,486	$501
Fully taxable-equivalent adjustment	201	213	213	222	211
Income tax expense (benefit) on a fully taxable-equivalent basis	$(204)	$619	$2,561	$1,708	$712
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$223,201	$220,088	$216,766	$218,790	$218,225
Goodwill	(69,842)	(69,864)	(69,903)	(69,930)	(69,945)
Intangible assets (excluding MSRs)	(5,474)	(5,725)	(5,993)	(6,270)	(6,549)
Related deferred tax liabilities	2,165	2,231	2,296	2,360	2,425
Tangible common shareholders' equity	$150,050	$146,730	$143,166	$144,950	$144,156
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$236,553	$233,415	$230,392	$235,063	$236,995
Goodwill	(69,842)	(69,864)	(69,903)	(69,930)	(69,945)
Intangible assets (excluding MSRs)	(5,474)	(5,725)	(5,993)	(6,270)	(6,549)
Related deferred tax liabilities	2,165	2,231	2,296	2,360	2,425
Tangible shareholders' equity	$163,402	$160,057	$156,792	$161,223	$162,926
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	$218,536	$219,333	$218,967	$216,791	$218,513
Goodwill	(69,842)	(69,844)	(69,891)	(69,930)	(69,930)
Intangible assets (excluding MSRs)	(5,337)	(5,574)	(5,843)	(6,104)	(6,379)
Related deferred tax liabilities	2,100	2,166	2,231	2,297	2,363
Tangible common shareholders' equity	$145,457	$146,081	$145,464	$143,054	$144,567

Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	$231,888	$232,685	$232,282	$231,032	$237,293
Goodwill	(69,842)	(69,844)	(69,891)	(69,930)	(69,930)
Intangible assets (excluding MSRs)	(5,337)	(5,574)	(5,843)	(6,104)	(6,379)
Related deferred tax liabilities	2,100	2,166	2,231	2,297	2,363
Tangible shareholders' equity	$158,809	$159,433	$158,779	$157,295	$163,347
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,149,851	$2,102,273	$2,126,653	$2,123,320	$2,174,819
Goodwill	(69,842)	(69,844)	(69,891)	(69,930)	(69,930)
Intangible assets (excluding MSRs)	(5,337)	(5,574)	(5,843)	(6,104)	(6,379)
Related deferred tax liabilities	2,100	2,166	2,231	2,297	2,363
Tangible assets	$2,076,772	$2,029,021	$2,053,150	$2,049,583	$2,100,873

Table of Contents

Table 9
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures [1]

(Dollars in millions)	Three Months Ended March 31 2014	2013
Consumer & Business Banking		
Reported net income	$1,658	$1,448
Adjustment related to intangibles [2]	1	2
Adjusted net income	$1,659	$1,450
Average allocated equity [3]	$61,483	$62,084
Adjustment related to goodwill and a percentage of intangibles	(31,983)	(32,084)
Average allocated capital	$29,500	$30,000
Deposits		
Reported net income	$620	$397
Adjustment related to intangibles [2]	—	—
Adjusted net income	$620	$397
Average allocated equity [3]	$36,490	$35,407
Adjustment related to goodwill and a percentage of intangibles	(19,990)	(20,007)
Average allocated capital	$16,500	$15,400
Consumer Lending		
Reported net income	$1,038	$1,051
Adjustment related to intangibles [2]	1	2
Adjusted net income	$1,039	$1,053
Average allocated equity [3]	$24,993	$26,676
Adjustment related to goodwill and a percentage of intangibles	(11,993)	(12,076)
Average allocated capital	$13,000	$14,600
Global Wealth & Investment Management		
Reported net income	$729	$721
Adjustment related to intangibles [2]	3	4
Adjusted net income	$732	$725
Average allocated equity [3]	$22,243	$20,323
Adjustment related to goodwill and a percentage of intangibles	(10,243)	(10,323)
Average allocated capital	$12,000	$10,000
Global Banking		
Reported net income	$1,236	$1,281
Adjustment related to intangibles [2]	—	1
Adjusted net income	$1,236	$1,282
Average allocated equity [3]	$53,407	$45,406
Adjustment related to goodwill and a percentage of intangibles	(22,407)	(22,406)

Average allocated capital	$31,000	$23,000
Global Markets		
Reported net income	$1,310	$1,112
Adjustment related to intangibles [2]	2	2
Adjusted net income	$1,312	$1,114
Average allocated equity [3]	$39,377	$35,372
Adjustment related to goodwill and a percentage of intangibles	(5,377)	(5,372)
Average allocated capital	$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.

[3] Average allocated equity is comprised of average allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 24 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

Table of Contents

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 40, 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 10 provides additional clarity in assessing our results.

Table 10
Net Interest Income Excluding Trading-related Net Interest Income

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Net interest income (FTE basis)		
As reported	$10,286	$10,875
Impact of trading-related net interest income	(903)	(1,010)
Net interest income excluding trading-related net interest income [1]	$9,383	$9,865
Average earning assets [2]		
As reported	$1,803,298	$1,857,894
Impact of trading-related earning assets	(442,732)	(497,730)
Average earning assets excluding trading-related earning assets [1]	$1,360,566	$1,360,164
Net interest yield contribution (FTE basis) [2, 3]		
As reported	2.29 %	2.36 %
Impact of trading-related activities	0.48	0.56
Net interest yield on earning assets excluding trading-related activities [1]	2.77 %	2.92 %

(1) Represents a non-GAAP financial measure.

(2) Beginning in the first quarter of 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 months ended March 31, 2014, net interest income excluding trading-related net interest income decreased $482 million to $9.4 billion compared to the same period in 2013. The decrease was primarily due to lower yields on debt securities including the impact of market-related premium amortization expense, 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 impacts of interest rates, see Interest Rate Risk Management for Nontrading Activities on page 119.

Average earning assets excluding trading-related earning assets increased slightly to $1,360.6 billion compared to the same period in 2013. The net change was primarily driven by increases in interest-bearing deposits with the Federal Reserve and commercial loans, largely offset by declines in debt securities, consumer loans and other earning assets.

For the three months ended March 31, 2014, net interest yield on earning assets excluding trading-related activities decreased 15 bps to 2.77 percent compared to the same period in 2013 due to the same factors as described above.

Table of Contents

Table 11
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	First Quarter 2014			Fourth Quarter 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)]	$112,570	$72	0.26 %	$90,196	$59	0.26 %
Time deposits placed and other short-term investments	13,880	49	1.43	15,782	48	1.21
Federal funds sold and securities borrowed or purchased under agreements to resell	212,504	265	0.51	203,415	304	0.59
Trading account assets	147,583	1,213	3.32	156,194	1,182	3.01
Debt securities [(2)]	329,711	2,005	2.41	325,119	2,455	3.02
Loans and leases [(3)]:						
Residential mortgage [(4)]	247,556	2,240	3.62	253,974	2,374	3.74
Home equity	92,759	851	3.71	95,388	953	3.97
U.S. credit card	89,545	2,092	9.48	90,057	2,125	9.36
Non-U.S. credit card	11,554	308	10.79	11,171	310	11.01
Direct/Indirect consumer [(5)]	81,728	530	2.63	82,990	565	2.70
Other consumer [(6)]	1,962	18	3.66	1,929	17	3.73
Total consumer	525,104	6,039	4.64	535,509	6,344	4.72
U.S. commercial	228,058	1,651	2.93	225,596	1,700	2.99
Commercial real estate [(7)]	48,753	368	3.06	46,341	374	3.20
Commercial lease financing	24,727	234	3.78	24,468	206	3.37
Non-U.S. commercial	92,840	543	2.37	97,863	544	2.20
Total commercial	394,378	2,796	2.87	394,268	2,824	2.84
Total loans and leases	919,482	8,835	3.88	929,777	9,168	3.92
Other earning assets	67,568	697	4.18	78,214	709	3.61
Total earning assets [(8)]	1,803,298	13,136	2.93	1,798,697	13,925	3.08
Cash and due from banks [(1)]	28,258			35,063		
Other assets, less allowance for loan and lease losses	307,710			301,115		
Total assets	$2,139,266			$2,134,875		

(1) Beginning in the first quarter of 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.

(2) Beginning in the first quarter of 2014, yields on debt securities carried at fair value are calculated on the cost basis. Prior to the first quarter of 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.

(3) 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.

(4) Includes non-U.S. residential mortgage loans of $0 in the first quarter of 2014, and $56 million, $83 million, $86 million and $90 million in the fourth, third, second and first quarters of 2013, respectively.

(5) Includes non-U.S. consumer loans of $4.6 billion in the first quarter of 2014, and $5.1 billion, $6.7 billion, $7.5 billion and $7.7 billion in the fourth, third, second and first quarters of 2013, respectively.

(6)

Includes consumer finance loans of $1.2 billion in the first quarter of 2014, and $1.2 billion, $1.3 billion, $1.3 billion and $1.4 billion in the fourth, third, second and first quarters of 2013, respectively; consumer leases of $656 million in the first quarter of 2014, and $549 million, $431 million, $291 million and $138 million in the fourth, third, second and first quarters of 2013, respectively; consumer overdrafts of $140 million in the first quarter of 2014, and $163 million, $172 million, $136 million and $142 million in the fourth, third, second and first quarters of 2013, respectively; and other non-U.S. consumer loans of $5 million in the first quarter of 2014, and $5 million for each of the quarters of 2013.

(7) Includes U.S. commercial real estate loans of $47.0 billion in the first quarter of 2014, and $44.5 billion, $41.5 billion, $39.1 billion and $37.7 billion in the fourth, third, second and first quarters of 2013, respectively; and non-U.S. commercial real estate loans of $1.8 billion in the first quarter of 2014, and $1.8 billion, $1.7 billion, $1.5 billion and $1.5 billion in the fourth, third, second and first quarters of 2013, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $5 million in the first quarter of 2014, and $0, $1 million, $63 million and $141 million in the fourth, third, second and first quarters of 2013, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $592 million in the first quarter of 2014, and $588 million, $556 million, $660 million and $618 million in the fourth, third, second and first quarters of 2013, respectively. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 119.

Table of Contents

Table 11
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Third Quarter 2013			Second Quarter 2013			First Quarter 2013		
(Dollars in millions)	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]	$78,360	$50	0.26 %	$64,205	$40	0.25 %	$57,108	$33	0.23 %
Time deposits placed and other short-term investments	17,256	47	1.07	15,088	46	1.21	16,129	46	1.17
Federal funds sold and securities borrowed or purchased under agreements to resell	223,434	291	0.52	233,394	319	0.55	237,463	315	0.54
Trading account assets	144,502	1,093	3.01	181,620	1,224	2.70	194,364	1,380	2.87
Debt securities [2]	327,493	2,211	2.70	343,260	2,557	2.98	356,399	2,556	2.87
Loans and leases [3]:									
Residential mortgage [4]	256,297	2,359	3.68	257,275	2,246	3.49	258,630	2,340	3.62
Home equity	98,172	930	3.77	101,708	951	3.74	105,939	997	3.80
U.S. credit card	90,005	2,226	9.81	89,722	2,192	9.80	91,712	2,249	9.95
Non-U.S. credit card	10,633	317	11.81	10,613	315	11.93	11,027	329	12.10
Direct/Indirect consumer [5]	83,773	587	2.78	82,485	598	2.90	82,364	620	3.06
Other consumer [6]	1,876	19	3.88	1,756	17	4.17	1,666	19	4.36
Total consumer	540,756	6,438	4.74	543,559	6,319	4.66	551,338	6,554	4.79
U.S. commercial	221,542	1,704	3.05	217,464	1,741	3.21	210,706	1,666	3.20
Commercial real estate [7]	43,164	352	3.24	40,612	340	3.36	39,179	326	3.38
Commercial lease financing	23,860	204	3.41	23,579	205	3.48	23,534	236	4.01
Non-U.S. commercial	94,656	528	2.22	89,020	543	2.45	81,502	467	2.32
Total commercial	383,222	2,788	2.89	370,675	2,829	3.06	354,921	2,695	3.07
Total loans and leases	923,978	9,226	3.97	914,234	9,148	4.01	906,259	9,249	4.12
Other earning assets	74,022	677	3.62	81,740	713	3.50	90,172	733	3.29
Total earning assets [8]	1,789,045	13,595	3.02	1,833,541	14,047	3.07	1,857,894	14,312	3.11
Cash and due from banks [1]	34,704			40,281			35,738		
Other assets, less allowance for loan and lease losses	299,681			310,788			318,798		
Total assets	$2,123,430			$2,184,610			$2,212,430		

For footnotes see page 20.

Table of Contents

Table 11
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	First Quarter 2014				Fourth Quarter 2013			
	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$45,196	$1	0.01	%	$43,665	$5	0.05	%
NOW and money market deposit accounts	523,237	83	0.06		514,220	89	0.07	
Consumer CDs and IRAs	71,141	84	0.48		74,635	96	0.51	
Negotiable CDs, public funds and other deposits	29,826	27	0.37		29,060	29	0.39	
Total U.S. interest-bearing deposits	669,400	195	0.12		661,580	219	0.13	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	11,058	20	0.74		13,902	22	0.62	
Governments and official institutions	1,857	1	0.14		1,750	1	0.18	
Time, savings and other	60,519	75	0.50		58,513	72	0.49	
Total non-U.S. interest-bearing deposits	73,434	96	0.53		74,165	95	0.51	
Total interest-bearing deposits	742,834	291	0.16		735,745	314	0.17	
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	252,971	609	0.98		271,538	682	1.00	
Trading account liabilities	90,448	435	1.95		82,393	364	1.75	
Long-term debt	253,678	1,515	2.41		251,055	1,566	2.48	
Total interest-bearing liabilities [8]	1,339,931	2,850	0.86		1,340,731	2,926	0.87	
Noninterest-bearing sources:								
Noninterest-bearing deposits	375,344				376,929			
Other liabilities	187,438				183,800			
Shareholders' equity	236,553				233,415			
Total liabilities and shareholders' equity	$2,139,266				$2,134,875			
Net interest spread			2.07	%			2.21	%
Impact of noninterest-bearing sources			0.22				0.23	
Net interest income/yield on earning assets		$10,286	2.29	%		$10,999	2.44	%

For footnotes see page 20.

Table of Contents

Table 11
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Third Quarter 2013			Second Quarter 2013			First Quarter 2013		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$43,968	$5	0.05 %	$44,897	$6	0.05 %	$42,934	$6	0.05 %
NOW and money market deposit accounts	508,136	100	0.08	500,628	107	0.09	501,177	117	0.09
Consumer CDs and IRAs	78,161	113	0.57	81,887	127	0.63	85,109	135	0.64
Negotiable CDs, public funds and other deposits	27,108	28	0.41	25,835	30	0.45	24,147	29	0.50
Total U.S. interest-bearing deposits	657,373	246	0.15	653,247	270	0.17	653,367	287	0.18
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	12,797	17	0.54	10,840	20	0.72	12,163	21	0.71
Governments and official institutions	1,580	1	0.19	1,528	—	0.19	1,546	1	0.17
Time, savings and other	54,899	70	0.51	55,049	76	0.55	53,944	73	0.55
Total non-U.S. interest-bearing deposits	69,276	88	0.50	67,417	96	0.57	67,653	95	0.57
Total interest-bearing deposits	726,649	334	0.18	720,664	366	0.20	721,020	382	0.22
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	279,425	683	0.97	318,028	809	1.02	337,644	749	0.90
Trading account liabilities	84,648	375	1.76	94,349	427	1.82	92,047	472	2.08
Long-term debt	258,717	1,724	2.65	270,198	1,674	2.48	273,999	1,834	2.70
Total interest-bearing liabilities (8)	1,349,439	3,116	0.92	1,403,239	3,276	0.94	1,424,710	3,437	0.98
Noninterest-bearing sources:									
Noninterest-bearing deposits	363,962			359,292			354,260		
Other liabilities	179,637			187,016			196,465		
Shareholders' equity	230,392			235,063			236,995		
	$2,123,430			$2,184,610			$2,212,430		

Total liabilities and shareholders' equity						
Net interest spread		2.10 %		2.13 %		2.13 %
Impact of noninterest-bearing sources		0.23		0.22		0.23
Net interest income/yield on earning assets	$10,479	2.33 %	$10,771	2.35 %	$10,875	2.36 %

For footnotes see page 20.

Table of Contents

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 15. Table 12 provides selected summary financial data for our business segments and All Other for the three months ended March 31, 2014 compared to the same period in 2013. For additional detailed information on these results, see the business segment and All Other discussions which follow.

Table 12
Business Segment Results

	Three Months Ended March 31							
	Total Revenue [1]		Provision for Credit Losses		Noninterest Expense		Net Income (Loss)	
(Dollars in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Consumer & Business Banking	$7,438	$7,412	$812	$952	$3,975	$4,155	$1,658	$1,448
Consumer Real Estate Services	1,192	2,312	25	335	8,129	5,405	(5,027)	(2,156)
Global Wealth & Investment Management	4,547	4,421	23	22	3,359	3,252	729	721
Global Banking	4,269	4,030	265	149	2,028	1,842	1,236	1,281
Global Markets	5,015	4,780	19	5	3,078	3,074	1,310	1,112
All Other	306	453	(135)	250	1,669	1,772	(182)	(923)
Total FTE basis	22,767	23,408	1,009	1,713	22,238	19,500	(276)	1,483
FTE adjustment	(201)	(211)	—	—	—	—	—	—
Total Consolidated	$22,566	$23,197	$1,009	$1,713	$22,238	$19,500	$(276)	$1,483

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 15.

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.

Table of Contents

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 54. 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 the first quarter of 2014, we adjusted the amount of capital being allocated to our business segments. This change resulted in a reduction of unallocated capital, which is reflected 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.

Table of Contents

Consumer & Business Banking

	Three Months Ended March 31						
	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2014	2013	2014	2013	2014	2013	% Change
Net interest income (FTE basis)	$2,544	$ 2,387	$2,407	$ 2,626	$4,951	$ 5,013	(1)%
Noninterest income:							
Card income	16	15	1,146	1,192	1,162	1,207	(4)
Service charges	1,045	1,013	—	—	1,045	1,013	3
All other income	115	102	165	77	280	179	56
Total noninterest income	1,176	1,130	1,311	1,269	2,487	2,399	4
Total revenue, net of interest expense (FTE basis)	3,720	3,517	3,718	3,895	7,438	7,412	—
Provision for credit losses	80	63	732	889	812	952	(15)
Noninterest expense	2,648	2,822	1,327	1,333	3,975	4,155	(4)
Income before income taxes	992	632	1,659	1,673	2,651	2,305	15
Income tax expense (FTE basis)	372	235	621	622	993	857	16
Net income	$620	$ 397	$1,038	$ 1,051	$1,658	$ 1,448	15
Net interest yield (FTE basis)	1.91 %	1.91 %	6.95 %	7.41 %	3.63 %	3.89 %	
Return on average allocated capital	15.24	10.46	32.41	29.25	22.81	19.61	
Efficiency ratio (FTE basis)	71.22	80.26	35.69	34.23	53.46	56.07	

Balance Sheet

	Three Months Ended March 31						
Average	2014	2013	2014	2013	2014	2013	% Change
Total loans and leases	$22,518	$ 22,616	$139,524	$ 143,229	$162,042	$ 165,845	(2)%
Total earning assets [1]	539,404	506,715	140,407	143,671	553,490	523,313	6
Total assets [1]	572,148	539,507	149,722	152,224	595,549	564,658	5
Total deposits	533,831	502,063	n/m	n/m	534,576	502,508	6
Allocated capital	16,500	15,400	13,000	14,600	29,500	30,000	(2)
Period end	March 31 2014	December 31 2013	March 31 2014	December 31 2013	March 31 2014	December 31 2013	% Change
Total loans and leases	$22,504	$ 22,574	$137,612	$ 142,516	$160,116	$ 165,090	(3)%
Total earning assets [1]	556,997	535,131	138,774	143,917	571,081	550,795	4
Total assets [1]	589,705	568,022	148,229	153,394	613,244	593,163	3
Total deposits	551,427	530,947	n/m	n/m	552,256	531,707	4

(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

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 5,100 banking centers, 16,200 ATMs, nationwide call centers, and online and mobile platforms.

CBB Results

Net income for CBB increased $210 million to $1.7 billion in the three months ended March 31, 2014 compared to the same period in 2013 primarily driven by a decline in noninterest expense and lower provision for credit losses while revenue remained relatively unchanged. Net interest income decreased $62 million to $5.0 billion due to lower average loan balances and card yields, partially offset by higher deposit balances. Noninterest income increased $88 million to $2.5 billion primarily due to a portfolio divestiture gain and higher deposit service charges.

The provision for credit losses decreased $140 million to $812 million primarily as a result of continued improvement in credit quality, due in part to lower delinquencies. Noninterest expense decreased $180 million to $4.0 billion primarily driven by lower expenses, including Federal Deposit Insurance Corporation (FDIC) and personnel costs.

Table of Contents

The return on average allocated capital was 22.81 percent, up from 19.61 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 24.

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 35.

Net income for Deposits increased $223 million to $620 million in the three months ended March 31, 2014 compared to the same period in 2013 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 $157 million to $2.5 billion primarily driven by the impact of higher deposit balances. Noninterest income increased $46 million to $1.2 billion primarily due to higher deposit service charges.

The provision for credit losses increased $17 million to $80 million as credit quality stabilized. Noninterest expense decreased $174 million to $2.6 billion due to lower expenses, including FDIC and personnel costs.

Average deposits increased $31.8 billion to $533.8 billion driven by a customer shift to more liquid products in the low rate environment. Additionally, $11.8 billion of the increase in average deposits was due to net transfers from other businesses, largely GWIM. Growth in checking, traditional savings and money market savings of $40.7 billion was partially offset by a decline in time deposits of $8.9 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by six bps to seven bps.

Key Statistics

	Three Months Ended March 31			
	2014		2013	
Total deposit spreads (excludes noninterest costs)	1.56	%	1.52	%

Period end		
Client brokerage assets (in millions)	$100,206	$82,616
Online banking active accounts (units in thousands)	30,470	30,102
Mobile banking active accounts (units in thousands)	14,986	12,641
Banking centers	5,095	5,389
ATMs	16,214	16,311

Client brokerage assets increased $17.6 billion driven by increased account flows and market valuations. Mobile banking customers increased 2.3 million reflecting continuing changes in our customers' banking preferences. The number of banking centers declined 294 and ATMs declined 97 as we continue to optimize our consumer banking network and improve our cost-to-serve.

Table of Contents

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. For more information on the migration of customer balances to or from GWIM, see GWIM on page 35.

On July 31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve's rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act's (Financial Reform Act) Durbin Amendment. The ruling required the Federal Reserve to reconsider the current $0.21 per transaction cap on debit card interchange fees. On March 21, 2014, the U.S. Court of Appeals for the D.C. Circuit overturned the ruling, leaving the Federal Reserve’s rule intact. For additional information, see Regulatory Matters on page 53.

Net income for Consumer Lending of $1.0 billion remained relatively unchanged in the three months ended March 31, 2014 compared to the same period in 2013 as lower revenue was offset by lower provision for credit losses. Net interest income decreased $219 million to $2.4 billion driven by the impact of lower average loan balances and card yields. Noninterest income increased $42 million to $1.3 billion driven by a portfolio divestiture gain.

The provision for credit losses decreased $157 million to $732 million due to continued improvement in credit quality, due in part to lower delinquencies. Noninterest expense of $1.3 billion remained relatively unchanged.

Average loans decreased $3.7 billion to $139.5 billion primarily driven by the net migration of credit card loan balances to GWIM described above, continued run-off of non-core portfolios and a portfolio divestiture, partially offset by increased consumer auto loans.

Key Statistics

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Total U.S. credit card [(1)]		
Gross interest yield	9.48 %	9.95 %
Risk-adjusted margin	9.49	8.51
New accounts (in thousands)	1,027	906
Purchase volumes	$48,863	$46,632
Debit card purchase volumes	$65,890	$64,635

(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 months ended March 31, 2014, the total U.S. credit card risk-adjusted margin increased 98 bps compared to the same period in 2013 due to an improvement in credit quality and a portfolio divestiture gain. Total U.S. credit card purchase volumes increased $2.2 billion, or five percent, to $48.9 billion and debit card purchase volumes increased $1.3 billion, or two percent, to $65.9 billion, reflecting higher levels of consumer spending.

Table of Contents

Consumer Real Estate Services

	Three Months Ended March 31						
	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)	$324	$ 347	$377	$ 396	$701	$ 743	(6)%
Noninterest income:							
Mortgage banking income	178	697	291	790	469	1,487	(68)
All other income (loss)	4	(64)	18	146	22	82	(73)
Total noninterest income	182	633	309	936	491	1,569	(69)
Total revenue, net of interest expense (FTE basis)	506	980	686	1,332	1,192	2,312	(48)
Provision for credit losses	13	92	12	243	25	335	(93)
Noninterest expense	715	821	7,414	4,584	8,129	5,405	50
Income (loss) before income taxes	(222)	67	(6,740)	(3,495)	(6,962)	(3,428)	103
Income tax expense (benefit) (FTE basis)	(83)	25	(1,852)	(1,297)	(1,935)	(1,272)	52
Net income (loss)	$(139)	$ 42	$(4,888)	$ (2,198)	$(5,027)	$ (2,156)	133
Net interest yield (FTE basis)	2.47 %	2.62 %	3.82 %	3.09 %	3.05 %	2.85 %	
Efficiency ratio (FTE basis)	n/m	83.78	n/m	n/m	n/m	n/m	

Balance Sheet

	Three Months Ended March 31						
Average	2014	2013	2014	2013	2014	2013	% Change
Total loans and leases	$50,810	$ 47,228	$38,104	$ 45,735	$88,914	$ 92,963	(4)%
Total earning assets	53,264	53,746	40,026	51,969	93,290	105,715	(12)
Total assets	53,164	54,507	57,400	73,833	110,564	128,340	(14)
Allocated capital	6,000	6,000	17,000	18,000	23,000	24,000	(4)
Period end	March 31 2014	December 31 2013	March 31 2014	December 31 2013	March 31 2014	December 31 2013	% Change
Total loans and leases	$50,954	$ 51,021	$37,401	$ 38,732	$88,355	$ 89,753	(2)%
Total earning assets	53,796	54,071	39,141	43,092	92,937	97,163	(4)
Total assets	53,658	53,927	58,606	59,459	112,264	113,386	(1)

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 31. 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 customers and their related loan balances between GWIM and CRES.

Table of Contents

CRES Results

The net loss for CRES increased $2.9 billion to $5.0 billion in the three months ended March 31, 2014 compared to the same period in 2013 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 $1.0 billion due to both lower servicing income and lower core production revenue. The provision for credit losses decreased $310 million to $25 million primarily driven by continued improvement in portfolio trends including increased home prices. Noninterest expense increased $2.7 billion primarily due to a $3.8 billion increase in litigation expense as a result of the FHFA Settlement and the establishment of additional reserves primarily for legacy mortgage-related matters, partially offset by lower operating expenses in Legacy Assets & Servicing.

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 2,900 mortgage loan officers, including over 1,600 banking center mortgage loan officers covering nearly 2,500 banking centers, and an 800-person centralized sales force based in five call centers.

Net income for Home Loans decreased $181 million to a loss of $139 million in the three months ended March 31, 2014 compared to the same period in 2013 driven by a decrease in noninterest income, partially offset by a decrease in noninterest expense and lower provision for credit losses. Noninterest income decreased $451 million due to lower mortgage banking income primarily 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 $79 million primarily driven by continued improvement in portfolio trends including increased home prices. Noninterest expense decreased $106 million primarily due to lower personnel expenses resulting from lower loan originations.

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 27 percent and 37 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at March 31, 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.

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.

The net loss for Legacy Assets & Servicing increased $2.7 billion to $4.9 billion in the three months ended March 31, 2014 compared to the same period in 2013 driven by an increase of $3.8 billion in litigation expense to $5.8 billion with the increase related to the FHFA Settlement and the establishment of additional reserves primarily for legacy mortgage-related matters, and lower noninterest income. Noninterest income decreased $627 million driven by a decline in servicing revenues due to a smaller servicing portfolio and less favorable MSR net-of-hedge performance. The provision for credit losses decreased $231 million to $12 million primarily due to continued improvement in portfolio trends including increased home prices.

Noninterest expense increased $2.8 billion due to the $3.8 billion increase in litigation expense as described 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 $1.0 billion to $1.6 billion compared to the same period in 2013. We expect that quarterly noninterest expense in Legacy Assets & Servicing, excluding litigation costs, will be approximately $1.1 billion by the fourth quarter of 2014.

Table of Contents

Legacy Portfolios

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

Legacy Owned Portfolio

The Legacy Owned Portfolio includes those loans that met the criteria as described above and are on the balance sheet of the Corporation. 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 $5.0 billion during the three months ended March 31, 2014 to $107.1 billion, of which $37.4 billion was 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, 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 37 percent of the total residential mortgage serviced portfolio of $693 billion and $1.1 trillion as measured by unpaid principal balance at March 31, 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]

	March 31	
(Dollars in billions)	2014	2013
Unpaid principal balance		
Residential mortgage loans		
Total	$189	$395
60 days or more past due	42	121
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	1,022	2,062
60 days or more past due	216	557

(1) Excludes $37 billion and $48 billion of home equity loans and HELOCs at March 31, 2014 and 2013.

Table of Contents

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 63 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at March 31, 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]

	March 31	
(Dollars in billions)	2014	2013
Unpaid principal balance		
Residential mortgage loans		
Total	$504	$687
60 days or more past due	11	20
Number of loans serviced (in thousands)		
Residential mortgage loans		
Total	3,196	4,378
60 days or more past due	61	111

(1) Excludes $50 billion and $55 billion of home equity loans and HELOCs at March 31, 2014 and 2013.

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.

Table of Contents

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Production income:		
Core production revenue	$273	$815
Representations and warranties provision	(178)	(250)
Total production income	95	565
Servicing income:		
Servicing fees	514	916
Amortization of expected cash flows [1]	(210)	(314)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	66	311
Other servicing-related revenue	4	9
Total net servicing income	374	922
Total CRES mortgage banking income	469	1,487
Eliminations [3]	(57)	(224)
Total consolidated mortgage banking income	$412	$1,263

(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.

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 $72 million to $178 million in the three months ended March 31, 2014 compared to the same period in 2013 primarily due to lower government-sponsored enterprises (GSE) exposure.

Net servicing income decreased $548 million driven by lower servicing fees due to a smaller servicing portfolio and less favorable MSR net-of-hedge performance. The decline in the size of our servicing portfolio was driven by strategic sales of MSRs as well as loan prepayment activity, which exceeded new originations primarily due to our exit from non-retail channels.

Key Statistics

	Three Months Ended March 31	
(Dollars in millions, except as noted)	2014	2013
Loan production [1]		
Total [2]:		
First mortgage	$8,850	$23,920
Home equity	1,983	1,118
CRES:		
First mortgage	$6,702	$19,269
Home equity	1,791	942
Period end	March 31 2014	December 31 2013
Mortgage serviced portfolio (in billions) [1, 3]	$780	$810

Mortgage loans serviced for investors (in billions) [(1)]	527		550	
Mortgage servicing rights:				
Balance [(4)]	4,577		5,042	
Capitalized mortgage servicing rights (% of loans serviced for investors)	87	bps	92	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) Does not include $188 million of certain non-U.S. residential mortgage MSR balances, which 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 $12.6 billion, or 65 percent, to $6.7 billion for the three months ended March 31, 2014, and for the total Corporation, decreased $15.1 billion, or 63 percent, to $8.9 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. Our volume of mortgage applications decreased 50 percent during the three months ended March 31, 2014 compared to the same period in 2013, primarily due to a decline in the estimated overall demand for mortgages.

During the three months ended March 31, 2014, 66 percent of our first mortgage production volume was for refinance originations and 34 percent was for purchase originations compared to 91 percent and nine percent for the same period in 2013. Home Affordable Refinance Program (HARP) refinance originations were nine percent of all refinance originations as compared to 29 percent for the same period in 2013. Making Home Affordable non-HARP refinance originations were 22 percent of all refinance originations as compared to 19 percent for the same period in 2013. The remaining 69 percent of refinance originations was conventional refinances as compared to 52 percent for the same period in 2013.

Home equity production for the total Corporation was $2.0 billion for the three months ended March 31, 2014 compared to $1.1 billion for the same period 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.

Mortgage Servicing Rights

At March 31, 2014, the balance of consumer MSRs managed within CRES, which excludes $188 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was $4.6 billion, which represented 87 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 $465 million in the three months ended March 31, 2014 primarily driven by a decrease in value due to lower mortgage rates, 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 51. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Table of Contents

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended March 31 2014	2013	% Change
Net interest income (FTE basis)	$1,485	$1,596	(7)%
Noninterest income:			
Investment and brokerage services	2,604	2,331	12
All other income	458	494	(7)
Total noninterest income	3,062	2,825	8
Total revenue, net of interest expense (FTE basis)	4,547	4,421	3
Provision for credit losses	23	22	5
Noninterest expense	3,359	3,252	3
Income before income taxes	1,165	1,147	2
Income tax expense (FTE basis)	436	426	2
Net income	$729	$721	1
Net interest yield (FTE basis)	2.38 %	2.46 %	
Return on average allocated capital	24.74	29.41	
Efficiency ratio (FTE basis)	73.88	73.56	

Balance Sheet

Average	Three Months Ended March 31 2014	2013	% Change
Total loans and leases	$115,945	$106,082	9 %
Total earning assets	253,537	263,554	(4)
Total assets	273,080	282,300	(3)
Total deposits	242,792	253,413	(4)
Allocated capital	12,000	10,000	20

Period end	March 31 2014	December 31 2013	% Change
Total loans and leases	$116,482	$115,846	1 %
Total earning assets	254,801	254,031	—
Total assets	274,234	274,112	—
Total deposits	244,051	244,901	—

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

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

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

Net income increased $8 million to $729 million driven by higher revenue, mostly offset by higher noninterest expense. Revenue increased $126 million to $4.5 billion primarily driven by higher noninterest income related to improved market valuations and long-term AUM flows, partially offset by lower net interest income. The provision for credit losses remained relatively unchanged. Noninterest expense increased $107 million to $3.4 billion primarily due to higher revenue-related expenses as well as increased volume-related expenses and additional investments in technology to support the business, partially offset by lower litigation expenses.

Table of Contents

Revenue from MLGWM was $3.8 billion, up two percent, driven by the same factors previously described. Revenue from U.S. Trust was $768 million, up seven percent, driven by an increase in asset management fees related to higher market levels and long-term AUM inflows, as well as higher net interest income.

Return on average allocated capital was 24.7 percent, down from 29.4 percent reflecting earnings stability coupled with increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 24.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their related deposit and loan balances to or from CBB, 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

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Total deposits, net – GWIM from / (to) CBB	$1,144	$(18,548)
Total loans, net – GWIM from / (to) CBB, CRES and the ALM portfolio	(1)	(29)

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)	March 31 2014	December 31 2013
Assets under management	$841,818	$821,449
Brokerage assets	1,054,052	1,045,122
Assets in custody	136,342	136,190
Deposits	244,051	244,901
Loans and leases [1]	119,556	118,776
Total client balances	$2,395,819	$2,366,438

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

The increase of $29.4 billion, or one percent, in client balances was driven by higher market levels and long-term AUM inflows of $17.4 billion.

Table of Contents

Global Banking

	Three Months Ended March 31		
(Dollars in millions)	2014	2013	% Change
Net interest income (FTE basis)	$2,301	$2,159	7 %
Noninterest income:			
Service charges	687	686	—
Investment banking fees	822	790	4
All other income	459	395	16
Total noninterest income	1,968	1,871	5
Total revenue, net of interest expense (FTE basis)	4,269	4,030	6
Provision for credit losses	265	149	78
Noninterest expense	2,028	1,842	10
Income before income taxes	1,976	2,039	(3)
Income tax expense (FTE basis)	740	758	(2)
Net income	$1,236	$1,281	(4)
Net interest yield (FTE basis)	2.68 %	3.18 %	
Return on average allocated capital	16.18	22.59	
Efficiency ratio (FTE basis)	47.50	45.70	

Balance Sheet

	Three Months Ended March 31		
Average	2014	2013	% Change
Total loans and leases	$271,475	$244,068	11 %
Total earning assets	347,843	275,186	26
Total assets	392,991	317,198	24
Total deposits	256,349	221,275	16
Allocated capital	31,000	23,000	35

Period end	March 31 2014	December 31 2013	% Change
Total loans and leases	$273,239	$269,469	1 %
Total earning assets	354,150	336,538	5
Total assets	396,952	378,590	5
Total deposits	257,437	265,102	(3)

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.

Net income for Global Banking decreased $45 million to $1.2 billion for the three months ended March 31, 2014 compared to the same period in 2013 primarily driven by higher noninterest expense and an increase in the provision for credit losses, partially offset by higher revenue. Revenue increased $239 million to $4.3 billion driven by higher net interest income from loan growth.

Table of Contents

The provision for credit losses increased $116 million to $265 million. Noninterest expense increased $186 million to $2.0 billion primarily from technology investments in our Global Treasury Services and lending platforms, additional client-facing personnel and higher litigation expense.

Return on average allocated capital was 16.2 percent, down from 22.6 percent reflecting earnings stability offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 24.

Global Corporate and Global Commercial Banking

Global Corporate and Global Commercial Banking each include Business Lending and 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 Treasury 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 excludes certain capital markets activity in Global Banking.

Global Corporate and Global Commercial Banking

	Three Months Ended March 31					
	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	2014	2013	2014	2013	2014	2013
Revenue						
Business Lending	$904	$851	$1,009	$946	$1,913	$1,797
Global Treasury Services	740	666	735	718	1,475	1,384
Total revenue, net of interest expense	$1,644	$1,517	$1,744	$1,664	$3,388	$3,181
Balance Sheet						
Average						
Total loans and leases	$131,209	$118,757	$140,258	$125,299	$271,467	$244,056
Total deposits	140,460	119,191	115,891	102,044	256,351	221,235
Period end						
Total loans and leases	$131,522	$123,709	$141,708	$127,276	$273,230	$250,985
Total deposits	143,707	127,146	113,732	100,187	257,439	227,333

Global Corporate and Global Commercial Banking revenue increased $207 million for the three months ended March 31, 2014 compared to the same period in 2013 due to higher revenue in both Business Lending and Global Treasury Services.

Business Lending revenue in Global Corporate Banking and Global Commercial Banking increased $53 million and $63 million for the three months ended March 31, 2014 compared to the same period in 2013 due to higher net interest income from loan growth.

Global Treasury Services revenue in Global Corporate Banking and Global Commercial Banking increased $74 million and $17 million for the three months ended March 31, 2014 compared to the same period in 2013 driven by the impact of growth in U.S. and non-U.S. deposit balances and higher transaction services revenues, partially offset by the impact of the low rate environment.

Average loans and leases in Global Corporate and Global Commercial Banking increased 11 percent for the three months ended March 31, 2014 compared to the same period in 2013 driven by growth in the commercial and industrial, and commercial real estate portfolios. Average deposits in Global Corporate and Global Commercial Banking increased 16 percent for the three months ended March 31, 2014 compared to the same period in 2013 due to client liquidity, international growth and new client acquisitions.

Table of Contents

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 contribution by and involvement of 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 March 31			
	Global Banking		Total Corporation	
(Dollars in millions)	2014	2013	2014	2013
Products				
Advisory	$257	$233	$286	$257
Debt issuance	447	429	1,025	1,022
Equity issuance	118	128	313	323
Gross investment banking fees	822	790	1,624	1,602
Self-led	(35)	(28)	(82)	(67)
Total investment banking fees	$787	$762	$1,542	$1,535

Total Corporation investment banking fees of $1.5 billion, excluding self-led deals, included within Global Banking and Global Markets, remained relatively unchanged for the three months ended March 31, 2014 compared to the same period in 2013 as strong investment-grade underwriting and advisory fees were offset by lower underwriting fees for other debt products.

Table of Contents

Global Markets

	Three Months Ended March 31		
(Dollars in millions)	2014	2013	% Change
Net interest income (FTE basis)	$1,000	$1,110	(10)%
Noninterest income:			
Investment and brokerage services	561	528	6
Investment banking fees	736	679	8
Trading account profits	2,367	2,890	(18)
All other income (loss)	351	(427)	n/m
Total noninterest income	4,015	3,670	9
Total revenue, net of interest expense (FTE basis)	5,015	4,780	5
Provision for credit losses	19	5	n/m
Noninterest expense	3,078	3,074	—
Income before income taxes	1,918	1,701	13
Income tax expense (FTE basis)	608	589	3
Net income	$1,310	$1,112	18
Return on average allocated capital	15.65%	15.06%	
Efficiency ratio (FTE basis)	61.38	64.30	

Balance Sheet

	Three Months Ended March 31		
Average	2014	2013	% Change
Total trading-related assets [(1)]	$437,128	$504,266	(13)%
Total loans and leases	63,696	52,744	21
Total earning assets [(1)]	456,911	509,694	(10)
Total assets	601,541	670,286	(10)
Allocated capital	34,000	30,000	13
Period end	March 31 2014	December 31 2013	% Change
Total trading-related assets [(1)]	$430,894	$411,080	5%
Total loans and leases	64,598	67,381	(4)
Total earning assets [(1)]	455,135	432,821	5
Total assets	594,936	575,710	3

(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 39. During the first quarter of 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

Table of Contents

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

Net income for Global Markets increased $198 million to $1.3 billion for the three months ended March 31, 2014 compared to the same period in 2013. Excluding net DVA, net income increased $37 million to $1.2 billion primarily driven by a stronger performance in credit and equities, partially offset by declines in our rates and currencies businesses. In the three months ended March 31, 2014, net DVA gains were $112 million compared to losses of $145 million in the same period in 2013. Noninterest expense of $3.1 billion remained relatively unchanged.

Average earning assets decreased $52.8 billion to $456.9 billion largely driven by a lower matched-book and lower trading securities.

The return on allocated capital, excluding DVA, was 14.81 percent down from 16.29 percent, reflecting stable net income combined with an increase in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 24.

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 March 31	
(Dollars in millions)	2014	2013
Sales and trading revenue		
Fixed income, currencies and commodities	$3,030	$2,852
Equities	1,185	1,153
Total sales and trading revenue	$4,215	$4,005
Sales and trading revenue, excluding net DVA [3]		
Fixed income, currencies and commodities	$2,950	$3,001
Equities	1,153	1,149
Total sales and trading revenue, excluding net DVA	$4,103	$4,150

(1) Includes FTE adjustments of $37 million and $44 million for the three months ended March 31, 2014 and 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 $85 million and $67 million for the three months ended March 31, 2014 and 2013.

(3) For this presentation, sales and trading revenue excludes the impact of net DVA, which represents a non-GAAP financial measure. Net DVA gains of $80 million and losses of $149 million were included in FICC revenue for

the three months ended March 31, 2014 and 2013. Net DVA gains of $32 million and $4 million were included in equities revenue for the three months ended March 31, 2014 and 2013.

Fixed-income, currency and commodities (FICC) revenue, including net DVA, increased $178 million to $3.0 billion for the three months ended March 31, 2014 compared to the same period in 2013. Excluding net DVA, FICC revenue decreased $51 million to $3.0 billion as rates and currencies declined on lower market volumes and reduced volatility, partially offset by sustained strength in credit markets. Also, the prior-year period included a $450 million write-down of a monoline receivable related to the settlement of a legacy matter in the FICC business. Equities revenue, including net DVA, increased $32 million to $1.2 billion. Excluding net DVA, equities revenue of $1.2 billion remained relatively unchanged. Sales and trading revenue included total commissions and brokerage fee revenue of $561 million for the three months ended March 31, 2014 compared to $528 million for the same period in 2013, substantially all from equities, with the increase due to a higher market share.

Table of Contents

All Other

(Dollars in millions)	Three Months Ended March 31 2014	2013	% Change
Net interest income (FTE basis)	$(152)	$254	n/m
Noninterest income:			
Card income	86	85	1 %
Equity investment income	674	520	30
Gains on sales of debt securities	357	67	n/m
All other loss	(659)	(473)	39
Total noninterest income	458	199	130
Total revenue, net of interest expense (FTE basis)	306	453	(32)
Provision for credit losses	(135)	250	n/m
Noninterest expense	1,669	1,772	(6)
Loss before income taxes	(1,228)	(1,569)	(22)
Income tax benefit (FTE basis)	(1,046)	(646)	62
Net loss	$(182)	$(923)	(80)

Balance Sheet

Average	Three Months Ended March 31 2014	2013	% Change
Loans and leases:			
Residential mortgage	$193,991	$215,200	(10)%
Non-U.S. credit card	11,554	11,027	5
Other	11,865	18,330	(35)
Total loans and leases	217,410	244,557	(11)
Total assets [(1)]	165,541	249,648	(34)
Total deposits	34,152	35,550	(4)

Period end	March 31 2014	December 31 2013	% Change
Loans and leases:			
Residential mortgage	$190,543	$197,061	(3)%
Non-U.S. credit card	11,563	11,541	—
Other	11,321	12,092	(6)
Total loans and leases	213,427	220,694	(3)
Total assets [(1)]	158,221	167,312	(5)
Total deposits	32,403	27,701	17

(1) 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 $585.2 billion and $526.1 billion for the three months ended March 31, 2014 and 2013, and $609.2 billion and $569.8 billion at March 31, 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 119. Equity investments include Global Principal Investments (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.

Table of Contents

During the first quarter of 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.

The net loss for All Other decreased $741 million to $182 million in the three months ended March 31, 2014 compared to the same period in 2013 primarily due to a $385 million improvement in the provision for credit losses, an increase of $290 million in gains on sales of debt securities and an increase in equity investment income of $154 million.

The provision for credit losses improved $385 million to a benefit of $135 million in the three months ended March 31, 2014 compared to the same period in 2013 primarily driven by continued improvement in residential mortgage portfolio trends including increased home prices.

Noninterest expense decreased $103 million to $1.7 billion primarily due to lower personnel expense and litigation expense. The income tax benefit was $1.0 billion compared to a benefit of $646 million for the same period in 2013. The increase was primarily driven by the resolution of certain tax matters and recurring tax preference items.

Equity Investment Activity

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

Equity Investments

(Dollars in millions)	March 31 2014	December 31 2013
Global Principal Investments	$1,302	$1,604
Strategic and other investments	816	807
Total equity investments included in All Other	$2,118	$2,411

Equity Investment Income

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Global Principal Investments	$(28)	$104
Strategic and other investments	702	416
Total equity investment income included in All Other	674	520
Total equity investment income included in the business segments	110	43
Total consolidated equity investment income	$784	$563

Equity investments included in All Other decreased $293 million to $2.1 billion at March 31, 2014 compared to December 31, 2013, with the decrease due to sales in the GPI portfolio. GPI had unfunded equity commitments of $68 million at March 31, 2014 compared to $127 million at December 31, 2013.

Equity investment income included in All Other was $674 million in the three months ended March 31, 2014, an increase of $154 million from the same period in 2013. The increase in the three months ended March 31, 2014 was primarily due to a gain of $684 million on the sale of the remaining portion of an equity investment, partially offset by lower GPI results. Total Corporation equity investment income was $784 million in the three months ended March 31,

2014, an increase of $221 million from the same period in 2013, due to the same factors. We expect quarterly All Other equity investment income to be lower for the remainder of 2014.

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 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 (HUD) with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance 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, or agreements for 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 (the BNY Mellon Settlement), as trustee (the Trustee) for certain Countrywide Financial Corporation (Countrywide) private-label securitization 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 to FNMA and 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 governmental actions. 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.

Table of Contents

BNY Mellon Settlement

The 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 will include 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. The court's January 31, 2014 decision, order and judgment remain subject to ongoing appeals, as well as two motions to reargue, and it is not possible at this time to predict the timetable for appeals or 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.

FHFA Settlement

On March 25, 2014, we entered into a settlement with FHFA as conservator of FNMA and FHLMC to resolve (1) all outstanding RMBS litigation between FHFA, FNMA and FHLMC, and the Corporation and its affiliates, and (2) other legacy contract claims related to representations and warranties (collectively, the FHFA Settlement). For additional information, including a description of the FHFA Settlement, see Executive Summary – Recent Events on page 5, Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

FGIC Settlement

On April 7, 2014, the Corporation entered into a settlement with 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. 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 second-lien RMBS trusts for which FGIC provided financial guarantee insurance. For additional information, including a description of the settlements, see Executive Summary – Recent Events on page 5, Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

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 and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

45

Table of Contents

Unresolved Repurchase Claims

Repurchase claims received from a counterparty are considered unresolved repurchase claims until the underlying loan is repurchased, the claim is rescinded by the counterparty or the claim is otherwise settled. 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, mortgage insurance (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 13 presents unresolved repurchase claims by counterparty at March 31, 2014 and December 31, 2013.

Table 13
Unresolved Repurchase Claims by Counterparty (1)

(Dollars in millions)	March 31 2014	December 31 2013
Private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and other (2, 3, 4)	$18,604	$17,953
Monolines (5)	1,536	1,532
GSEs	124	170
Total unresolved repurchase claims (3)	$20,264	$19,655

(1) At March 31, 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 $13.5 billion and $13.8 billion of claims based on individual file reviews and $5.1 billion and $4.1 billion of claims submitted without individual file reviews at March 31, 2014 and December 31, 2013.

(4) At March 31, 2014, unresolved repurchase claims have been reduced by $387 million of claims resolved in connection with the FHFA Settlement.

(5) At March 31, 2014, $450 million of monoline repurchase claims outstanding as a result of the FGIC Settlement were resolved in April 2014. Substantially all of the remaining unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation.

During the three months ended March 31, 2014, we received $1.3 billion in new repurchase claims, including $1.1 billion submitted by private-label securitization trustees and a financial guarantee provider, $153 million submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs and $30 million submitted by whole-loan investors. During the three months ended March 31, 2014, $726 million in claims were resolved, including $387 million related to the FHFA Settlement. Of the remaining claims that were resolved, $162 million were resolved through rescissions and $177 million were resolved through mortgage repurchases and make-whole payments, primarily with the GSEs.

The increase in the notional amount of unresolved repurchase claims during the three months ended March 31, 2014 is primarily due to continued submission of claims by private-label securitization trustees; the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claims resolution; and 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 for us to respond to the 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 $20.3 billion at March 31, 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 March 31, 2014 and December 31, 2013, comprised of $952 million of demands received during 2012 and $273 million of demands related to trusts covered by the BNY Mellon Settlement. We do not believe that the demands outstanding at March 31, 2014 are valid repurchase claims and, therefore, it is not possible to predict the resolution with respect to such demands.

Of the $1.5 billion of monoline repurchase claims outstanding at March 31, 2014, $450 million were resolved as a result of the FGIC Settlement in April 2014. Substantially all of the remaining unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation.

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 50.

At March 31, 2014 and December 31, 2013, the liability for representations and warranties was $13.4 billion and $13.3 billion. For the three months ended March 31, 2014, the representations and warranties provision was $178 million compared to $250 million for the same period in 2013. The provision for the three months ended March 31, 2014 included $103 million related to the FHFA Settlement and $75 million primarily for our remaining GSE exposures.

Our estimated liability at March 31, 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, 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 March 31, 2014, of the $14.0 billion, approximately $11.2 billion in principal has been paid, $948 million in principal has defaulted or was severely delinquent, and the notional amount of unresolved repurchase claims submitted by the GSEs was $89 million related to these vintages.

Table of Contents

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), of which $557 billion in principal has been paid, $194 billion in principal has defaulted, $51 billion in principal was severely delinquent, and $163 billion in principal was current or less than 180 days past due at March 31, 2014.

Table 14 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 March 31, 2014.

Table 14
Overview of Non-Agency Securitization and Whole-Loan Balances

	Principal Balance		Defaulted or Severely Delinquent						
(Dollars in billions)	Original Principal Balance	Outstanding Principal Balance March 31 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	168	41	146	187	24	45	44	74
Merrill Lynch	67	14	3	16	19	3	4	3	9
First Franklin	82	15	4	25	29	5	6	5	13
Total [1, 2]	$965	$214	$51	$194	$245	$33	$57	$54	$101
By Product									
Prime	$302	$64	$8	$26	$34	$2	$6	$7	$19
Alt-A	172	49	11	39	50	7	12	12	19
Pay option	150	36	12	43	55	5	13	15	22
Subprime	247	53	17	67	84	17	20	16	31
Home equity	88	11	—	18	18	2	5	4	7
Other	6	1	3	1	4	—	1	—	3
Total	$965	$214	$51	$194	$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 have been, and continue to be, 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 March 31, 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 March 31, 2014.

Table of Contents

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, included in Table 14, were originated between 2004 and 2008, of which $452.7 billion have been paid in full and $191.7 billion were defaulted or severely delinquent at March 31, 2014. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans. We have received approximately $27.0 billion of representations and warranties repurchase claims related to these vintages, including $18.0 billion from private-label securitization trustees and a financial guarantee provider, $8.2 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 the six years prior to the initiation of the lawsuit. Unless overturned by New York's highest appellate court, 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 we have received or may receive involve representations and warranties claims where the statute of limitations has expired and has not been tolled by agreement, and which we therefore believe would be untimely. The Corporation believes this ruling may lead to an increase in requests for tolling agreements as well as an increase in the pace of representations and warranties claims and/or the filing of lawsuits by private-label securitization trustees prior to the expiration of the statute of limitations, although we did not see such increases in the three months ended March 31, 2014.

We have resolved $8.5 billion of the $27.0 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 $3.4 billion of these claims were resolved through repurchase or indemnification, $4.8 billion were rescinded by the investor and $333 million were resolved through the FHFA Settlement. At March 31, 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 $18.5 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, 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 March 31, 2014 included possible losses related to these whole-loan sales and private-label securitizations sponsored by third-party whole-loan investors.

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 14. At March 31, 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 $1.5 billion. The FGIC Settlement resolved $450 million of these claims pertaining to the second-lien RMBS trusts for which FGIC provided financial guarantee insurance. The second-lien mortgages in the covered RMBS trusts had an original principal balance of $13.0 billion and an unpaid principal balance of $4.5 billion at the time of the settlement.

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 months ended March 31, 2014, there was minimal loan-level repurchase claim activity with the 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 101,000 open MI rescission notices at both March 31, 2014 and December 31, 2013. Open MI rescission notices at March 31, 2014 included 38,000 pertaining principally to first-lien mortgages serviced for others, 10,000 pertaining to loans held-for-investment (HFI) and 53,000 pertaining to ongoing litigation for second-lien mortgages.

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 billion over existing accruals at March 31, 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.

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, 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 and, for more information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties, see Complex Accounting Estimates – Representations and Warranties on page 127.

Table of Contents

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

We entered into the 2011 OCC Consent Order on April 13, 2011. This consent order required servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes, adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan, and implementation of enhanced controls over third-party vendors that provide default servicing support services.

On January 7, 2013, we and other mortgage servicing institutions entered into an agreement in principle with the OCC and the Federal Reserve to cease the Independent Foreclosure Review (IFR) that had commenced pursuant to consent orders entered into by Bank of America with the Federal Reserve (2011 FRB Consent Order) and the 2011 OCC Consent Order entered into between BANA and the OCC, and replaced it with an accelerated remediation process (2013 IFR Acceleration Agreement). The 2013 IFR Acceleration Agreement required us to provide $1.8 billion of borrower assistance in the form of loan modifications and other foreclosure prevention actions, and in addition, we made a cash payment of $1.1 billion into a qualified settlement fund in 2013. The borrower assistance program is not expected to result in any incremental credit provision, as we believe that the existing allowance for credit losses is adequate to absorb any costs that have not already been recorded as charge-offs. Although we believe we have complied with the consent orders, our compliance remains subject to regulatory review.

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. The National Mortgage Settlement was approved by a federal court in April 2012. The National Mortgage Settlement provided for certain cash payments and borrower assistance obligations and established certain uniform servicing standards. Our compliance with these standards is subject to ongoing review and

certification by an independent monitor. The independent monitor confirmed in March 2014 that we have fulfilled all national crediting obligations with respect to borrower assistance, rate reduction modification and principal reduction commitments and, therefore, we will not be required to make additional cash payments based on the failure to satisfy these crediting obligations. Subject to confirmation by the independent monitor, we also believe we have satisfied our principal reduction solicitation requirements and our commitments made to several states in connection with the National Mortgage Settlement to perform certain minimum levels of principal reduction and related activities in such states.

The National Mortgage Settlement does not cover certain claims arising out of origination, securitization (including representations made to investors with respect to RMBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration Systems, Inc. (MERS), or claims by the GSEs (including repurchase demands), among other items.

Mortgage Electronic Registration Systems, Inc.

For information on MERS, 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.

Table of Contents

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 we anticipate that this decline will continue 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.

Other areas of our operations are also impacted by foreclosure delays. In the three months ended March 31, 2014, we recorded $62 million of mortgage-related assessments, waivers and similar costs related to foreclosure delays compared to $199 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 the matters. For additional information, 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.

Table of Contents

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.

Regulatory Matters

Debit Interchange Fees

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Financial Reform Act’s Durbin Amendment effective on October 1, 2011 which, among other things, established a regulatory cap for many types of debit interchange transactions to equal no more than $0.21 plus five bps of the value of the transaction. The Federal Reserve also adopted a rule to allow a debit card issuer to recover $0.01 per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements, with which we are currently in compliance. On July 31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve’s rules implementing the Durbin Amendment. The ruling requires the Federal Reserve to reconsider the $0.21 per transaction cap on debit card interchange fees. However, on March 21, 2014, the U.S. Court of Appeals for the D.C. Circuit overturned the ruling, leaving the Federal Reserve’s rule intact. It is not yet clear whether the merchant plaintiffs will pursue additional legal challenges to the Federal Reserve’s implementation of the Durbin Amendment.

For more information on other significant regulatory matters, see Capital Management – Regulatory Capital on page 56, Note 10 – Commitments and Contingencies to the Consolidated Financial Statements herein, Regulatory Matters on page 59 of the MD&A 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.

Managing Risk

Overview

Risk is inherent in every material business activity that we undertake. Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risks. We must manage these risks to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings.

We take a comprehensive approach to risk management. We have a defined risk framework and articulated risk appetite which are approved annually by the Board. Risk management planning is integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities. For a more detailed discussion of our risk management activities, see pages 61 through 117 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

Strategic Risk Management

Strategic risk is embedded in every business and is one of the major risk categories along with credit, market, liquidity, compliance, operational and reputational risks. It is the risk that results from incorrect assumptions, unsuitable business plans, ineffective strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic and competitive environments, customer preferences, and technology developments in the geographic locations in which we operate.

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

For more information on our Strategic Risk Management activities, see page 65 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

Capital Management

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

We set goals for capital ratios to meet key stakeholder expectations, including investors, rating agencies and regulators, and to achieve our financial performance objectives and strategic goals, while maintaining adequate capital, including during periods of stress. We assess capital adequacy to operate in a safe and sound manner and maintain adequate capital in relation to the risks associated with our business activities and strategy.

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

Table of Contents

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 54. The capital allocated to the business segments is referred to as allocated capital, which represents a non-GAAP financial measure. 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 the first quarter of 2014, we adjusted the amount of capital being allocated to our business segments. For more information on the refined methodology, see Business Segment Operations on page 24.

CCAR and Capital Planning

The Federal Reserve requires BHCs to submit a capital plan and requests for capital actions on an annual basis, consistent with the rules governing the Comprehensive Capital Analysis and Review (CCAR) capital plan. The CCAR capital plan is the central element of the Federal Reserve’s approach to ensure that large BHCs have adequate capital and robust processes for managing their capital. As of March 31, 2014, in connection with the 2013 CCAR capital plan, we have repurchased and retired approximately 318 million common shares for an aggregate purchase price of approximately $4.7 billion and we have redeemed $5.5 billion of preferred stock consisting of Series H and 8.

In January 2014, we submitted our 2014 CCAR capital plan and received results on March 26, 2014. Based on the information in our January 2014 submission, the Federal Reserve advised us that it did not object to our 2014 capital actions. On April 28th, we announced changes to the capital and capital ratios (as further discussed below), included in our April 16th earnings announcement (earnings announcement), suspension of the aforementioned 2014 capital actions, and announced that we will resubmit the Corporation’s capital plan pursuant to the 2014 CCAR to the Federal Reserve.

Our earnings announcement included estimated preliminary Basel 3 capital amounts and ratios under the Standardized approach on both a transition and fully phased-in basis and under the Advanced approaches on a fully phased-in basis, as well as Basel 1 capital amounts and ratios for 2013. Subsequent to the earnings announcement, we discovered an incorrect adjustment being applied in the determination of regulatory capital related to the treatment of the fair value option adjustment for structured notes assumed in the Merrill Lynch & Co, Inc. acquisition in 2009, resulting in an overstatement of regulatory capital amounts and ratios. The Corporation's historical consolidated financial statements, including shareholders' equity, have been properly stated in accordance with accounting principles generally accepted in the United States of America (GAAP).

With regard to the regulatory capital revision, the determination of regulatory capital requires that a BHC adjust GAAP capital for the unrealized cumulative change in the fair value of all financial liabilities accounted for under the fair value option that is included in retained earnings and is attributable to changes in the bank holding company’s own creditworthiness. As such, we correctly adjusted for the aforementioned cumulative unrealized change on structured notes accounted for under the fair value option, but incorrectly adjusted for cumulative realized losses on Merrill Lynch issued structured notes that had matured or which we redeemed subsequent to the date of the Merrill Lynch acquisition.

Upon finalizing the regulatory capital amounts and ratios for the first quarter of 2014, we identified this incorrect adjustment and revised our estimate of the calculation of regulatory capital and related ratios resulting in decreases to the estimated preliminary capital amounts and ratios that were included in the earnings announcement. For the first quarter of 2014, our Basel 3 Standardized – Transition common equity tier 1 capital decreased $720 million to $150.9

billion, Tier 1 capital decreased $2.7 billion to $152.9 billion, Total capital decreased $2.7 billion to $190.1 billion and Tier 1 leverage decreased $2.7 billion to $152.9 billion, respectively, from amounts included in the earnings announcement. The associated ratios decreased from those included in the earnings announcement by five bps to 11.8 percent, 21 bps to 11.9 percent, 21 bps to 14.8 percent and 12 bps to 7.4 percent, respectively. Our estimated common equity tier 1 capital under both the Basel 3 Standardized and Advanced approaches, on a fully phased-in basis, decreased $4.0 billion to $130.1 billion from amounts included in the earnings announcement. The associated ratios decreased from those included in the earnings announcement by 27 bps to 9.0 percent and 29 bps to 9.6 percent, respectively. Capital amounts and ratios for the fourth quarter of 2013 were also adjusted. See Table 16 for the capital amounts and ratios at March 31, 2014 and the revised capital amounts and ratios at December 31, 2013. The Corporation's estimated supplementary leverage ratio on a fully phased-in basis as of March 31, 2014 is approximately five percent.

Table of Contents

We are required to update and resubmit our 2014 CCAR submission by May 27th, unless that period is extended by the Federal Reserve. We must address the quantitative errors in our capital plan as part of the resubmission and will undertake a third-party review of our regulatory capital reporting. We expect any requested capital actions that may be included in our revised 2014 CCAR capital plan to be less than the capital actions announced on March 26th.
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 has approved certain capital actions, including continued payment of a quarterly common stock dividend of $0.01 per share, 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 aforementioned 2014 CCAR capital plan, we repurchased and retired 14.4 million common shares for an aggregate purchase price of approximately $233 million pursuant to the $4.0 billion common stock repurchase authorization announced March 26th.
For more information on these and other regulatory requirements, see Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

Regulatory Capital

As a financial services holding company, we are subject to regulatory capital rules issued by federal banking regulators. Through December 31, 2013, we were subject to the Basel 1 general risk-based capital rules which included new measures of market risk including a charge related to stressed Value-at-Risk (VaR), an incremental risk charge and the comprehensive risk measure (CRM), as well as other technical modifications to Basel 1 (the Basel 1 – 2013 Rules). On January 1, 2014, we became subject to the Basel 3 rules, which include certain transition provisions through 2018. Basel 3 generally continues to be subject to interpretation by U.S. banking regulators. The Corporation and its primary affiliated banking entities, BANA and FIA, meet the definition of an advanced approaches bank and measure regulatory capital adequacy based on the Basel 3 rules. For more information on the regulatory capital amounts and calculations, see Basel 3 below.

Basel 3

Basel 3 materially changes Tier 1 and Total capital calculations and formally establishes a common equity tier 1 capital ratio. Basel 3 introduces new minimum capital ratios and buffer requirements and a supplementary leverage ratio; changes the composition of regulatory capital; revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework; expands and modifies the risk-sensitive calculation of risk-weighted assets for credit and market risk (the Advanced approaches); and introduces a Standardized approach for the calculation of risk-weighted assets. For more information on the supplementary leverage ratio, see Capital Management – Other Regulatory Capital Matters on page 62.

As an advanced approaches bank, under Basel 3, we are required to calculate regulatory capital ratios and risk-weighted assets under both the Standardized approach and, upon notification of approval by U.S. banking regulators, the Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy including under the Prompt Corrective Action framework. Prior to receipt of notification of approval, we are required to assess our capital adequacy under the Standardized approach only. The Prompt Corrective Action framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for "well-capitalized" banking entities. On January 1, 2015, common equity tier 1 capital will be included in the "well-capitalized" category.

Under the Basel 3 transition provisions in effect through December 31, 2014, the Standardized approach uses risk-weighted assets as measured under the Basel 1 – 2013 Rules in the determination of the Basel 3 Standardized approach capital ratios (Basel 3 Standardized – Transition). For more information on how risk-weighted assets are measured under the Basel 1 – 2013 Rules, see Capital Management – Regulatory Capital on page 65 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K. Effective January 1, 2015, the Prompt Corrective Action framework is amended to reflect the new capital requirements under Basel 3.

Regulatory Capital Composition – Transition

Important differences in determining the composition of regulatory capital between the Basel 1 – 2013 Rules and Basel 3 include changes in capital deductions related to our MSRs, deferred tax assets and defined benefit pension assets, and the inclusion of unrealized gains and losses on AFS debt and certain marketable equity securities recorded in accumulated OCI, each of which will be impacted by future changes in interest rates, overall earnings performance or other corporate actions.

Table of Contents

Changes to the composition of regulatory capital under Basel 3, such as recognizing the impact of unrealized gains or losses on AFS debt securities in common equity tier 1 capital, are subject to a transition period where the impact is recognized in 20 percent annual increments. These regulatory capital adjustments and deductions will be fully implemented in 2018. The phase-in period for the new minimum capital ratio requirements and related buffers under Basel 3 is from January 1, 2014 through December 31, 2018. When presented on a fully phased-in basis, capital, risk-weighted assets and the capital ratios assume all regulatory capital adjustments and deductions are fully recognized. Table 15 summarizes how certain regulatory capital deductions and adjustments will be transitioned from 2014 through 2018 for common equity tier 1 and Tier 1 capital.

Table 15
Summary of Certain Basel 3 Regulatory Capital Transition Provisions

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

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

Additionally, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be partially transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and partially transitioned and excluded from Tier 2 capital beginning in 2016. The exclusion from Tier 2 capital starts at 40 percent on January 1, 2016, increasing 10 percent each year until the full amount is excluded from Tier 2 capital beginning on January 1, 2022. As of March 31, 2014, our qualifying Trust Securities were $2.9 billion (approximately 23 bps of Tier 1 capital) and will no longer qualify as Tier 1 capital or Tier 2 capital beginning in 2016, subject to the transition provisions.

Standardized Approach

The Basel 3 Standardized approach measures risk-weighted assets primarily for market risk and credit risk exposures. Exposures subject to market risk, as defined under the rules, are measured on a basis generally consistent with how market risk-weighted assets were measured under the Basel 1 – 2013 Rules. Credit risk exposures are measured by applying fixed risk weights to each exposure, determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development (OECD) country risk code and maturity, among others. Under the Standardized approach, no distinction is made for variations in credit quality for corporate exposures, and the economic benefit of collateral is restricted to a limited list of eligible securities and cash. Some key differences between the Standardized and Advanced approaches are that the Advanced approaches include a measure

of operational risk and a credit valuation adjustment (CVA) capital charge in credit risk and rely on internal analytical models to measure credit risk-weighted assets. We estimate our common equity tier 1 capital ratio under the Basel 3 Standardized approach, on a fully phased-in basis, to be 9.0 percent at March 31, 2014. As of March 31, 2014, we estimated that our Basel 3 Standardized common equity tier 1 capital would be $130.1 billion and total risk-weighted assets would be $1,447.4 billion, on a fully phased-in basis. This does not include the benefit of the removal of the surcharge applicable to the CRM. For a reconciliation of Basel 3 Standardized – Transition to Basel 3 Standardized estimates on a fully phased-in basis for common equity tier 1 capital and risk-weighted assets, see Table 18. Our estimates under the Basel 3 Standardized approach may be refined over time as a result of further rulemaking or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve. Realized results could differ from those estimates and assumptions.

Advanced Approaches

Under the Basel 3 Advanced approaches, risk-weighted assets are determined primarily for market risk and credit risk, similar to the Standardized approach, and also incorporate operational risk. Market risk capital measurements are consistent with the Standardized approach, except for securitization exposures, where the Supervisory Formula Approach is also permitted, and certain differences arising from the inclusion of the CVA capital charge in the credit risk capital measurement. Credit risk exposures are measured using internal

Table of Contents

ratings-based models to determine the applicable risk weight by estimating the probability of default, loss-given default (LGD) and, in certain instances, exposure at default (EAD). The analytical models primarily rely on internal historical default and loss experience. Operational risk is measured using internal models which rely on both internal and external operational loss experience and data. The Basel 3 Advanced approaches require approval by the U.S. regulatory agencies of our internal analytical models used to calculate risk-weighted assets. If these models are not approved, it would likely lead to an increase in our risk-weighted assets, which in some cases could be significant.

Under the Basel 3 Advanced approaches, we estimated our common equity tier 1 capital ratio, on a fully phased-in basis, to be 9.6 percent at March 31, 2014. As of March 31, 2014, we estimated that our common equity tier 1 capital would be $130.1 billion and total risk-weighted assets would be $1,361.2 billion, on a fully phased-in basis. This assumes approval by U.S. banking regulators of our internal analytical models, but does not include the benefit of the removal of the surcharge applicable to the CRM. The calculations under Basel 3 require management to make estimates, assumptions and interpretations, including the probability of future events based on historical experience. Our estimates under the Basel 3 Advanced approaches may be refined over time as a result of further rulemaking or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve. Realized results could differ from those estimates and assumptions.

Capital Composition and Ratios

Table 16 presents Bank of America Corporation's capital ratios and related information in accordance with Basel 3 Standardized – Transition as measured at March 31, 2014 and the Basel 1 – 2013 Rules at December 31, 2013.

Table 16
Bank of America Corporation Regulatory Capital

	March 31, 2014			Revised December 31, 2013		
(Dollars in millions)	Ratio	Amount	Minimum Required [1]	Ratio	Amount	Minimum Required [1]
Common equity tier 1 capital [2]	11.8 %	$150,922	4.0 %	n/a	n/a	n/a
Tier 1 common capital	n/a	n/a	n/a	10.9 %	$141,522	n/a
Tier 1 capital	11.9	152,936	6.0	12.2	157,742	6.0 %
Total capital	14.8	190,124	10.0	15.1	196,567	10.0
Tier 1 leverage	7.4	152,936	4.0	7.7	157,742	4.0

	March 31 2014	Revised December 31 2013
Risk-weighted assets (in billions) [2]	$1,282	$1,298
Adjusted quarterly average total assets (in billions) [3]	2,059	2,052

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

(2) On a pro-forma basis, under Basel 3 Standardized – Transition, December 31, 2013 common equity tier 1 capital and common equity tier 1 capital ratios would have been $152,743 million and 11.6 percent, and risk-weighted assets would have been $1,316 billion.

(3) Reflects adjusted average total assets for the three months ended March 31, 2014 and December 31, 2013.

n/a = not applicable

Common equity tier 1 capital under Basel 3 Standardized – Transition was $150.9 billion at March 31, 2014, an increase of $9.4 billion from Tier 1 common capital under the Basel 1 – 2013 Rules at December 31, 2013. The increase was largely attributable to the impact of certain transition provisions under Basel 3 Standardized – Transition, particularly in regard to deferred tax assets, partially offset by the impact of common stock repurchases. For more information on Basel 3 transition provisions, see Table 15. During the three months ended March 31, 2014, Total capital decreased $6.4 billion primarily driven by the impact of certain transition provisions under Basel 3 Standardized – Transition, particularly in regard to long-term debt that qualifies as Tier 2 capital. The Tier 1 leverage ratio decreased 26 bps during the three months ended March 31, 2014 primarily driven by the decrease in Tier 1 capital and an increase in adjusted quarterly average total assets. For additional information, see Tables 16 and 17.

Table of Contents

At March 31, 2014, an increase or decrease in our common equity tier 1, Tier 1 or Total capital ratios by one bp would require a change of $128 million in common equity tier 1, Tier 1 or Total capital. We could also increase our common equity tier 1, Tier 1 or Total capital ratios by one bp on such date by a reduction in risk-weighted assets of $1.1 billion, $1.1 billion or $864 million, respectively. An increase in our Tier 1 leverage ratio by one bp on such date would require $206 million of additional Tier 1 capital or a reduction of $2.8 billion in adjusted average assets.

Risk-weighted assets decreased $15.5 billion during the three months ended March 31, 2014 to $1,282 billion primarily due to decreases in residential mortgage and consumer credit card balances, partially offset by the impact of certain transition provisions under the Basel 3 Standardized – Transition and an increase in commercial loans.

Table 17 presents the capital composition as measured under Basel 3 Standardized – Transition at March 31, 2014 and the Basel 1 – 2013 Rules at December 31, 2013.

Table 17
Capital Composition

(Dollars in millions)	March 31 2014	Revised December 31 2013
Total common shareholders' equity	$218,536	$ 219,333
Goodwill	(69,842)	(69,844)
Intangibles, other than mortgage servicing rights and goodwill	(1,067)	—
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	—	(4,263)
Net unrealized losses on AFS debt securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	3,636	5,538
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,887	2,407
DVA related to liabilities and derivatives [1]	319	2,188
Deferred tax assets arising from net operating loss and tax credit carryforwards [2]	(2,983)	(15,391)
Other	436	1,554
Common equity tier 1 capital [3]	150,922	141,522
Qualifying preferred stock	10,435	10,435
Deferred tax assets arising from net operating loss and tax credit carryforwards under transition	(11,933)	—
DVA related to liabilities and derivatives under transition	1,275	—
Defined benefit pension fund assets	(645)	—
Trust preferred securities	2,897	5,785
Other	(15)	—
Total Tier 1 capital	152,936	157,742
Long-term debt qualifying as Tier 2 capital	14,316	21,175
Non-qualifying trust preferred securities capital instruments subject to phase out from Tier 2 capital	4,460	—
Allowance for loan and lease losses	16,618	17,428
Reserve for unfunded lending commitments	509	484
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	(2,364)	(1,637)
Other	3,649	1,375
Total capital	$190,124	$ 196,567

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

(2)

March 31, 2014 amount represents phase-in portion under Basel 3 Standardized – Transition. The December 31, 2013 amount represents the full Basel 1 deferred tax asset disallowance.

(3) Tier 1 common capital under the Basel 1 – 2013 Rules at December 31, 2013.

Table of Contents

Table 18 presents a reconciliation of our common equity tier 1 capital and risk-weighted assets in accordance with the Basel 1 – 2013 Rules to our Basel 3 Standardized – Transition and Basel 3 Advanced approaches fully phased-in estimates at March 31, 2014 and December 31, 2013. Basel 3 regulatory capital ratios on a fully phased-in basis are considered non-GAAP financial measures until the end of the transition period on January 1, 2018 when adopted and required by U.S. banking regulators.

Table 18
Regulatory Capital Reconciliations [1, 2]

(Dollars in millions)	Revised December 31 2013
Regulatory capital – Basel 1 to Basel 3 (fully phased-in)	
Basel 1 Tier 1 capital	$157,742
Deduction of qualifying preferred stock and trust preferred securities	(16,220)
Basel 1 Tier 1 common capital	141,522
Deduction of defined benefit pension assets	(829)
Deferred tax assets and threshold deductions (deferred tax asset temporary differences, MSRs and significant investments)	(5,459)
Net unrealized losses in accumulated OCI on AFS debt and certain marketable equity securities, and employee benefit plans	(5,664)
Other deductions, net	(1,624)
Basel 3 common equity tier 1 capital (fully phased-in)	$127,946

	March 31 2014
Regulatory capital – Basel 3 transition to fully phased-in	
Common equity tier 1 capital (transition)	$150,922
Adjustments and deductions recognized in Tier 1 capital during transition [3]	(11,302)
Other adjustments and deductions phased in during transition	(9,474)
Common equity tier 1 capital (fully phased-in)	$130,146

	March 31 2014	Revised December 31 2013
Risk-weighted assets – As reported to Basel 3 (fully phased-in)		
As reported risk-weighted assets	$1,282,117	$1,297,593
Changes in risk-weighted assets from reported to fully phased-in	165,332	162,731
Basel 3 Standardized approach risk-weighted assets (fully phased-in)	1,447,449	1,460,324
Changes in risk-weighted assets for advanced models	(86,234)	(133,027)
Basel 3 Advanced approaches risk-weighted assets (fully phased-in)	$1,361,215	$1,327,297
Regulatory capital ratios		
Basel 1 Tier 1 common	n/a	10.9 %
Basel 3 Standardized approach common equity tier 1 (transition)	11.8 %	n/a
Basel 3 Standardized approach common equity tier 1 (fully phased-in)	9.0	8.8
Basel 3 Advanced approaches common equity tier 1 (fully phased-in)	9.6	9.6

(1) Based on the Basel 3 Advanced approaches, assuming all regulatory model approvals, except for the potential reduction to risk-weighted assets resulting from the removal of the Comprehensive Risk Measure surcharge.

(2)

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 the Basel 1 – 2013 Rules at December 31, 2013.

(3) For more information on the composition of adjustments and deductions, see Table 17.

n/a = not applicable

Table of Contents

Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

Table 19 presents regulatory capital information for BANA and FIA at March 31, 2014 and December 31, 2013.

Table 19
Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

	March 31, 2014			December 31, 2013		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required (1)	Ratio	Amount	Minimum Required (1)
Common equity tier 1 capital						
Bank of America, N.A.	12.3 %	$125,189	4.0 %	n/a	n/a	n/a
FIA Card Services, N.A.	15.5	18,115	4.0	n/a	n/a	n/a
Tier 1 capital						
Bank of America, N.A.	12.3	125,189	6.0	12.3 %	$125,886	6.0 %
FIA Card Services, N.A.	16.4	19,200	6.0	16.8	20,135	6.0
Total capital						
Bank of America, N.A.	13.9	140,765	10.0	13.8	141,232	10.0
FIA Card Services, N.A.	17.7	20,680	10.0	18.1	21,672	10.0
Tier 1 leverage						
Bank of America, N.A.	9.1	125,189	5.0	9.2	125,886	5.0
FIA Card Services, N.A.	12.2	19,200	5.0	12.9	20,135	5.0

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

n/a = not applicable

BANA's Tier 1 capital ratio under Basel 3 Standardized – Transition was 12.3 percent at March 31, 2014, unchanged from December 31, 2013 as the impact of net unrealized gains and losses in accumulated OCI under the Basel 3 transition provisions was offset by net income in excess of dividends to the parent company and slightly lower risk-weighted assets. The Total capital ratio increased three bps to 13.9 percent at March 31, 2014 compared to December 31, 2013. The Tier 1 leverage ratio decreased 13 bps to 9.1 percent at March 31, 2014 compared to December 31, 2013. The increase in the Total capital ratio was driven by the same factors as the Tier 1 capital ratio. The decrease in the Tier 1 leverage ratio was driven by an increase in adjusted quarterly average total assets and a slight decrease in Tier 1 capital.

FIA's Tier 1 capital ratio under Basel 3 Standardized – Transition was 16.4 percent at March 31, 2014, a decrease of 40 bps from December 31, 2013. The Total capital ratio decreased 42 bps to 17.7 percent at March 31, 2014 compared to December 31, 2013. The Tier 1 leverage ratio decreased 72 bps to 12.2 percent at March 31, 2014 compared to December 31, 2013. The decreases in the Tier 1 capital and Total capital ratios were driven by returns of capital to the parent company, partially offset by a decrease in risk-weighted assets compared to December 31, 2013. The decrease in the Tier 1 leverage ratio was driven by the decrease in Tier 1 capital and an increase in adjusted quarterly average total assets.

Table of Contents

Other Regulatory Capital Matters

Series T Preferred Stock

In 2013, we entered into an agreement with Berkshire, who holds all the outstanding shares of the Corporation's Series T Preferred Stock to amend the terms of the Corporation's Series T Preferred Stock. As of March 31, 2014, the Series T Preferred Stock, which had a carrying value of $2.9 billion, does not qualify as Tier 1 capital. The material changes to the terms of the Series T Preferred Stock proposed in the amendment are: (1) dividends will no longer be cumulative; (2) the dividend rate will be fixed at 6%; and (3) we may redeem the Series T Preferred Stock only after the fifth anniversary of the effective date of the amendment. Under Delaware law and our certificate of incorporation, the amendment must be approved by the holders of the Series T Preferred Stock, voting as a separate class, and a majority of the outstanding shares of our common stock, Series B Preferred Stock and Series 1 through 5 Preferred Stock, voting together as a class. The amendment will be presented to our stockholders for approval at the annual meeting of stockholders to be held on May 7, 2014. Berkshire has granted us an irrevocable proxy to vote their shares of Series T Preferred Stock in favor of the amendment at the annual meeting. If our stockholders approve the amendment and it becomes effective, our Tier 1 capital will increase by approximately $2.9 billion, which will benefit our Tier 1 capital ratio by approximately 23 bps and our Tier 1 leverage ratio by approximately 14 bps. In the event the amendment is not approved by stockholders, the current terms of the Series T Preferred Stock will remain in effect and the Series T Preferred Stock will continue to not qualify as Tier 1 capital. In addition, if the amendment is not approved by stockholders, the inability to treat the Series T Preferred Stock as Tier 1 capital is one factor we would consider in evaluating whether to issue additional series of preferred stock, which may be dilutive to earnings per share of our common stock. We do not expect any impact to our financial condition or results of operations as a result of this amendment. For more information on the Series T Preferred Stock, see Note 13 – Shareholders' Equity to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

Supplementary Leverage Ratio

Basel 3 also will require a calculation of a supplementary leverage ratio, determined by dividing Tier 1 capital by supplementary leverage exposure for each month-end during a fiscal quarter, and then calculating the simple average. Supplementary leverage exposure is comprised of all on-balance sheet assets, plus a measure of certain off-balance sheet exposures, including among others, lending commitments, letters of credit, over-the-counter (OTC) derivatives, repo-style transactions and margin loan commitments. We will be required to disclose our supplementary leverage ratio effective January 1, 2015.

On April 8, 2014, U.S. banking regulators voted to adopt a final rule to modify the supplementary leverage ratio minimum requirements under Basel 3 effective in 2018. This only applies to BHCs with more than $700 billion in total assets or more than $10 trillion in total assets under custody. Effective January 1, 2018, the Corporation will be required to maintain a minimum supplementary leverage ratio of three percent, plus a supplementary leverage buffer of two percent, for a total of five percent. If the Corporation’s supplementary leverage buffer is not greater than or equal to two percent, then the Corporation will be subject to mandatory limits on its ability to make distributions of capital to shareholders, whether through dividends, stock repurchases or otherwise. In addition, the insured depository institutions of such BHCs, which for the Corporation includes primarily BANA and FIA, are required to maintain a minimum six percent leverage ratio to be considered “well capitalized.”

Also on April 8, 2014, U.S. banking regulators issued a notice of proposed rulemaking (NPR) introducing changes to the method of calculating the supplementary leverage exposure, effectively adopting provisions comparable to a final rule issued by the Basel Committee on Banking Supervision (Basel Committee) on January 12, 2014. Under the NPR, the supplementary leverage exposure would be revised to measure derivatives on a gross basis with cash variation margin reducing the exposure if certain conditions are met, include off-balance sheet commitments measured using

the notional amount multiplied by conversion factors between 10 percent and 100 percent consistent with the Standardized approach, and a change to measure written credit derivatives using a notional-based approach with limited netting permitted. Also, the supplementary leverage ratio calculation formula would be modified to divide the Tier 1 capital measured on the last day of the quarter by the daily average during the quarter of the supplementary leverage exposure. The proposal is not yet final and, when finalized, could have provisions significantly different from those currently proposed. The provisions of the NPR, if finalized as currently proposed, could have an impact on certain of our businesses. We continue to evaluate the impact of the proposed NPR on us.

As of March 31, 2014, based on the proposed changes to the supplementary leverage exposure, we estimate the Corporation's supplementary leverage ratio to be approximately five percent and our primary bank subsidiaries, BANA and FIA, to be above six percent. Our estimate uses Tier 1 capital measured as of March 31, 2014 divided by the simple average of the supplementary leverage exposure at each month end during the quarter.

Table of Contents

Systemically Important Financial Institution Buffer

In November 2011, the Basel Committee published a methodology to identify global systemically important banks (G-SIBs) and impose an additional loss absorbency requirement through the introduction of a buffer of up to 3.5 percent for systemically important financial institutions (SIFIs). The assessment methodology relies on an indicator-based measurement approach to determine a score relative to the global banking industry. The chosen indicators are size, complexity, cross-jurisdictional activity, interconnectedness and substitutability/financial institution infrastructure. Institutions with the highest scores are designated as G-SIBs and are assigned to one of four loss absorbency buckets from one percent to 2.5 percent, in 0.5 percent increments based on each institution’s relative score and supervisory judgment. The fifth loss absorbency bucket of 3.5 percent is currently empty and serves to discourage banks from becoming more systemically important.

In July 2013, the Basel Committee updated the November 2011 methodology to recalibrate the substitutability/financial institution infrastructure indicator by introducing a cap on the weighting of that component, and requiring the annual publication by the Financial Stability Board (FSB) of key information necessary to permit each G-SIB to calculate its score and observe its position within the buckets and relative to the industry total for each indicator. Every three years, beginning on January 1, 2016, the Basel Committee will reconsider and recalibrate the bucket thresholds. The Basel Committee and FSB expect banks to change their behavior in response to the incentives of the G-SIB framework, as well as other aspects of Basel 3 and jurisdiction-specific regulations.

The SIFI buffer requirement will begin to phase in effective January 2016, with full implementation in January 2019. Data from 2013, measured as of December 31, 2013, will be used to determine the SIFI buffer that will be effective for us in 2016.

As of March 31, 2014, we estimate our SIFI buffer would be 1.5 percent, based on the publication of the key information used in the SIFI methodology by the Basel Committee in November 2013, and considering the FSB’s report, “Update of group of global systemically important banks.” Our SIFI buffer could change each year based on our actions and those of our peers, as the score used to determine each G-SIB’s SIFI buffer is based on the industry total. If our score were to increase, we could be subject to a higher SIFI buffer requirement. U.S. banking regulators have not yet issued proposed or final rules related to the SIFI buffer or disclosure requirements.

For more information on regulatory capital, see Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

Broker/Dealer Regulatory Capital and Securities Regulation

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

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At March 31, 2014, MLPF&S’s regulatory net capital as defined by Rule 15c3-1 was $10.9 billion and exceeded the minimum requirement of $1.1 billion by $9.8 billion. MLPCC’s net capital of $2.1 billion exceeded the minimum requirement of $375 million by $1.7 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1.0 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is

less than $5.0 billion. At March 31, 2014, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At March 31, 2014, MLI’s capital resources were $31.6 billion which exceeded the minimum requirement of $17.8 billion with enough excess to cover any additional requirements as set by the regulators.

Table of Contents

Common and Preferred Stock Dividends

For a summary of our declared quarterly cash dividends on common stock during the first quarter of 2014 and through May 1, 2014, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 20 is a summary of our cash dividend declarations on preferred stock during the first quarter of 2014 and through May 1, 2014. During the first quarter of 2014, cash dividends declared on preferred stock were $238 million. For more information on preferred stock, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 20
Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate		Dividend Per Share
Series B [1]	$ 1	February 11, 2014	April 11, 2014	April 25, 2014	7.00	%	$ 1.75
Series D [2]	$ 654	January 13, 2014	February 28, 2014	March 14, 2014	6.204	%	$ 0.38775
		April 2, 2014	May 30, 2014	June 16, 2014	6.204		0.38775
Series E [2]	$ 317	January 13, 2014	January 31, 2014	February 18, 2014	Floating		$ 0.25556
		April 2, 2014	April 30, 2014	May 15, 2014	Floating		0.24722
Series F	$ 141	January 13, 2014	February 28, 2014	March 17, 2014	Floating		$ 1,000.00
		April 2, 2014	May 30, 2014	June 16, 2014	Floating		1,022.22222
Series G	$ 493	January 13, 2014	February 28, 2014	March 17, 2014	Adjustable		$ 1,000.00
		April 2, 2014	May 30, 2014	June 16, 2014	Adjustable		1,022.22222
Series I [2]	$ 365	January 13, 2014	March 15, 2014	April 1, 2014	6.625	%	$ 0.4140625
		April 2, 2014	June 15, 2014	July 1, 2014	6.625		0.4140625
Series K [3, 4]	$ 1,544	January 13, 2014	January 15, 2014	January 30, 2014	Fixed-to-floating		$ 40.00
Series L	$ 3,080	March 6, 2014	April 1, 2014	April 30, 2014	7.25	%	$ 18.125
Series M [3, 4]	$ 1,310	April 2, 2014	April 30, 2014	May 15, 2014	Fixed-to-floating		$ 40.62500
Series T [1, 5]	$ 5,000	March 6, 2014	March 26, 2014	April 10, 2014	6.00	%	$ 1,500.00
Series U	$ 1,000	April 2, 2014	May 15, 2014	June 2, 2014	Fixed-to-floating		$ 26.00
Series 1 [6]	$ 98	January 13, 2014	February 15, 2014	February 28, 2014	Floating		$ 0.18750
		April 2, 2014	May 15, 2014	May 28, 2014	Floating		0.18750
Series 2 [6]	$ 299	January 13, 2014	February 15, 2014	February 28, 2014	Floating		$ 0.19167
		April 2, 2014	May 15, 2014	May 28, 2014	Floating		0.18542
Series 3 [6]	$ 653	January 13, 2014	February 15, 2014	February 28, 2014	6.375	%	$ 0.3984375
		April 2, 2014	May 15, 2014	May 28, 2014	6.375		0.3984375
Series 4 [6]	$ 210	January 13, 2014	February 15, 2014	February 28, 2014	Floating		$ 0.25556

		April 2, 2014	May 15, 2014	May 28, 2014	Floating	0.24722
Series 5 (6)	$ 422	January 13, 2014	February 1, 2014	February 21, 2014	Floating	$0.25556
		April 2, 2014	May 1, 2014	May 21, 2014	Floating	0.24722

(1) Dividends are cumulative.
(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.
(3) Initially pays dividends semi-annually.
(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.
(5) For more information on the restructuring of the Series T Preferred Stock, which is subject to shareholder approval, see Capital Management – Capital Composition and Ratios on page 58.
(6) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.

Table of Contents

Liquidity Risk

Funding and Liquidity Risk Management

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity objective is to provide adequate funding for our businesses throughout market cycles, including periods of financial stress. To achieve that objective, we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our funding requirements as those obligations arise.

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For more information regarding global funding and liquidity risk management, see Liquidity Risk – Funding and Liquidity Risk Management on page 71 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, or the parent company and selected subsidiaries in the form of cash and high-quality, liquid, unencumbered securities. These assets, which we call our Global Excess Liquidity Sources, serve as our primary means of liquidity risk mitigation. Our cash is primarily on deposit with the Federal Reserve and central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed market conditions, through repurchase agreements or outright sales. We hold our Global Excess Liquidity Sources in entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities. Our Global Excess Liquidity Sources are similar in composition to what would qualify as High Quality Liquid Assets under the proposed LCR rulemaking. For more information on the proposed rulemaking, see Liquidity Risk – Basel 3 Liquidity Standards on page 67.

Our Global Excess Liquidity Sources were $427 billion and $376 billion at March 31, 2014 and December 31, 2013 and were maintained as presented in Table 21.

Table 21
Global Excess Liquidity Sources

(Dollars in billions)	March 31 2014	December 31 2013	Average for Three Months Ended March 31, 2014
Parent company	$95	$ 95	$90
Bank subsidiaries	295	249	274
Other regulated entities	37	32	36
Total Global Excess Liquidity Sources	$427	$ 376	$400

As shown in Table 21, parent company Global Excess Liquidity Sources totaled $95 billion at both March 31, 2014 and December 31, 2013. Parent company liquidity remained unchanged as subsidiary inflows and debt issuances were largely offset by debt maturities and capital actions. Typically, parent company cash is deposited overnight with

BANA.

Global Excess Liquidity Sources available to our bank subsidiaries totaled $295 billion and $249 billion at March 31, 2014 and December 31, 2013. The increase in bank subsidiaries' liquidity was primarily due to deposit growth, increased short-term borrowings and long-term debt, and an increase in the fair value of debt securities, partially offset by capital returns to the parent company. Liquidity amounts at bank subsidiaries exclude the cash deposited by the parent company. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $227 billion and $218 billion at March 31, 2014 and December 31, 2013. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined by guidelines outlined by the FHLBs and the Federal Reserve and is subject to change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can only be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or non-bank subsidiaries with prior regulatory approval.

Table of Contents

Global Excess Liquidity Sources available to our other regulated entities totaled $37 billion and $32 billion at March 31, 2014 and December 31, 2013. Our other regulated entities also held other unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in an other regulated entity is primarily available to meet the obligations of that entity and transfers to the parent company or to any other subsidiary may be subject to prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 22 presents the composition of Global Excess Liquidity Sources at March 31, 2014 and December 31, 2013.

Table 22
Global Excess Liquidity Sources Composition

(Dollars in billions)	March 31 2014	December 31 2013
Cash on deposit	$115	$ 90
U.S. Treasuries	46	20
U.S. agency securities and mortgage-backed securities	246	245
Non-U.S. government and supranational securities	20	21
Total Global Excess Liquidity Sources	$427	$ 376

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is "Time to Required Funding." This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our Time to Required Funding was 35 months at March 31, 2014, which is above the Corporation's target minimum of 21 months. For purposes of calculating Time to Required Funding, we have included in the amount of unsecured contractual obligations at March 31, 2014, $8.6 billion, which is the amount of the total $9.5 billion FHFA Settlement that was funded by the parent company, and the $8.6 billion liability related to the BNY Mellon Settlement. The payment related to the FHFA Settlement was made on April 1, 2014. The BNY Mellon Settlement is subject to final court approval and certain other conditions, and the timing of payment is not certain. Not included in calculating this metric is the $7.6 billion debt issuance announced on March 27, 2014 and settled on April 1, 2014. Including this debt issuance, Time to Required Funding would have been 37 months at March 31, 2014.

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

The types of potential contractual and contingent cash outflows we consider in our scenarios may include, but are not limited to, upcoming contractual maturities of unsecured debt and reductions in new debt issuance; diminished access

to secured financing markets; potential deposit withdrawals; increased draws on loan commitments, liquidity facilities and letters of credit, including Variable Rate Demand Notes; additional collateral that counterparties could call if our credit ratings were downgraded; collateral and margin requirements arising from market value changes; and potential liquidity required to maintain businesses and finance customer activities. Changes in certain market factors, including, but not limited to, credit rating downgrades, could negatively impact potential contractual and contingent outflows and the related financial instruments, and in some cases these impacts could be material to our financial results.

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

Table of Contents

Basel 3 Liquidity Standards

The Basel Committee has issued two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the LCR and the Net Stable Funding Ratio (NSFR). The LCR is calculated as the amount of a financial institution's unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under a 30-day period of significant liquidity stress, expressed as a percentage. The Basel Committee's liquidity risk-related standards do not directly apply to U.S. financial institutions currently, and would only apply once U.S. rules are finalized by the U.S. banking regulators.

On October 24, 2013, the U.S. banking regulators jointly proposed regulations that would implement LCR requirements for the largest U.S. financial institutions on a consolidated basis and for their subsidiary depository institutions with total assets greater than $10 billion. Under the proposal, an initial minimum LCR of 80 percent would be required in January 2015, and would thereafter increase in 10 percentage point increments annually through January 2017. These minimum requirements would be applicable to the Corporation on a consolidated basis and at our insured depository institutions, including BANA, FIA and Bank of America California, N.A. We are evaluating the proposal and the potential impact on our businesses, and we expect to meet or exceed the final LCR requirement within the regulatory timelines.

On January 12, 2014, the Basel Committee issued for comment a revised NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. The revised proposal would align the NSFR to some of the 2013 revisions to the LCR and give more credit to a wider range of funding. The proposal also includes adjustments to the stable funding required for certain types of assets, some of which reduce the stable funding requirement and some of which increase it. The Basel Committee expects to complete the NSFR recalibration in 2014 and have the minimum standard in place by 2018. Assuming adoption by the U.S. banking regulators, we expect to meet the final NSFR requirement within the regulatory timelines.

Diversified Funding Sources

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

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

We fund a substantial portion of our lending activities through our deposits, which were $1.13 trillion and $1.12 trillion at March 31, 2014 and December 31, 2013. Deposits are primarily generated by our CBB, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans. During the three months ended March 31, 2014, $1.8 billion of new senior debt was issued to third-party investors from the credit card securitization trusts.

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

We issue the majority of our long-term unsecured debt at the parent company. During the three months ended March 31, 2014, we issued $7.0 billion of long-term unsecured debt, including structured liabilities of $754 million, a majority of which were issued at the parent company. We also issue long-term unsecured debt through BANA in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. During three months ended March 31, 2014, we issued $2.5 billion of unsecured long-term debt through BANA. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

Table of Contents

Table 23 presents the carrying value of aggregate annual contractual maturities of long-term debt at March 31, 2014. During the three months ended March 31, 2014, we had total long-term debt maturities and purchases of $15.3 billion consisting of $9.1 billion for Bank of America Corporation, $3.0 billion of other debt and $3.2 billion of consolidated variable interest entities (VIEs).

Table 23
Long-term Debt By Maturity

(Dollars in millions)	Remainder of 2014	2015	2016	2017	2018	Thereafter	Total
Bank of America Corporation							
Senior notes	$18,132	$15,325	$18,121	$18,248	$20,273	$42,100	$132,199
Senior structured notes	4,621	5,720	3,376	1,559	1,955	11,453	28,684
Subordinated notes	4	1,253	5,205	5,684	3,343	8,727	24,216
Junior subordinated notes	—	—	—	—	—	7,247	7,247
Total Bank of America Corporation	22,757	22,298	26,702	25,491	25,571	69,527	192,346
Bank of America, N.A.							
Senior notes	33	753	2,496	4,408	—	172	7,862
Subordinated notes	—	—	1,078	3,635	—	1,587	6,300
Advances from Federal Home Loan Banks	1,262	4,003	5,004	11	11	150	10,441
Total Bank of America, N.A.	1,295	4,756	8,578	8,054	11	1,909	24,603
Other debt							
Senior notes	5	24	—	1	—	1	31
Structured liabilities	2,323	2,194	1,485	2,404	1,354	7,199	16,959
Junior subordinated notes	—	—	—	—	—	405	405
Other	199	56	930	433	41	444	2,103
Total other debt	2,527	2,274	2,415	2,838	1,395	8,049	19,498
Total long-term debt excluding consolidated VIEs	26,579	29,328	37,695	36,383	26,977	79,485	236,447
Long-term debt of consolidated VIEs	6,476	1,232	1,800	1,525	163	7,142	18,338
Total long-term debt	$33,055	$30,560	$39,495	$37,908	$27,140	$86,627	$254,785

Table 24 presents our long-term debt by major currency at March 31, 2014 and December 31, 2013.

Table 24
Long-term Debt By Major Currency

(Dollars in millions)	March 31 2014	December 31 2013
U.S. Dollar	$189,702	$ 176,294
Euro	40,299	46,029
British Pound	8,811	9,772
Japanese Yen	8,371	9,115
Canadian Dollar	2,028	2,402
Australian Dollar	1,706	1,870
Swiss Franc	1,279	1,274
Other	2,589	2,918

Total long-term debt	$254,785	$ 249,674

Total long-term debt increased $5.1 billion, or two percent, during the three months ended March 31, 2014, primarily driven by increased issuances related to actions we have taken in connection with anticipated Basel 3 LCR requirements. We also issued $7.6 billion of parent company long-term debt that settled on April 1, 2014. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for investors. For more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see page 71 of the MD&A of the Corporation's 2013 Annual Report on Form 10-K.

Table of Contents

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 119.

We also diversify our unsecured funding sources by issuing various types of debt instruments including structured liabilities, which are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivative positions and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured liability obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a carrying value of $45.8 billion and $48.4 billion at March 31, 2014 and December 31, 2013.

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

Contingency Planning

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

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

Credit Ratings

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

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

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types, the rating agencies' assessment of the general operating environment for financial services companies, our mortgage exposures (including litigation), our relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, funding costs, the level and volatility of earnings, corporate

governance and risk management policies, capital position, capital management practices, and current or future regulatory and legislative initiatives.

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

Table of Contents

On March 26, 2014, Fitch Ratings (Fitch) concluded their periodic review of 12 large, complex securities trading and universal banks, including Bank of America Corporation. As a part of this action, Fitch affirmed all of the Corporation’s credit ratings and revised its outlook on the ratings to negative from stable. The revised outlook reflects Fitch’s expectation that the probability of the U.S. government providing support to a systemically important financial institution during a crisis is likely to decline due to the orderly liquidation provisions of the Financial Reform Act. On December 20, 2013, Standard & Poor's Ratings Services (S&P) affirmed the ratings of Bank of America Corporation. S&P continues to evaluate the possible removal of uplift for extraordinary government support in its holding company ratings for the U.S. banks that it views as having high systemic importance. Due to this ongoing evaluation and Corporation-specific factors, S&P maintained its negative outlook on the Corporation's ratings. On November 14, 2013, Moody's concluded its review of the ratings for Bank of America and certain other systemically important U.S. BHCs, affirming our current ratings and noting that those ratings no longer incorporate any uplift for government support. Concurrently, Moody's upgraded Bank of America, N.A.'s senior debt and stand-alone ratings by one notch, citing a number of positive developments at Bank of America. Moody's also moved its outlook for all of our ratings to stable.

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

Table 25
Senior Debt Ratings

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

NR = not rated

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

Table 26 presents the amount of additional collateral contractually required by derivative contracts and other trading agreements at March 31, 2014 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Table 26

Additional Collateral Required to be Posted Upon Downgrade

(Dollars in millions)	March 31, 2014 One incremental notch	Second incremental notch
Bank of America Corporation	$ 1,166	$ 3,712
Bank of America, N.A. and subsidiaries [(1)]	816	2,588

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

Table of Contents

Table 27 presents the derivative liability that would be subject to unilateral termination by counterparties and the amounts of collateral that would have been posted at March 31, 2014 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Table 27
Derivative Liability Subject to Unilateral Termination Upon Downgrade

	March 31, 2014	
(Dollars in millions)	One incremental notch	Second incremental notch
Derivative liability	$ 1,177	$ 2,052
Collateral posted	925	1,674

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit ratings downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a company's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time to Required Funding and Stress Modeling on page 66.

For more information on the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit rating downgrade, see Note 2 – Derivatives to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K.

On March 21, 2014, Fitch affirmed its AAA long-term and F1+ short-term sovereign credit rating on the U.S. government with a stable outlook. This resolved the rating watch negative that was placed on the ratings on October 15, 2013. On July 18, 2013, Moody's revised its outlook on the U.S. government to stable from negative and affirmed its Aaa long-term sovereign credit rating on the U.S. government. On June 10, 2013, S&P affirmed its AA+ long-term and A-1+ short-term sovereign credit rating on the U.S. government, as the outlook on the long-term credit rating was revised to stable from negative.

Table of Contents

Credit Risk Management

Credit quality continued to improve during the first quarter of 2014 due in part to improving economic conditions. In addition, our proactive credit risk management activities positively impacted the credit portfolio as charge-offs and delinquencies continued to improve. For additional information, see Executive Summary – First Quarter 2014 Economic and Business Environment on page 4.

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

We have non-U.S. exposure largely in Europe and Asia Pacific. Our exposure to certain European countries, including Greece, Ireland, Italy, Portugal and Spain, has experienced varying degrees of financial stress. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 104 and Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 73, Commercial Portfolio Credit Risk Management on page 93, Non-U.S. Portfolio on page 104, Provision for Credit Losses and Allowance for Credit Losses both on page 108, and Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

Table of Contents

Consumer Portfolio Credit Risk Management

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

From January 2008 through the first quarter of 2014, Bank of America and Countrywide have completed more than 1.3 million loan modifications with customers. During the first quarter of 2014, we completed more than 21,000 customer loan modifications with a total unpaid principal balance of approximately $4 billion, including more than 7,000 permanent modifications under the U.S. government's Making Home Affordable Program. Of the loan modifications completed during the first quarter of 2014, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the Corporation's held-for-investment portfolio. The most common types of modifications include a combination of rate reduction and/or capitalization of past due amounts which represented 62 percent of the volume of modifications completed during the quarter, while principal reductions and forgiveness represented 12 percent, principal forbearance represented 10 percent and capitalization of past due amounts represented 10 percent. For modified loans on our balance sheet, these modification types are generally considered troubled debt restructurings (TDRs). For more information on TDRs and portfolio impacts, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 90 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

Improvement in the U.S. economy, labor markets and home prices continued during the three months ended March 31, 2014 resulting in improved credit quality and lower credit losses across all major consumer portfolios compared to the same period in 2013. Consumer loans 30 days or more past due declined during the three months ended March 31, 2014 across all consumer portfolios as a result of improved delinquency trends. Although home prices have shown steady improvement since the beginning of 2012, they have not fully recovered to their 2006 levels.

Improved credit quality, increased home prices and continued loan balance run-off across the consumer portfolio drove a $1.1 billion decrease in the consumer allowance for loan and lease losses during the three months ended March 31, 2014 to $12.3 billion at March 31, 2014. For additional information, see Allowance for Credit Losses on page 108.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K. For more information on representations and warranties related to our residential mortgage and home equity portfolios, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table of Contents

Table 28 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 28, PCI loans are also shown separately, net of purchase accounting adjustments, in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 28
Consumer Loans and Leases

	Outstandings		Purchased Credit-impaired Loan Portfolio	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Residential mortgage [1]	$242,977	$ 248,066	$17,786	$ 18,672
Home equity	91,476	93,672	6,335	6,593
U.S. credit card	87,692	92,338	n/a	n/a
Non-U.S. credit card	11,563	11,541	n/a	n/a
Direct/Indirect consumer [2]	81,552	82,192	n/a	n/a
Other consumer [3]	1,980	1,977	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	517,240	529,786	24,121	25,265
Loans accounted for under the fair value option [4]	2,149	2,164	n/a	n/a
Total consumer loans and leases	$519,389	$ 531,950	$24,121	$ 25,265

(1) Outstandings include pay option loans of $3.8 billion and $4.4 billion at March 31, 2014 and December 31, 2013. We no longer originate pay option loans.

(2) Outstandings include dealer financial services loans of $38.0 billion and $38.5 billion, consumer lending loans of $2.3 billion and $2.7 billion, U.S. securities-based lending loans of $31.8 billion and $31.2 billion, non-U.S. consumer loans of $4.6 billion and $4.7 billion, student loans of $3.9 billion and $4.1 billion and other consumer loans of $899 million and $1.0 billion at March 31, 2014 and December 31, 2013.

(3) Outstandings include consumer finance loans of $1.1 billion and $1.2 billion, consumer leases of $701 million and $606 million, consumer overdrafts of $137 million and $176 million and other non-U.S. consumer loans of $5 million and $5 million at March 31, 2014 and December 31, 2013.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of $2.0 billion and $2.0 billion and home equity loans of $152 million and $147 million at March 31, 2014 and December 31, 2013. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

Table of Contents

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

Table 29
Consumer Credit Quality

	Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Residential mortgage [1]	$11,611	$11,712	$15,125	$16,961
Home equity	4,185	4,075	—	—
U.S. credit card	n/a	n/a	966	1,053
Non-U.S. credit card	n/a	n/a	124	131
Direct/Indirect consumer	32	35	364	408
Other consumer	16	18	1	2
Total [2]	$15,844	$15,840	$16,580	$18,555
Consumer loans and leases as a percentage of outstanding consumer loans and leases [2]	3.06 %	2.99 %	3.21 %	3.50 %
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios [2]	3.87	3.80	0.36	0.38

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At March 31, 2014 and December 31, 2013, residential mortgage included $11.2 billion and $13.0 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and $3.9 billion and $4.0 billion of loans on which interest was still accruing.

(2) Balances exclude consumer loans accounted for under the fair value option. At March 31, 2014 and December 31, 2013, $429 million and $445 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

Table of Contents

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

Table 30
Consumer Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs [1]		Net Charge-off Ratios [1, 2]	
(Dollars in millions)	2014	2013	2014	2013
Residential mortgage	$127	$383	0.21 %	0.60 %
Home equity	302	684	1.32	2.62
U.S. credit card	718	947	3.25	4.19
Non-U.S. credit card	76	112	2.66	4.14
Direct/Indirect consumer	58	124	0.29	0.61
Other consumer	58	52	12.07	12.76
Total	$1,339	$2,302	1.04	1.70

(1) Net charge-offs exclude write-offs in the PCI loan portfolio of $281 million and $94 million in residential mortgage and $110 million and $745 million in home equity for the three months ended March 31, 2014 and 2013. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84.

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

Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.36 percent and 1.06 percent for residential mortgage, 1.42 percent and 2.83 percent for home equity, and 1.31 percent and 2.17 percent for the total consumer portfolio for the three months ended March 31, 2014 and 2013. These are the only product classifications that include PCI and fully-insured loans for these periods.

Net charge-offs exclude write-offs in the PCI loan portfolio of $281 million and $94 million in residential mortgage and $110 million and $745 million in home equity for the three months ended March 31, 2014 and 2013. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. Net charge-off ratios including the PCI write-offs were 0.67 percent and 0.75 percent for residential mortgage and 1.81 percent and 5.48 percent for home equity for the three months ended March 31, 2014 and 2013. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84.

Table of Contents

Table 31 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the Core portfolio and the Legacy Assets & Servicing portfolio within the home loans portfolio. For more information on Legacy Assets & Servicing, see CRES on page 29.

Table 31
Home Loans Portfolio [(1)]

(Dollars in millions)	Outstandings March 31 2014	Outstandings December 31 2013	Nonperforming March 31 2014	Nonperforming December 31 2013	Net Charge-offs [(2)] Three Months Ended March 31 2014	Net Charge-offs [(2)] Three Months Ended March 31 2013
Core portfolio						
Residential mortgage	$175,932	$ 177,336	$3,366	$ 3,316	$39	$101
Home equity	53,577	54,499	1,511	1,431	85	166
Total Core portfolio	229,509	231,835	4,877	4,747	124	267
Legacy Assets & Servicing portfolio						
Residential mortgage	67,045	70,730	8,245	8,396	88	282
Home equity	37,899	39,173	2,674	2,644	217	518
Total Legacy Assets & Servicing portfolio	104,944	109,903	10,919	11,040	305	800
Home loans portfolio						
Residential mortgage	242,977	248,066	11,611	11,712	127	383
Home equity	91,476	93,672	4,185	4,075	302	684
Total home loans portfolio	$334,453	$ 341,738	$15,796	$ 15,787	$429	$1,067

	Allowance for loan and lease losses March 31 2014	Allowance for loan and lease losses December 31 2013	Provision for loan and lease losses Three Months Ended March 31 2014	Provision for loan and lease losses Three Months Ended March 31 2013
Core portfolio				
Residential mortgage	$646	$ 728	$(44)	$105
Home equity	890	965	10	107
Total Core portfolio	1,536	1,693	(34)	212
Legacy Assets & Servicing portfolio				
Residential mortgage	2,856	3,356	(120)	34
Home equity	3,164	3,469	13	238
Total Legacy Assets & Servicing portfolio	6,020	6,825	(107)	272
Home loans portfolio				
Residential mortgage	3,502	4,084	(164)	139
Home equity	4,054	4,434	23	345
Total home loans portfolio	$7,556	$ 8,518	$(141)	$484

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $2.0 billion and $2.0 billion and home equity loans of $152 million and $147 million at March 31, 2014 and December 31, 2013. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2)

Net charge-offs exclude write-offs in the PCI loan portfolio of $281 million and $94 million in residential mortgage and $110 million and $745 million in home equity for the three months ended March 31, 2014 and 2013, which are included in the Legacy Assets & Servicing portfolio. Write-offs in the PCI loan portfolio decrease the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84.

We believe that the presentation of information adjusted to exclude the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage and home equity portfolios, we provide information that excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 84.

Table of Contents

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 47 percent of consumer loans and leases at March 31, 2014. Approximately 20 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages that are originated for the home purchase and refinancing needs of our wealth management clients. The remaining portion of the portfolio is primarily in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, decreased $5.1 billion during the three months ended March 31, 2014 due to paydowns, charge-offs, transfers to foreclosed properties and sales. These were partially offset by new origination volume retained on our balance sheet, as well as repurchases of delinquent loans pursuant to our servicing agreements with GNMA, which is part of our mortgage banking activities.

At March 31, 2014 and December 31, 2013, the residential mortgage portfolio included $83.8 billion and $87.2 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term stand-by agreements with FNMA and FHLMC. At March 31, 2014 and December 31, 2013, $55.7 billion and $59.0 billion had FHA insurance with the remainder protected by long-term stand-by agreements. At March 31, 2014 and December 31, 2013, $20.0 billion and $22.5 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. All of these loans are individually insured and therefore the Corporation does not record a significant allowance for credit losses with respect to these loans.

The long-term stand-by agreements with FNMA and FHLMC reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At March 31, 2014, these programs had the cumulative effect of reducing our risk-weighted assets by $8.3 billion, and increasing both our Tier 1 capital ratio and common equity tier 1 capital ratio by eight bps under the Basel 3 Standardized – Transition. This compared to reducing our risk-weighted assets by $8.4 billion, increasing our Tier 1 capital ratio by eight bps and increasing our Tier 1 common capital ratio by seven bps at December 31, 2013 under Basel 1 (which included the Market Risk Final Rules).

In addition to the long-term stand-by agreements with FNMA and FHLMC, we have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles as described in Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements. At March 31, 2014 and December 31, 2013, the synthetic securitization vehicles referenced principal balances of $9.4 billion and $12.5 billion of residential mortgage loans and provided loss protection up to $313 million and $339 million. At March 31, 2014 and December 31, 2013, the Corporation had a receivable of $192 million and $198 million from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles.

Table 32 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 84.

Table 32
Residential Mortgage – Key Credit Statistics

(Dollars in millions)	Reported Basis [1]		Excluding Purchased Credit-impaired and Fully-insured Loans	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Outstandings	$242,977	$248,066	$141,428	$142,147
Accruing past due 30 days or more	19,998	23,052	1,900	2,371
Accruing past due 90 days or more	15,125	16,961	—	—
Nonperforming loans	11,611	11,712	11,611	11,712
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	11 %	12 %	6 %	7 %
Refreshed LTV greater than 100	10	13	8	10
Refreshed FICO below 620	20	21	11	11
2006 and 2007 vintages [2]	21	21	26	27
	Three Months Ended March 31			
	2014	2013	2014	2013
Net charge-off ratio [3]	0.21 %	0.60 %	0.36 %	1.06 %

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $2.0 billion of residential mortgage loans accounted for under the fair value option at both March 31, 2014 and December 31, 2013. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) These vintages of loans account for 53 percent of nonperforming residential mortgage loans at both March 31, 2014 and December 31, 2013, and 51 percent and 65 percent of residential mortgage net charge-offs for the three months ended March 31, 2014 and 2013.

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

Nonperforming residential mortgage loans decreased $101 million during the three months ended March 31, 2014 as paydowns, returns to performing status, charge-offs and transfers to foreclosed properties outpaced new inflows. At March 31, 2014, borrowers were current on contractual payments with respect to $4.1 billion, or 35 percent of nonperforming residential mortgage loans, and $5.6 billion, or 48 percent of nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less costs to sell. Accruing loans past due 30 days or more decreased $471 million during the three months ended March 31, 2014.

Net charge-offs decreased $256 million to $127 million for the three months ended March 31, 2014, or 0.36 percent of total average residential mortgage loans, compared to $383 million, or 1.06 percent for the same period in 2013. This decrease in net charge-offs was primarily driven by favorable portfolio trends and decreased write-downs on loans

greater than 180 days past due, which were written down to the estimated fair value of the collateral less costs to sell, due in part to improvement in home prices and the U.S. economy.

Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed loan-to-value (LTV) represented six percent and seven percent of the residential mortgage portfolio at March 31, 2014 and December 31, 2013. Loans with a refreshed LTV greater than 100 percent represented eight percent and 10 percent of the residential mortgage loan portfolio at March 31, 2014 and December 31, 2013. Of the loans with a refreshed LTV greater than 100 percent, 94 percent were performing at both March 31, 2014 and December 31, 2013. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, somewhat mitigated by appreciation. Loans to borrowers with refreshed FICO scores below 620 represented 11 percent of the residential mortgage portfolio at both March 31, 2014 and December 31, 2013.

Table of Contents

Of the $141.4 billion in total residential mortgage loans outstanding at March 31, 2014, as shown in Table 33, 40 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $15.3 billion, or 27 percent at March 31, 2014. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At March 31, 2014, $289 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $1.9 billion, or one percent for the entire residential mortgage portfolio. In addition, at March 31, 2014, $2.6 billion, or 17 percent of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming compared to $11.6 billion, or eight percent for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to ten years and more than 90 percent of these loans will not be required to make a fully-amortizing payment until 2016 or later.

Table 33 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 13 percent of outstandings at both March 31, 2014 and December 31, 2013. For the three months ended March 31, 2014 and 2013, loans within this MSA contributed net recoveries of four percent and net charge-offs of six percent of total net charge-offs within the residential mortgage portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent and 10 percent of outstandings at March 31, 2014 and December 31, 2013. For the three months ended March 31, 2014 and 2013, net charge-offs on loans within this MSA comprised 18 percent and seven percent of total net charge-offs within the residential mortgage portfolio.

Table 33
Residential Mortgage State Concentrations

	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2] Three Months Ended March 31	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013	2014	2013
California	$47,677	$ 47,885	$3,336	$ 3,396	$(8)	$96
New York [3]	11,861	11,787	794	789	13	15
Florida [3]	10,682	10,777	1,327	1,359	5	34
Texas	6,737	6,766	405	407	1	9
Virginia	4,696	4,774	365	369	6	9
Other U.S./Non-U.S.	59,775	60,158	5,384	5,392	110	220
Residential mortgage loans [4]	$141,428	$ 142,147	$11,611	$ 11,712	$127	$383
Fully-insured loan portfolio	83,763	87,247				
Purchased credit-impaired residential mortgage loan portfolio	17,786	18,672				
Total residential mortgage loan portfolio	$242,977	$ 248,066				

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $2.0 billion of residential mortgage loans accounted for under the fair value option at both March 31, 2014 and December 31, 2013. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $281 million and $94 million of write-offs in the residential mortgage PCI loan portfolio for the three months ended March 31, 2014 and 2013. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84.

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

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was $10.2 billion and $10.3 billion at March 31, 2014 and December 31, 2013, or seven percent of the residential mortgage portfolio. The CRA portfolio included $1.7 billion of nonperforming loans at both March 31, 2014 and December 31, 2013, representing 14 percent of total nonperforming residential mortgage loans. Net charge-offs in the CRA portfolio were $34 million and $91 million for the three months ended March 31, 2014 and 2013, or 27 percent and 24 percent of total net charge-offs for the residential mortgage portfolio.

Table of Contents

Home Equity

At March 31, 2014, the home equity portfolio made up 18 percent of the consumer portfolio and is comprised of HELOCs, home equity loans and reverse mortgages.

At March 31, 2014, our HELOC portfolio had an outstanding balance of $78.6 billion, or 86 percent of the total home equity portfolio compared to $80.3 billion, or 86 percent at December 31, 2013. HELOCs generally have an initial draw period of 10 years. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At March 31, 2014, our home equity loan portfolio had an outstanding balance of $11.4 billion, or 12 percent of the total home equity portfolio compared to $12.0 billion, or 13 percent at December 31, 2013. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the $11.4 billion at March 31, 2014, 51 percent of these loans have 25- to 30-year terms. At March 31, 2014, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of $1.5 billion, or two percent of the total home equity portfolio compared to $1.4 billion, or one percent at December 31, 2013. We no longer originate these products.

At March 31, 2014, approximately 91 percent of the home equity portfolio was included in CRES while the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased $2.2 billion during the three months ended March 31, 2014 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at March 31, 2014 and December 31, 2013, $22.8 billion and $23.0 billion, or 25 percent were in first-lien positions (27 percent and 26 percent excluding the PCI home equity portfolio). At March 31, 2014, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled $16.9 billion, or 20 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $56.0 billion at March 31, 2014 compared to $56.8 billion at December 31, 2013. This decrease was primarily due to customers choosing to close accounts and customer paydowns of principal balances, which more than offset the impact of new production. The HELOC utilization rate was 58 percent at March 31, 2014 compared to 59 percent at December 31, 2013.

Table of Contents

Table 34 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 84.

Table 34
Home Equity – Key Credit Statistics

	Reported Basis [1]		Excluding Purchased Credit-impaired Loans	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Outstandings	$91,476	$93,672	$85,141	$87,079
Accruing past due 30 days or more [2]	679	901	679	901
Nonperforming loans [2]	4,185	4,075	4,185	4,075
Percent of portfolio				
Refreshed CLTV greater than 90 but less than or equal to 100	9 %	9 %	9 %	9 %
Refreshed CLTV greater than 100	20	22	18	19
Refreshed FICO below 620	8	8	7	8
2006 and 2007 vintages [3]	48	48	45	45
	Three Months Ended March 31			
	2014	2013	2014	2013
Net charge-off ratio [4]	1.32 %	2.62 %	1.42 %	2.83 %

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $152 million and $147 million of home equity loans accounted for under the fair value option at March 31, 2014 and December 31, 2013. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Accruing past due 30 days or more includes $123 million and $164 million and nonperforming loans includes $385 million and $410 million of loans where we serviced the underlying first-lien at March 31, 2014 and December 31, 2013.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 50 percent of nonperforming home equity loans at both March 31, 2014 and December 31, 2013, and 57 percent and 60 percent of net charge-offs for the three months ended March 31, 2014 and 2013.

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

Nonperforming outstanding balances in the home equity portfolio increased $110 million during the three months ended March 31, 2014 primarily due to an increase in contractually current nonperforming loans where the loan has been modified in a TDR. At March 31, 2014, borrowers were current on contractual payments with respect to $2.0 billion, or 48 percent of nonperforming home equity loans, and $1.4 billion, or 35 percent of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less costs to sell. Outstanding balances accruing past due 30 days or more decreased $222 million during the three months ended March 31, 2014.

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. At March 31, 2014, we estimate that $2.3 billion of current and $304 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on $332 million of these combined amounts, with the remaining $2.3 billion serviced by third parties. Of the $2.6 billion of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately $1.2 billion had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $382 million to $302 million for the three months ended March 31, 2014, or 1.42 percent of the total average home equity portfolio, compared to $684 million, or 2.83 percent for the same period in 2013. The decrease in net charge-offs was primarily driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy. The net charge-off ratio was also impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

Table of Contents

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed combined loan-to-value (CLTVs) comprised nine percent of the home equity portfolio at both March 31, 2014 and December 31, 2013. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 18 percent and 19 percent of the home equity portfolio at March 31, 2014 and December 31, 2013. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Home price deterioration since 2006, somewhat mitigated by appreciation, has contributed to an increase in CLTV ratios. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 96 percent of the customers were current on their home equity loan and 91 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at March 31, 2014. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented seven percent and eight percent of the home equity portfolio at March 31, 2014 and December 31, 2013.

Of the $85.1 billion in total home equity portfolio outstandings at March 31, 2014, as shown in Table 35, 76 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was $3.3 billion, or four percent of total HELOCs at March 31, 2014. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At March 31, 2014, $68 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $615 million, or one percent for the entire HELOC portfolio. In addition, at March 31, 2014, $249 million, or eight percent of outstanding HELOCs that had entered the amortization period were nonperforming compared to $3.7 billion, or five percent for the entire HELOC portfolio. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 75 percent of these loans will not be required to make a fully-amortizing payment until 2016 or later. We communicate to contractually current customers more than a year prior to their end of draw period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended March 31, 2014, approximately 53 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

Table of Contents

Table 35 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 12 percent of the outstanding home equity portfolio at both March 31, 2014 and December 31, 2013. For the three months ended March 31, 2014 and 2013, net charge-offs on loans within this MSA comprised 14 percent and nine percent of total net charge-offs within the home equity portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both March 31, 2014 and December 31, 2013. For the three months ended March 31, 2014 and 2013, net charge-offs on loans within this MSA comprised seven percent and 10 percent of total net charge-offs within the home equity portfolio.

Table 35
Home Equity State Concentrations

	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2] Three Months Ended March 31	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013	2014	2013
California	$24,582	$ 25,061	$1,080	$ 1,047	$58	$193
Florida [3]	10,363	10,604	658	643	47	122
New Jersey [3]	6,060	6,153	309	304	22	36
New York [3]	5,899	6,035	411	405	27	39
Massachusetts	3,797	3,881	155	144	8	15
Other U.S./Non-U.S.	34,440	35,345	1,572	1,532	140	279
Home equity loans [4]	$85,141	$ 87,079	$4,185	$ 4,075	$302	$684
Purchased credit-impaired home equity portfolio	6,335	6,593				
Total home equity loan portfolio	$91,476	$ 93,672				

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $152 million and $147 million of home equity loans accounted for under the fair value option at March 31, 2014 and December 31, 2013. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $110 million and $745 million of write-offs in the home equity PCI loan portfolio for the three months ended March 31, 2014 and 2013. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84.

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

(4) Amount excludes the PCI home equity portfolio.

Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser's initial investment in loans if those differences are attributable, at least in part, to credit quality. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. PCI loans are recorded at fair value upon acquisition and the applicable accounting guidance prohibits carrying over or recording a valuation allowance in the initial accounting.

PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Once a pool is assembled, it is treated as if it were one loan for purposes of applying the accounting guidance for PCI loans. An individual loan is removed from a PCI loan pool if it is sold, foreclosed, forgiven or the expectation of any future proceeds is remote. When a loan is removed from a PCI loan pool and the foreclosure or recovery value of the loan is less than the loan's carrying value, the difference is first applied against the PCI pool's nonaccretable difference. If the nonaccretable difference has been fully utilized, only then is the PCI pool's basis applicable to that loan written-off against its valuation reserve; however, the integrity of the pool is maintained and it continues to be accounted for as if it were one loan.

Table of Contents

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

Table 36
Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	March 31, 2014				
Residential mortgage	$18,610	$17,786	$1,165	$16,621	89.31 %
Home equity	6,297	6,335	937	5,398	85.72
Total purchased credit-impaired loan portfolio	$24,907	$24,121	$2,102	$22,019	88.40
	December 31, 2013				
Residential mortgage	$19,558	$18,672	$1,446	$17,226	88.08 %
Home equity	6,523	6,593	1,047	5,546	85.02
Total purchased credit-impaired loan portfolio	$26,081	$25,265	$2,493	$22,772	87.31

The total PCI unpaid principal balance decreased $1.2 billion, or five percent, during the three months ended March 31, 2014 primarily driven by liquidations, including sales, payoffs, paydowns and write-offs. During the three months ended March 31, 2014, we sold PCI loans with a carrying value of $454 million, compared to none for the same period in 2013.

Of the unpaid principal balance of $24.9 billion at March 31, 2014, $4.0 billion was 180 days or more past due, including $3.9 billion of first-lien mortgages and $97 million of home equity loans. Of the $20.9 billion that was less than 180 days past due, $18.4 billion, or 88 percent of the total unpaid principal balance was current based on the contractual terms while $1.7 billion, or eight percent, was in early stage delinquency.

During the three months ended March 31, 2014, we recorded no provision expense for the PCI loan portfolio, compared to a provision benefit of $207 million for the three months ended March 31, 2013.

The PCI valuation allowance declined $391 million during the three months ended March 31, 2014 due to write-offs in the PCI loan portfolio of $281 million in residential mortgage and $110 million in home equity.

Table of Contents

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 74 percent of the total PCI loan portfolio at March 31, 2014. Those loans to borrowers with a refreshed FICO score below 620 represented 50 percent of the PCI residential mortgage loan portfolio at March 31, 2014. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 36 percent of the PCI residential mortgage loan portfolio and 46 percent based on the unpaid principal balance at March 31, 2014. Table 37 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 37
Outstanding Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

(Dollars in millions)	March 31 2014	December 31 2013
California	$7,863	$ 8,180
Florida [1]	1,567	1,750
Virginia	727	760
Maryland	714	728
Texas	414	433
Other U.S./Non-U.S.	6,501	6,821
Total	$17,786	$ 18,672

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

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

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

At March 31, 2014, the unpaid principal balance of pay option loans was $4.0 billion, with a carrying value of $3.8 billion, including $3.4 billion of loans that were credit-impaired upon acquisition and, accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $1.6 billion, including $95 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, five percent at both March 31, 2014 and December 31, 2013 elected to make only the minimum payment on pay option ARMs. We believe the majority of borrowers are now making scheduled payments primarily because the low rate environment has caused the fully indexed rates to be

affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the PCI pay option loan portfolio and have taken into consideration in the evaluation several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at March 31, 2014 that have not already experienced a payment reset, less than one percent are expected to reset before 2016, 30 percent are expected to reset in 2016 and 12 percent are expected to reset thereafter. In addition, 10 percent are expected to prepay and approximately 47 percent are expected to default prior to being reset, most of which were severely delinquent as of March 31, 2014.

Table of Contents

Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 26 percent of the total PCI loan portfolio at March 31, 2014. Those loans with a refreshed FICO score below 620 represented 17 percent of the PCI home equity portfolio at March 31, 2014. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 68 percent of the PCI home equity portfolio and 69 percent based on the unpaid principal balance at March 31, 2014. Table 38 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 38
Outstanding Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

(Dollars in millions)	March 31 2014	December 31 2013
California	$1,846	$ 1,921
Florida [1]	346	356
Virginia	297	310
Arizona	208	214
Colorado	187	199
Other U.S./Non-U.S.	3,451	3,593
Total	$6,335	$ 6,593

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

U.S. Credit Card

At March 31, 2014, 96 percent of the U.S. credit card portfolio was managed in CBB with the remainder managed in GWIM. Outstandings in the U.S. credit card portfolio decreased $4.6 billion during the three months ended March 31, 2014 due to seasonal decline in retail transaction volume and a transfer of loans to LHFS relating to a portfolio divestiture. Net charge-offs decreased $229 million to $718 million during the three months ended March 31, 2014 compared to the same period in 2013 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $195 million while loans 90 days or more past due and still accruing interest declined $87 million during the three months ended March 31, 2014 as a result of the factors mentioned above that contributed to lower net charge-offs.

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

Table 39
U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	March 31 2014	December 31 2013
Outstandings	$87,692	$92,338
Accruing past due 30 days or more	1,878	2,073
Accruing past due 90 days or more	966	1,053
	Three Months Ended March 31	
	2014	2013
Net charge-offs	$718	$947
Net charge-off ratios [1]	3.25 %	4.19 %

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

Unused lines of credit for U.S. credit card totaled $314.5 billion and $315.1 billion at March 31, 2014 and December 31, 2013. The $631 million decrease was driven by the transfer of loans to LHFS.

Table of Contents

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

Table 40
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013	Three Months Ended March 31	
(Dollars in millions)					2014	2013
California	$12,943	$ 13,689	$146	$ 162	$114	$162
Florida	7,088	7,339	96	105	76	103
Texas	6,194	6,405	66	72	49	61
New York	5,399	5,624	65	70	46	60
New Jersey	3,708	3,868	44	48	31	39
Other U.S.	52,360	55,413	549	596	402	522
Total U.S. credit card portfolio	$87,692	$ 92,338	$966	$ 1,053	$718	$947

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio of $11.6 billion at March 31, 2014, which are recorded in All Other, remained relatively unchanged compared to December 31, 2013. For the three months ended March 31, 2014, net charge-offs decreased $36 million to $76 million compared to the same period in 2013 due to improvement in delinquencies as a result of higher credit quality originations, which were partially offset by stronger foreign currency exchange rates.

Unused lines of credit for non-U.S. credit card totaled $31.4 billion and $31.1 billion at March 31, 2014 and December 31, 2013. The $240 million increase was primarily driven by a stronger foreign currency exchange rate.

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

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

(Dollars in millions)	March 31 2014	December 31 2013
Outstandings	$11,563	$11,541
Accruing past due 30 days or more	237	248
Accruing past due 90 days or more	124	131
	Three Months Ended March 31	
	2014	2013
Net charge-offs	$76	$112
Net charge-off ratios [1]	2.66 %	4.14 %

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

Table of Contents

Direct/Indirect Consumer

At March 31, 2014, approximately 49 percent of the direct/indirect portfolio was included in CBB (consumer dealer financial services – automotive, marine, aircraft, recreational vehicle loans and consumer personal loans), 44 percent was included in GWIM (principally securities-based lending loans and other personal loans) and the remainder was primarily in All Other (the GWIM International Wealth Management businesses based outside of the U.S. and student loans).

Outstandings in the direct/indirect portfolio decreased $640 million during the three months ended March 31, 2014 as lower outstandings in the unsecured consumer lending portfolio and the consumer dealer financial services portfolio were partially offset by growth in the securities-based lending portfolio. For the three months ended March 31, 2014, net charge-offs decreased $66 million to $58 million, or 0.29 percent of total average direct/indirect loans, compared to $124 million, or 0.61 percent for the same period in 2013. The decrease in net charge-offs was primarily driven by improvements in delinquencies and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings in this portfolio.

Net charge-offs in the unsecured consumer lending portfolio decreased $50 million to $20 million for the three months ended March 31, 2014, or 3.23 percent of total average unsecured consumer lending loans compared to $70 million, or 6.43 percent for the same period in 2013. Direct/indirect loans that were past due 30 days or more and still accruing interest declined $173 million to $840 million during the three months ended March 31, 2014 due to improvements in the dealer financial services, student lending and unsecured consumer lending portfolios.

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

Table 42
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013	Three Months Ended March 31	
(Dollars in millions)					2014	2013
California	$9,929	$ 10,041	$51	$ 57	$5	$14
Texas	7,809	7,850	63	66	6	12
Florida	7,659	7,634	22	25	8	13
New York	4,549	4,611	29	33	4	7
Georgia	2,522	2,564	14	16	4	5
Other U.S./Non-U.S.	49,084	49,492	185	211	31	73
Total direct/indirect loan portfolio	$81,552	$ 82,192	$364	$ 408	$58	$124

Other Consumer

At March 31, 2014, approximately 57 percent of the $2.0 billion other consumer portfolio was associated with certain consumer finance businesses that we previously exited. The remainder is primarily leases within the consumer dealer financial services portfolio included in CBB.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option totaled $2.1 billion at March 31, 2014 and were comprised of residential mortgage loans that were previously classified as held-for-sale, residential mortgage loans held in consolidated VIEs and repurchases of home equity loans. The loans that were previously classified as held-for-sale were transferred to the residential mortgage portfolio in connection with the decision to retain the loans. The fair value option had been elected at the time of origination and the loans continue to be measured at fair value after the reclassification. During the three months ended March 31, 2014, we recorded net gains of $8 million resulting from changes in the fair value of these loans, including losses of $5 million on loans held in consolidated VIEs that were offset by gains recorded on related long-term debt.

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 43 presents nonperforming consumer loans, leases and foreclosed properties activity for the three months ended March 31, 2014 and 2013. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. The charge-offs on these loans have no impact on nonperforming activity and, accordingly, are excluded from this table. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the PCI loan portfolio or loans accounted for under the fair value option. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K. Nonperforming loans of $15.8 billion at March 31, 2014 remained relatively unchanged compared to December 31, 2013 as outflows were offset by new inflows which continued to improve due to favorable delinquency trends.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At March 31, 2014, $7.6 billion, or 47 percent of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less costs to sell, including $7.1 billion of nonperforming loans 180 days or more past due and $538 million of foreclosed properties. In addition, at March 31, 2014, $6.1 billion, or 39 percent of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties of $538 million at March 31, 2014 remained relatively unchanged compared to December 31, 2013 as liquidations were offset by additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties increased $38 million during the three months ended March 31, 2014. Not included in foreclosed properties at March 31, 2014 was $1.1 billion of real estate that was acquired upon foreclosure of delinquent FHA-insured loans. We exclude these amounts from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the FHA for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For more information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 51.

Restructured Loans

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

Table of Contents

Table 43
Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity [1]

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Nonperforming loans and leases, January 1	$15,840	$19,431
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	2,027	2,661
Reductions to nonperforming loans and leases:		
Paydowns and payoffs	(468)	(680)
Returns to performing status [2]	(800)	(943)
Charge-offs	(583)	(1,072)
Transfers to foreclosed properties [3]	(172)	(115)
Total net additions (reductions) to nonperforming loans and leases	4	(149)
Total nonperforming loans and leases, March 31 [4]	15,844	19,282
Foreclosed properties, January 1	533	650
Additions to foreclosed properties:		
New foreclosed properties [3]	186	208
Reductions to foreclosed properties:		
Sales	(159)	(218)
Write-downs	(22)	(20)
Total net additions (reductions) to foreclosed properties	5	(30)
Total foreclosed properties, March 31 [5]	538	620
Nonperforming consumer loans, leases and foreclosed properties, March 31	$16,382	$19,902
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases [6]	3.06%	3.54%
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties [6]	3.16	3.65

(1) Balances do not include nonperforming LHFS of $33 million and $672 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $257 million and $512 million at March 31, 2014 and 2013 as well as loans accruing past due 90 days or more as presented in Table 29 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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

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

(4) At March 31, 2014, 45 percent of nonperforming loans were 180 days or more past due and were written down through charge-offs to 66 percent of their unpaid principal balance.

(5) Foreclosed property balances do not include loans that are insured by the FHA and have entered foreclosure of $1.1 billion and $2.3 billion at March 31, 2014 and 2013.

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

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, further losses in value as well as gains and losses on sale are recorded in noninterest expense. New foreclosed properties included in Table 43 are net of $45 million and $41 million of charge-offs for the three months ended March 31, 2014 and 2013,

recorded during the first 90 days after transfer.

We classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At both March 31, 2014 and December 31, 2013, $1.2 billion of such junior-lien home equity loans were included in nonperforming loans and leases.

Table of Contents

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

Table 44
Home Loans Troubled Debt Restructurings

	March 31, 2014			December 31, 2013		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$28,072	$ 7,550	$20,522	$29,312	$ 7,555	$21,757
Home equity [3]	2,158	1,433	725	2,146	1,389	757
Total home loans troubled debt restructurings	$30,230	$ 8,983	$21,247	$31,458	$ 8,944	$22,514

(1) Residential mortgage TDRs deemed collateral dependent totaled $8.3 billion and $8.2 billion, and included $5.9 billion and $5.7 billion of loans classified as nonperforming and $2.4 billion and $2.5 billion of loans classified as performing at March 31, 2014 and December 31, 2013.

(2) Residential mortgage performing TDRs included $13.1 billion and $14.3 billion of loans that were fully-insured at March 31, 2014 and December 31, 2013.

(3) Home equity TDRs deemed collateral dependent totaled $1.4 billion and $1.4 billion, and included $1.2 billion and $1.2 billion of loans classified as nonperforming and $212 million and $227 million of loans classified as performing at March 31, 2014 and December 31, 2013.

In addition to modifying home loans, we work with customers that are experiencing financial difficulty by modifying credit card and other consumer loans. Credit card and other consumer loan modifications generally involve a reduction in the consumer's interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs (the renegotiated TDR portfolio). In addition, non-U.S. credit card modifications may involve reducing the interest rate on the account without placing the customer on a fixed payment plan, and these are also considered TDRs (also a part of the renegotiated TDR portfolio). In all cases, the customer's available line of credit is canceled.

Modifications of credit card and other consumer loans are primarily made through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 43 as substantially all of the loans remain on accrual status until either charged off or paid in full. At March 31, 2014 and December 31, 2013, our renegotiated TDR portfolio was $1.8 billion and $2.1 billion, of which $1.4 billion and $1.6 billion were current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by paydowns and charge-offs as well as lower program enrollments. For more information on the renegotiated TDR portfolio, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table of Contents

Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our non-U.S. portfolio, we evaluate exposures by region and by country. Tables 49, 54, 60 and 61 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.

For more information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2013 Annual Report on Form 10-K.

Commercial Credit Portfolio

During the three months ended March 31, 2014, outstanding commercial loans and leases increased $545 million, primarily in U.S. commercial. Credit quality was stable with slight declines in reservable criticized balances and nonperforming loans, leases and foreclosed property balances during the three months ended March 31, 2014. Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases decreased slightly during the three months ended March 31, 2014 to 0.32 percent from 0.33 percent (0.33 percent from 0.34 percent excluding loans accounted for under the fair value option) at December 31, 2013. The allowance for loan and lease losses for the commercial portfolio increased $282 million to $4.3 billion at March 31, 2014 compared to December 31, 2013. For additional information, see Allowance for Credit Losses on page 108.

Table 45 presents our commercial loans and leases portfolio, and related credit quality information at March 31, 2014 and December 31, 2013.

Table 45
Commercial Loans and Leases

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013	March 31 2014	December 31 2013
U.S. commercial	$215,385	$ 212,557	$841	$ 819	$170	$ 47
Commercial real estate [(1)]	48,840	47,893	300	322	22	21
Commercial lease financing	24,649	25,199	10	16	14	41
Non-U.S. commercial	85,630	89,462	18	64	—	17
	374,504	375,111	1,169	1,221	206	126
U.S. small business commercial [(2)]	13,410	13,294	96	88	78	78
Commercial loans excluding loans accounted for under the fair value option	387,914	388,405	1,265	1,309	284	204
Loans accounted for under the fair value option [(3)]	8,914	7,878	2	2	—	—
Total commercial loans and leases	$396,828	$ 396,283	$1,267	$ 1,311	$284	$ 204

(1) Includes U.S. commercial real estate loans of $47.1 billion and $46.3 billion and non-U.S. commercial real estate loans of $1.7 billion and $1.6 billion at March 31, 2014 and December 31, 2013.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $1.4 billion and $1.5 billion and non-U.S. commercial loans of $7.5 billion and $6.4 billion at March 31, 2014 and December 31, 2013. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

Table of Contents

Table 46 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 2014 and 2013. Improving trends across the portfolio drove lower charge-offs.

Table 46
Commercial Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	2014	2013	2014	2013
U.S. commercial	$5	$45	0.01 %	0.09 %
Commercial real estate	(37)	93	(0.31)	0.96
Commercial lease financing	(2)	(10)	(0.04)	(0.18)
Non-U.S. commercial	19	(15)	0.09	(0.08)
	(15)	113	(0.02)	0.14
U.S. small business commercial	64	102	1.95	3.33
Total commercial	$49	$215	0.05	0.25

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

Table 47 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes standby letters of credit (SBLCs) and financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified time period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure decreased $9.3 billion during the three months ended March 31, 2014 primarily driven by decreases in unfunded loans and leases.

Total commercial utilized credit exposure decreased $1.7 billion during the three months ended March 31, 2014 primarily driven by decreases in derivative assets and debt securities and other investments, partially offset by increases in loans held-for-sale. The utilization rate for loans and leases, SBLCs and financial guarantees, commercial letters of credit and bankers' acceptances was 59 percent and 58 percent at March 31, 2014 and December 31, 2013.

Table 47
Commercial Credit Exposure by Type

	Commercial Utilized [1]		Commercial Unfunded [2, 3]		Total Commercial Committed	
(Dollars in millions)	March 31 2014	December 31 2013	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Loans and leases	$396,828	$ 396,283	$298,954	$ 307,478	$695,782	$ 703,761
Derivative assets [4]	45,302	47,495	—	—	45,302	47,495
Standby letters of credit and financial guarantees	35,395	35,893	1,139	1,334	36,534	37,227
Debt securities and other investments	17,102	18,505	7,717	6,903	24,819	25,408
Loans held-for-sale	8,498	6,604	590	101	9,088	6,705
Commercial letters of credit	1,909	2,054	403	515	2,312	2,569
Bankers' acceptances	312	246	—	—	312	246
Foreclosed properties and other	420	414	—	—	420	414
Total	$505,766	$ 507,494	$308,803	$ 316,331	$814,569	$ 823,825

(1)

Total commercial utilized exposure includes loans of $8.9 billion and $7.9 billion and issued letters of credit accounted for under the fair value option with a notional amount of $576 million and $503 million at March 31, 2014 and December 31, 2013.

(2) Total commercial unfunded exposure includes loan commitments accounted for under the fair value option with a notional amount of $11.3 billion and $12.5 billion at March 31, 2014 and December 31, 2013.

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

(4) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $42.8 billion and $47.3 billion at March 31, 2014 and December 31, 2013. Not reflected in utilized and committed exposure is additional derivative collateral held of $16.1 billion and $17.1 billion which consists primarily of other marketable securities.

Table of Contents

Table 48 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure decreased $80 million during the three months ended March 31, 2014 primarily in the Non-U.S. commercial portfolio driven largely by paydowns and upgrades outpacing downgrades, partially offset by an increase in the U.S. commercial portfolio. At March 31, 2014, approximately 85 percent of commercial utilized reservable criticized exposure was secured compared to 84 percent at December 31, 2013.

Table 48
Commercial Utilized Reservable Criticized Exposure

	March 31, 2014		December 31, 2013	
(Dollars in millions)	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	$8,513	3.48 %	$8,362	3.45 %
Commercial real estate	1,476	2.91	1,452	2.92
Commercial lease financing	971	3.94	988	3.92
Non-U.S. commercial	1,188	1.29	1,424	1.49
	12,148	2.95	12,226	2.96
U.S. small business commercial	633	4.72	635	4.77
Total commercial utilized reservable criticized exposure	$12,781	3.01	$12,861	3.02

(1) Total commercial utilized reservable criticized exposure includes loans and leases of $11.4 billion and $11.5 billion and commercial letters of credit of $1.4 billion and $1.4 billion at March 31, 2014 and December 31, 2013.

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

U.S. Commercial

At March 31, 2014, 63 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 16 percent in Global Markets, nine percent in GWIM (business-purpose loans for high net-worth clients) and the remainder primarily in CBB. U.S. commercial loans, excluding loans accounted for under the fair value option, increased $2.8 billion during the three months ended March 31, 2014 with growth in large corporate and middle-market portfolios. Nonperforming loans and leases increased $22 million, or three percent, during the three months ended March 31, 2014. Net charge-offs decreased $40 million to $5 million for the three months ended March 31, 2014 compared to the same period in 2013.

Table of Contents

Commercial Real Estate

Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate and is dependent on the sale or lease of the real estate as the primary source of repayment. The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration at 22 percent of the commercial real estate loans and leases portfolio at both March 31, 2014 and December 31, 2013. The commercial real estate portfolio is predominantly managed in Global Banking and consists of loans made primarily to public and private developers, and commercial real estate firms. Outstanding loans increased $947 million, or two percent, during the three months ended March 31, 2014 primarily due to new originations in major metropolitan markets.

For the three months ended March 31, 2014, we continued to see improvements in credit quality in both the residential and non-residential portfolios. We use a number of proactive risk mitigation initiatives to reduce adversely rated exposure in the commercial real estate portfolio including transfers of deteriorating exposures to management by independent special asset officers and pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation.

Nonperforming commercial real estate loans and foreclosed properties decreased $27 million, or seven percent, and reservable criticized balances increased $24 million, or two percent, during the three months ended March 31, 2014. Net charge-offs decreased $130 million to a net recovery position of $37 million for the three months ended March 31, 2014 compared to the same period in 2013.

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

Table 49
Outstanding Commercial Real Estate Loans

(Dollars in millions)	March 31 2014	December 31 2013
By Geographic Region		
California	$10,898	$ 10,358
Northeast	9,179	9,487
Southwest	6,745	6,913
Southeast	5,472	5,314
Florida	3,164	3,030
Midwest	3,084	3,109
Illinois	2,285	2,319
Northwest	2,269	2,037
Midsouth	2,018	2,013
Non-U.S.	1,738	1,582
Other [1]	1,988	1,731
Total outstanding commercial real estate loans	$48,840	$ 47,893
By Property Type		
Non-residential		
Office	$12,945	$ 12,799
Multi-family rental	8,659	8,559
Shopping centers/retail	7,645	7,470
Industrial/warehouse	4,606	4,522
Hotels/motels	4,031	3,926

Multi-use	1,780	1,960
Land and land development	748	855
Other	6,704	6,283
Total non-residential	47,118	46,374
Residential	1,722	1,519
Total outstanding commercial real estate loans	$48,840	$ 47,893

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

Table of Contents

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

Table 50
Commercial Real Estate Credit Quality Data

(Dollars in millions)	Nonperforming Loans and Foreclosed Properties [1]		Utilized Reservable Criticized Exposure [2]	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Non-residential				
Office	$91	$ 96	$404	$ 367
Multi-family rental	16	15	235	234
Shopping centers/retail	55	57	143	144
Industrial/warehouse	19	22	114	119
Hotels/motels	3	5	66	38
Multi-use	30	19	160	157
Land and land development	60	73	75	92
Other	14	23	165	173
Total non-residential	288	310	1,362	1,324
Residential	97	102	114	128
Total commercial real estate	$385	$ 412	$1,476	$ 1,452

(1) Includes commercial foreclosed properties of $85 million and $90 million at March 31, 2014 and December 31, 2013.

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

Table 51
Commercial Real Estate Net Charge-offs and Related Ratios

(Dollars in millions)	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios [1]	
	2014	2013	2014	2013
Non-residential				
Office	$(1)	$28	(0.04)%	1.18 %
Multi-family rental	(5)	1	(0.21)	0.09
Shopping centers/retail	2	10	0.12	0.69
Industrial/warehouse	(3)	10	(0.23)	1.09
Hotels/motels	—	5	—	0.69
Multi-use	(9)	3	(1.87)	0.64
Land and land development	1	12	0.29	4.48
Other	(22)	2	(1.43)	0.02
Total non-residential	(37)	71	(0.32)	0.76
Residential	—	22	—	5.69
Total commercial real estate	$(37)	$93	(0.31)	0.96

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

At March 31, 2014, total committed non-residential exposure was $69.7 billion compared to $68.6 billion at December 31, 2013, of which $47.1 billion and $46.4 billion were funded secured loans. Non-residential nonperforming loans and foreclosed properties declined $22 million, or seven percent, to $288 million at March 31, 2014 compared to $310 million at December 31, 2013, which represented 0.61 percent and 0.67 percent of total non-residential loans and foreclosed properties. The decline in nonperforming loans and foreclosed properties in the non-residential portfolio was driven by decreases across most property types. Non-residential utilized reservable criticized exposure increased slightly by $38 million, or three percent, to $1.4 billion at March 31, 2014 compared to $1.3 billion at December 31, 2013, which represented 2.79 percent and 2.75 percent of non-residential utilized reservable exposure. The increase in reservable criticized exposure was due to new additions slightly outpacing the level of exposures resolved. For the non-residential portfolio, net charge-offs

decreased $108 million to a net recovery position of $37 million for the three months ended March 31, 2014 compared to the same period in 2013 primarily due to lower levels of criticized and nonperforming assets as well as recovery of prior period charge-offs.

At March 31, 2014, total committed residential exposure was $3.3 billion compared to $3.1 billion at December 31, 2013 of which $1.7 billion and $1.5 billion were funded secured loans. Residential nonperforming loans and foreclosed properties decreased $5 million, or five percent, during the three months ended March 31, 2014 due to repayments, sales and loan restructuring. Residential utilized reservable criticized exposure decreased $14 million, or 11 percent, during the three months ended March 31, 2014 due to continued resolution of criticized exposure. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 5.59 percent and 6.19 percent at March 31, 2014 compared to 6.65 percent and 7.81 percent at December 31, 2013. Residential portfolio net charge-offs decreased $22 million for the three months ended March 31, 2014 compared to the same period in 2013.

At March 31, 2014 and December 31, 2013, the commercial real estate loan portfolio included $7.3 billion and $7.0 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. Reservable criticized construction and land development loans totaled $404 million and $431 million, and nonperforming construction and land development loans and foreclosed properties totaled $86 million and $100 million at March 31, 2014 and December 31, 2013. During a property's construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

At March 31, 2014, 72 percent of the non-U.S. commercial loan portfolio was managed in Global Banking and 28 percent in Global Markets. Outstanding loans, excluding loans accounted for under the fair value option, decreased $3.8 billion during the three months ended March 31, 2014 primarily due to decreased client financing activity. Net charge-offs increased $34 million to $19 million for the three months ended March 31, 2014 compared to net recoveries of $15 million for the same period in 2013. For more information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 104.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card loans and small business loans managed in CBB. Credit card-related products were 43 percent of the U.S. small business commercial portfolio at both March 31, 2014 and December 31, 2013. Net charge-offs decreased $38 million to $64 million for the three months ended March 31, 2014 compared to the same period in 2013 driven by an improvement in credit quality, including lower delinquencies as a result of an improved economic environment, and the impact of higher credit quality originations. Of the U.S. small business commercial net charge-offs, 80 percent were credit card-related products for the three months ended March 31, 2014 compared to 75 percent for the same period in 2013.

Commercial Loans Accounted for Under the Fair Value Option

The portfolio of commercial loans accounted for under the fair value option is managed primarily in Global Banking. Outstanding commercial loans accounted for under the fair value option increased $1.0 billion to an aggregate fair value of $8.9 billion at March 31, 2014 compared to December 31, 2013 primarily due to increased corporate borrowings under bank credit facilities. We recorded net gains of $17 million during the three months ended March

31, 2014 compared to net gains of $46 million for the same period in 2013 resulting from changes in the fair value of this loan portfolio. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income (loss) and do not reflect the results of hedging activities.

In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of $338 million and $354 million at March 31, 2014 and December 31, 2013, which was recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was $11.9 billion and $13.0 billion at March 31, 2014 and December 31, 2013. We recorded net gains of $9 million from changes in the fair value of commitments and letters of credit during the three months ended March 31, 2014 compared to net gains of $65 million for the same period in 2013 primarily attributable to changes in instrument-specific credit risk, which were recorded in other income (loss) and do not reflect the results of hedging activities.

Table of Contents

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 52 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three months ended March 31, 2014 and 2013. Nonperforming loans do not include loans accounted for under the fair value option. During the three months ended March 31, 2014, nonperforming commercial loans and leases decreased $44 million to $1.3 billion driven by paydowns, returns to performing status and charge-offs outpacing new nonperforming loans. Approximately 94 percent of commercial nonperforming loans, leases and foreclosed properties were secured and approximately 53 percent were contractually current. Commercial nonperforming loans were carried at approximately 71 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less costs to sell.

Table 52
Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Nonperforming loans and leases, January 1	$1,309	$3,224
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	262	350
Advances	8	6
Reductions to nonperforming loans and leases:		
Paydowns	(171)	(328)
Sales	(27)	(147)
Returns to performing status [3]	(63)	(167)
Charge-offs	(50)	(177)
Transfers to foreclosed properties [4]	(3)	(21)
Transfers to loans held-for-sale	—	(6)
Total net reductions to nonperforming loans and leases	(44)	(490)
Total nonperforming loans and leases, March 31	1,265	2,734
Foreclosed properties, January 1	90	250
Additions to foreclosed properties:		
New foreclosed properties [4]	2	12
Reductions to foreclosed properties:		
Sales	(5)	(44)
Write-downs	(2)	(12)
Total net reductions to foreclosed properties	(5)	(44)
Total foreclosed properties, March 31	85	206
Nonperforming commercial loans, leases and foreclosed properties, March 31	$1,350	$2,940
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	0.33 %	0.76 %
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	0.35	0.82

(1) Balances do not include nonperforming LHFS of $259 million and $379 million at March 31, 2014 and 2013.

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

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

(4) New foreclosed properties represents transfers of nonperforming loans to foreclosed properties net of charge-offs recorded during the first 90 days after transfer of a loan to foreclosed properties.

(5) Outstanding commercial loans exclude loans accounted for under the fair value option.

Table of Contents

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

Table 53
Commercial Troubled Debt Restructurings

	March 31, 2014			December 31, 2013		
(Dollars in millions)	Total	Non-performing	Performing	Total	Non-performing	Performing
U.S. commercial	$1,295	$ 282	$ 1,013	$1,318	$ 298	$ 1,020
Commercial real estate	753	162	591	835	198	637
Non-U.S. commercial	80	12	68	48	38	10
U.S. small business commercial	69	—	69	88	—	88
Total commercial troubled debt restructurings	$2,197	$ 456	$ 1,741	$2,289	$ 534	$ 1,755

Industry Concentrations

Table 54 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. Total commercial committed credit exposure decreased $9.3 billion during the three months ended March 31, 2014 to $814.6 billion. The decrease in commercial committed exposure was concentrated in diversified financials, energy and telecommunication services, partially offset by higher exposure to banking and media.

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

Diversified financials, our largest industry concentration, experienced a decline in committed exposure of $6.9 billion, or six percent, during the three months ended March 31, 2014 driven by lower funded loans.

Real estate, our second largest industry concentration, experienced an increase in committed exposure of $919 million during the three months ended March 31, 2014 primarily due to new originations and renewals outpacing paydowns and sales. Real estate construction and land development exposure represented 14 percent of the total real estate industry committed exposure at both March 31, 2014 and December 31, 2013. For more information on commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 96.

Committed exposure to the banking industry increased $1.7 billion, or four percent, during the three months ended March 31, 2014 primarily related to mortgage finance. Energy committed exposure decreased $1.3 billion, or three percent, during the three months ended March 31, 2014 primarily driven by lower non-U.S. integrated oil and gas. Media committed exposure increased $1.2 billion, or five percent, during the three months ended March 31, 2014 driven by higher cable television and satellite exposure, partially offset by broadcasting and cable networks. Telecommunication services committed exposure decreased $1.1 billion, or 10 percent, during the three months ended March 31, 2014 primarily as a result of paydowns.

Our committed state and municipal exposure of $36.6 billion at March 31, 2014 consisted of $30.2 billion of commercial utilized exposure (including $18.8 billion of funded loans, $7.1 billion of SBLCs and $1.9 billion of derivative assets) and $6.4 billion of unfunded commercial exposure (primarily unfunded loan commitments and letters of credit) and is reported in the government and public education industry in Table 54. While the slow pace of economic recovery continues to pressure budgets, most state and local governments have implemented offsetting fiscal adjustments and continue to honor debt obligations as agreed. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications are regularly circulated such that exposure levels are maintained in compliance with established concentration guidelines.

Table of Contents

Table 54
Commercial Credit Exposure by Industry [1]

(Dollars in millions)	Commercial Utilized March 31 2014	Commercial Utilized December 31 2013	Total Commercial Committed March 31 2014	Total Commercial Committed December 31 2013
Diversified financials	$69,137	$ 76,673	$111,172	$ 118,092
Real estate [2]	55,613	54,336	77,337	76,418
Retailing	33,836	32,859	53,902	54,616
Capital goods	28,012	28,016	52,356	52,849
Banking	42,296	41,399	49,821	48,078
Healthcare equipment and services	31,854	30,828	48,681	49,063
Government and public education	40,435	40,253	48,175	48,322
Materials	23,163	22,384	42,291	42,699
Energy	19,835	19,739	39,846	41,156
Consumer services	21,147	21,080	34,010	34,217
Commercial services and supplies	19,448	19,770	31,529	32,007
Food, beverage and tobacco	15,359	14,437	31,379	30,541
Utilities	9,404	9,253	25,346	25,243
Media	13,066	13,070	23,880	22,655
Transportation	15,351	15,280	22,425	22,595
Individuals and trusts	15,159	14,864	18,743	18,681
Software and services	6,667	6,814	13,933	14,172
Pharmaceuticals and biotechnology	6,052	6,455	13,111	13,986
Technology hardware and equipment	6,051	6,166	12,697	12,733
Insurance, including monolines	5,473	5,926	11,744	12,203
Telecommunication services	4,654	4,541	10,328	11,423
Consumer durables and apparel	5,797	5,427	10,002	9,757
Automobiles and components	3,303	3,165	8,601	8,424
Food and staples retailing	4,083	3,950	7,779	7,909
Religious and social organizations	5,404	5,452	7,384	7,677
Other	5,167	5,357	8,097	8,309
Total commercial credit exposure by industry	$505,766	$ 507,494	$814,569	$ 823,825
Net credit default protection purchased on total commitments [3]			$(8,341)	$ (8,085)

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

(2) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.

(3) Represents net notional credit protection purchased. For additional information, see Commercial Portfolio Credit Risk Management – Risk Mitigation on page 102.

Monoline Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits. We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations and credit-enhanced securities as part of our public finance business, and other selected products. Such indirect exposure exists when we purchase credit protection from monolines to hedge all or a portion of the credit risk on certain credit exposures including loans and collateralized debt obligations (CDOs). We underwrite our public finance exposure by evaluating the underlying securities.

We also have indirect exposure to monolines in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when credit protection was purchased from monolines to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan due to a breach of the representations and warranties, and the market value of the loan has declined, or we are required to indemnify or provide recourse for a guarantor's loss. For more information regarding our exposure to representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table of Contents

Table 55 presents the notional amount of our monoline derivative credit exposure, mark-to-market adjustment and the counterparty credit valuation adjustment. The notional amount of monoline exposure decreased $373 million during the three months ended March 31, 2014 due to terminations, paydowns and maturities of monoline contracts.

Table 55
Derivative Credit Exposures

(Dollars in millions)	March 31 2014	December 31 2013
Notional amount of monoline exposure	$10,258	$10,631
Mark-to-market	$41	$97
Counterparty credit valuation adjustment	(12)	(15)
Net mark-to-market	$29	$82
	Three Months Ended March 31	
	2014	2013
Gains from credit valuation changes	$2	$26

Risk Mitigation

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

At March 31, 2014 and December 31, 2013, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $8.3 billion and $8.1 billion. We recorded net losses of $29 million for the three months ended March 31, 2014 compared to net losses of $66 million for the same period in 2013 on these positions. The losses on these instruments were offset by gains on the related exposures. The VaR results for these exposures are included in the fair value option portfolio information in Table 65. For additional information, see Trading Risk Management on page 114.

Tables 56 and 57 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at March 31, 2014 and December 31, 2013.

Table 56
Net Credit Default Protection by Maturity

	March 31 2014	December 31 2013
Less than or equal to one year	32 %	35 %
Greater than one year and less than or equal to five years	64	63
Greater than five years	4	2
Total net credit default protection	100 %	100 %

Table of Contents

Table 57
Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	March 31, 2014		December 31, 2013	
Ratings [1, 2]	Net Notional [3]	Percent of Total	Net Notional [3]	Percent of Total
AA	$(42)	0.5 %	$(7)	0.1 %
A	(2,173)	26.1	(2,560)	31.7
BBB	(4,379)	52.5	(3,880)	48.0
BB	(1,082)	13.0	(1,137)	14.1
B	(571)	6.8	(452)	5.6
CCC and below	(130)	1.6	(115)	1.4
NR [4]	36	(0.5)	66	(0.9)
Total net credit default protection	$(8,341)	100.0 %	$(8,085)	100.0 %

(1) Ratings are refreshed on a quarterly basis.
(2) Ratings of BBB- or higher are considered to meet the definition of investment grade.
(3) Represents net credit default protection (purchased) sold.
(4) NR is comprised of index positions held and any names that have not been rated.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker/dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required by the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

Table 58 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts with the counterparty. For more information on our written credit derivatives, see Note 2 – Derivatives to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 58 take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in Note 2 – Derivatives to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 58
Credit Derivatives

	March 31, 2014		December 31, 2013	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	$1,304,821	$5,389	$1,305,090	$6,042
Total return swaps/other	59,957	378	38,094	402
Total purchased credit derivatives	$1,364,778	$5,767	$1,343,184	$6,444

Written credit derivatives:				
Credit default swaps	$1,272,003	n/a	$1,265,380	n/a
Total return swaps/other	76,478	n/a	63,407	n/a
Total written credit derivatives	$1,348,481	n/a	$1,328,787	n/a

n/a = not applicable

103

Table of Contents

Counterparty Credit Risk Valuation Adjustments

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

Table 59
Credit Valuation Gains and Losses

	Three Months Ended March 31					
	2014			2013		
(Dollars in millions)	Gross	Hedge	Net	Gross	Hedge	Net
Credit valuation gains (losses)	$52	$(12)	$40	$(131)	$(164)	$(295)

Non-U.S. Portfolio

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

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

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

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

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

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

Table of Contents

Table 60 presents our 20 largest, non-U.S. country exposures at March 31, 2014. These exposures accounted for 89 percent and 88 percent of our total non-U.S. exposure at March 31, 2014 and December 31, 2013. Net country exposure for these 20 countries increased $4.0 billion from December 31, 2013 driven by an increase in funded loans and loan equivalents in Canada, France and Hong Kong in addition to higher securities balances in the United Kingdom, partially offset by a decrease in loan and loan equivalent fundings in Italy and Russia as well as a decline in time deposit placements and securities in Japan.

Table 60
Top 20 Non-U.S. Countries Exposure

(Dollars in millions)	Funded Loans and Loan Equivalents	Unfunded Loan Commitments	Net Counterparty Exposure	Securities/ Other Investments	Country Exposure at March 31 2014	Hedges and Credit Default Protection	Net Country Exposure at March 31 2014	Increase (Decrease) from December 31 2013
United Kingdom	$ 25,526	$ 12,766	$ 5,994	$ 6,929	$ 51,215	$ (3,913)	$ 47,302	$ 3,716
Canada	6,555	6,569	2,188	5,427	20,739	(1,451)	19,288	877
Germany	6,129	4,901	2,112	4,590	17,732	(4,119)	13,613	895
China	10,984	461	618	1,282	13,345	(301)	13,044	123
Brazil	8,930	590	393	3,226	13,139	(222)	12,917	(715)
France	3,500	6,595	1,204	6,007	17,306	(4,485)	12,821	2,658
India	5,929	632	307	3,614	10,482	(82)	10,400	149
Australia	3,722	2,106	466	2,362	8,656	(354)	8,302	305
Netherlands	4,031	3,809	488	1,030	9,358	(1,424)	7,934	299
Hong Kong	5,809	344	74	760	6,987	(101)	6,886	1,529
South Korea	3,901	871	542	1,956	7,270	(571)	6,699	264
Switzerland	2,343	2,951	641	603	6,538	(1,180)	5,358	(188)
Russian Federation	5,709	201	319	68	6,297	(1,084)	5,213	(1,509)
Singapore	3,065	167	152	1,491	4,875	(50)	4,825	996
Italy	2,780	2,014	2,115	1,646	8,555	(4,064)	4,491	(711)
Japan	3,639	509	1,168	1,106	6,422	(2,171)	4,251	(3,864)
Taiwan	2,691	100	144	1,284	4,219	(15)	4,204	132
Mexico	3,058	716	113	334	4,221	(458)	3,763	(236)
Spain	2,999	834	125	584	4,542	(1,585)	2,957	(446)
Turkey	2,188	75	38	111	2,412	(25)	2,387	(306)
Total top 20 non-U.S. countries exposure	$ 113,488	$ 47,211	$ 19,201	$ 44,410	$ 224,310	$ (27,655)	$ 196,655	$ 3,968

Russian intervention in the Ukraine during the first quarter of 2014 significantly increased geopolitical tensions in Central and Eastern Europe. Net exposure to Russia was reduced to $5.2 billion at March 31, 2014, concentrated in oil and gas companies and commercial banks. Our exposure to Ukraine was minimal. In response to Russian actions, U.S. and European countries have imposed sanctions on a limited number of Russian individuals and business entities. The situation remains fluid with potential for further escalation of geopolitical tensions, increased severity of sanctions against Russian interests, and possible Russian counter-sanctions.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress in recent years. Risks from the ongoing financial instability in these countries could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and

non-sovereign debt in these countries. Market volatility is expected to continue as policymakers address the fundamental challenges of competitiveness, growth and fiscal solvency. We expect to continue to support client activities in the region and our exposures may vary over time as we monitor the situation and manage our risk profile.

Table of Contents

Table 61 presents our direct sovereign and non-sovereign exposures in these countries at March 31, 2014. Our total sovereign and non-sovereign exposure to these countries was $15.6 billion at March 31, 2014 compared to $17.1 billion at December 31, 2013. The total exposure to these countries, net of all hedges, was $9.6 billion at March 31, 2014 compared to $10.4 billion at December 31, 2013. At March 31, 2014 and December 31, 2013, hedges and credit default protection purchased, net of credit default protection sold, was $6.0 billion and $6.8 billion. Net country exposure decreased $796 million from December 31, 2013 driven by a decrease in overall exposure to Italy and Spain.

Table 61
Select European Countries

(Dollars in millions)	Funded Loans and Loan Equivalents	Unfunded Loan Commitments	Net Counterparty Exposure (1)	Securities/ Other Investments (2)	Country Exposure at March 31 2014	Hedges and Credit Default Protection (3)	Net Country Exposure at March 31 2014	Increase (Decrease) from December 31, 2013
Greece								
Sovereign	$ —	$ —	$ —	$ 27	$27	$—	$27	$ (31)
Financial institutions	—	—	1	2	3	(18)	(15)	(12)
Corporates	63	68	—	8	139	(26)	113	15
Total Greece	$ 63	$ 68	$ 1	$ 37	$169	$(44)	$125	$ (28)
Ireland								
Sovereign	$ 19	$ —	$ 10	$ 62	$91	$(10)	$81	$ 86
Financial institutions	794	27	119	25	965	(11)	954	(26)
Corporates	395	347	77	47	866	(22)	844	75
Total Ireland	$ 1,208	$ 374	$ 206	$ 134	$1,922	$(43)	$1,879	$ 135
Italy								
Sovereign	$ 20	$ —	$ 1,790	$ 1,293	$3,103	$(2,091)	$1,012	$ 1,225
Financial institutions	1,484	3	178	64	1,729	(1,078)	651	(759)
Corporates	1,276	2,011	147	289	3,723	(895)	2,828	(1,177)
Total Italy	$ 2,780	$ 2,014	$ 2,115	$ 1,646	$8,555	$(4,064)	$4,491	$ (711)
Portugal								
Sovereign	$ —	$ —	$ 17	$ 144	$161	$(35)	$126	$ 103
Financial institutions	13	—	1	—	14	(50)	(36)	66
Corporates	90	103	—	50	243	(217)	26	85
Total Portugal	$ 103	$ 103	$ 18	$ 194	$418	$(302)	$116	$ 254
Spain								
Sovereign	$ 36	$ —	$ 66	$ 7	$109	$(293)	$(184)	$ (123)
Financial institutions	1,157	1	22	105	1,285	(281)	1,004	56
Corporates	1,806	833	37	472	3,148	(1,011)	2,137	(379)
Total Spain	$ 2,999	$ 834	$ 125	$ 584	$4,542	$(1,585)	$2,957	$ (446)
Total								
Sovereign	$ 75	$ —	$ 1,883	$ 1,533	$3,491	$(2,429)	$1,062	$ 1,260
Financial institutions	3,448	31	321	196	3,996	(1,438)	2,558	(675)

Corporates	3,630	3,362	261	866	8,119	(2,171)	5,948	(1,381)
Total select European exposure	$ 7,153	$ 3,393	$ 2,465	$ 2,595	$ 15,606	$ (6,038)	$ 9,568	$ (796)

(1) Net counterparty exposure includes the fair value of derivatives, including the counterparty risk associated with CDS, and secured financing transactions. Derivative exposures are presented net of $1.6 billion in collateral, which is predominantly cash, pledged under legally enforceable master netting agreements. Secured financing transaction exposures are presented net of eligible cash or securities pledged as collateral. The notional amount of reverse repurchase transactions was $4.9 billion. Counterparty exposure is not presented net of hedges or credit default protection.

(2) Long securities exposures are netted on a single-name basis to, but not below, zero by short exposures of $4.3 billion and net CDS purchased of $807 million, consisting of $435 million of net single-name CDS purchased and $372 million of net indexed and tranched CDS purchased.

(3) Represents credit default protection purchased, net of credit default protection sold, which is used to mitigate the Corporation's risk to country exposures as listed, includes $3.6 billion to hedge loans and securities, consisting of $2.0 billion in net single-name CDS purchased and $1.6 billion in net indexed and tranched CDS purchased, $2.4 billion in additional credit default protection purchased to hedge derivative assets and $120 million in other short exposures.

Table of Contents

The majority of our CDS contracts on reference assets in Greece, Ireland, Italy, Portugal and Spain are with highly-rated financial institutions primarily outside of the Eurozone and we work to limit or eliminate correlated CDS. Due to our engagement in market-making activities, our CDS portfolio contains contracts with various maturities to a diverse set of counterparties. We work to limit mismatches in maturities between our exposures and the CDS we use to hedge them. However, there may be instances where the protection purchased has a different maturity than the exposure for which the protection was purchased, in which case, those exposures and hedges are subject to more active monitoring and management.

Table 62 presents the notional amount and fair value of single-name CDS purchased and sold on reference assets in Greece, Ireland, Italy, Portugal and Spain. Table 62 includes only single-name CDS netted at the counterparty level, whereas, Table 61 includes single-name, indexed and tranched CDS exposures netted by the reference asset that they are intended to hedge; therefore, CDS purchased and sold information is not comparable between tables.

Table 62
Single-Name CDS with Reference Assets in Greece, Ireland, Italy, Portugal and Spain [1]

	March 31, 2014			
	Notional		Fair Value	
(Dollars in billions)	Purchased	Sold	Purchased	Sold
Greece				
Aggregate	$1.4	$1.3	$0.1	$0.1
After netting [2]	0.3	0.2	—	—
Ireland				
Aggregate	2.2	2.0	0.1	0.1
After netting [2]	0.9	0.6	0.1	—
Italy				
Aggregate	51.8	46.6	2.1	1.4
After netting [2]	11.6	6.4	0.9	0.3
Portugal				
Aggregate	7.5	7.6	0.3	0.4
After netting [2]	1.3	1.3	—	0.1
Spain				
Aggregate	19.5	19.3	0.5	0.5
After netting [2]	3.3	3.1	0.1	0.1

(1) The majority of our CDS contracts on reference assets in Greece, Ireland, Italy, Portugal and Spain are primarily with non-Eurozone counterparties.
(2) Amounts listed are after consideration of legally enforceable master netting agreements.

Losses could result even if there is credit default protection purchased because the purchased credit protection contracts may only pay out under certain scenarios and thus not all losses may be covered by the credit protection contracts. The effectiveness of our CDS protection as a hedge of these risks is influenced by a number of factors, including the contractual terms of the CDS. Generally, only the occurrence of a credit event as defined by the CDS terms (which may include, among other events, the failure to pay by, or restructuring of, the reference entity) results in a payment under the purchased credit protection contracts. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association, Inc. (ISDA) Determination Committee (comprised of various ISDA member firms) based on the terms of the CDS and facts and circumstances for the event. Accordingly, uncertainties exist as to whether any particular strategy or policy action for addressing the European financial instability would constitute a credit event under the CDS. A voluntary restructuring may not trigger a credit event under CDS terms and consequently may not trigger a payment under the CDS contract.

In addition to our direct sovereign and non-sovereign exposures, a significant deterioration of the European economic recovery could result in material reductions in the value of sovereign debt and other asset classes posted as collateral, disruptions in capital markets, widening of credit spreads of U.S. and non-U.S. financial institutions, loss of investor confidence in the financial services industry, a slowdown in global economic activity and other adverse developments. For more information on the financial instability in Europe, see Item 1A. Risk Factors of the Corporation's 2013 Annual Report on Form 10-K.

Provision for Credit Losses

The provision for credit losses decreased $704 million to $1.0 billion for the three months ended March 31, 2014 compared to the same period in 2013. The provision for credit losses was $379 million lower than net charge-offs for the three months ended March 31, 2014, resulting in a reduction in the allowance for credit losses primarily due to continued improvement in the home loans and credit card portfolios, partially offset by an increase in the allowance for the commercial portfolio. This compared to a reduction of $804 million in the allowance for credit losses for the three months ended March 31, 2013. If the economy and our asset quality continue to improve, we anticipate moderate reductions in both the allowance for credit losses and net charge-offs in subsequent quarters in 2014.

The provision for credit losses for the consumer portfolio decreased $841 million to $650 million for the three months ended March 31, 2014 compared to the same period in 2013, due to continued improvement in the home loans portfolio primarily as a result of increased home prices, improved delinquencies and continued loan balance run-off, as well as improvement in the credit card portfolios primarily driven by lower delinquencies. There was no provision for credit losses related to the PCI loan portfolio for the three months ended March 31, 2014 compared to a benefit of $207 million for the same period in 2013.

The provision for credit losses for the commercial portfolio, including unfunded lending commitments, increased $137 million to $359 million for the three months ended March 31, 2014 compared to the same period in 2013 as the decline in net charge-offs was more than offset by increased reserves.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

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

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

The second component of the allowance for loan and lease losses covers the remaining consumer and commercial loans and leases that have incurred losses that are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of loans that will default based on

individual loan attributes, the most significant of which are refreshed LTV or CLTV, and borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Additionally, we incorporate the delinquency status of underlying first-lien loans on our junior-lien home equity portfolio in our allowance process. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of March 31, 2014, the loss forecast process resulted in reductions in the allowance for most major consumer portfolios.

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

risk. As of March 31, 2014, changes in portfolio size and composition resulted in an increase in the allowance for all major commercial portfolios.

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

During the three months ended March 31, 2014, the factors that impacted the allowance for loan and lease losses included significant overall improvements in the credit quality of the portfolios driven by continuing improvements in the U.S. economy and housing and labor markets, continuing proactive credit risk management initiatives and the impact of recent higher credit quality originations. Additionally, the resolution of uncertainties through current recognition of net charge-offs has impacted the amount of reserve needed in certain portfolios. Evidencing the improvements in the U.S. economy and housing and labor markets are modest growth in consumer spending, improvements in unemployment levels, a decrease in the absolute level and our share of national consumer bankruptcy filings, and a rise in both residential building activity and overall home prices. In addition to these improvements, paydowns, charge-offs, sales, returns to performing status and upgrades out of criticized continued to outpace new nonaccrual loans and reservable criticized commercial loans.

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

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

The allowance for loan and lease losses for the consumer portfolio, as presented in Table 64, was $12.3 billion at March 31, 2014, a decrease of $1.1 billion from December 31, 2013. The decrease was primarily in the residential mortgage and home equity portfolios due to increased home prices and improved delinquencies as evidenced by improving LTV statistics as presented in Tables 32 and 34 as well as continued loan balance run-off. In addition, the residential mortgage and home equity allowance declined due to write-offs in our PCI loan portfolio. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses.

The decrease in the allowance related to the U.S. credit card and unsecured consumer lending portfolios in CBB was primarily due to improvement in delinquencies and bankruptcies. For example, in the U.S. credit card portfolio, accruing loans 30 days or more past due decreased to $1.9 billion at March 31, 2014 from $2.1 billion (to 2.14 percent from 2.25 percent of outstanding U.S. credit card loans) at December 31, 2013, and accruing loans 90 days or more past due declined to $966 million at March 31, 2014 from $1.1 billion (to 1.10 percent from 1.14 percent of outstanding U.S. credit card loans) at December 31, 2013. See Tables 29, 30, 39 and 41 for additional details on key credit statistics for the credit card and other unsecured consumer lending portfolios.

The allowance for loan and lease losses for the commercial portfolio, as presented in Table 64, was $4.3 billion at March 31, 2014, an increase of $282 million from December 31, 2013. The commercial utilized reservable criticized exposure decreased to $12.8 billion at March 31, 2014 from $12.9 billion (to 3.01 percent from 3.02 percent of total commercial utilized reservable exposure) at December 31, 2013. Similarly, nonperforming commercial loans declined $44 million from December 31, 2013 to $1.3 billion at March 31, 2014 (to 0.33 percent from 0.34 percent of outstanding commercial loans). See Tables 45, 46 and 48 for additional details on key commercial credit statistics.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.84 percent at March 31, 2014 compared to 1.90 percent at December 31, 2013. The decrease in the ratio was primarily due to improved credit quality driven by improved economic conditions and write-offs in the PCI loan portfolio. The March 31, 2014 and December 31, 2013 ratios above include the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.65 percent at March 31, 2014 compared to 1.67 percent at December 31, 2013.

Table of Contents

Table 63 presents a rollforward of the allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, for the three months ended March 31, 2014 and 2013.

Table 63
Allowance for Credit Losses

(Dollars in millions)	Three Months Ended March 31 2014	2013
Allowance for loan and lease losses, January 1	$17,428	$24,179
Loans and leases charged off		
Residential mortgage	(202)	(425)
Home equity	(394)	(768)
U.S. credit card	(826)	(1,120)
Non-U.S. credit card	(98)	(145)
Direct/Indirect consumer	(135)	(225)
Other consumer	(69)	(63)
Total consumer charge-offs	(1,724)	(2,746)
U.S. commercial [1]	(116)	(207)
Commercial real estate	(7)	(106)
Commercial lease financing	(1)	(1)
Non-U.S. commercial	(20)	(2)
Total commercial charge-offs	(144)	(316)
Total loans and leases charged off	(1,868)	(3,062)
Recoveries of loans and leases previously charged off		
Residential mortgage	75	42
Home equity	92	84
U.S. credit card	108	173
Non-U.S. credit card	22	33
Direct/Indirect consumer	77	101
Other consumer	11	11
Total consumer recoveries	385	444
U.S. commercial [2]	47	60
Commercial real estate	44	13
Commercial lease financing	3	11
Non-U.S. commercial	1	17
Total commercial recoveries	95	101
Total recoveries of loans and leases previously charged off	480	545
Net charge-offs	(1,388)	(2,517)
Write-offs of PCI loans	(391)	(839)
Provision for loan and lease losses	984	1,731
Other [3]	(15)	(113)
Allowance for loan and lease losses, March 31	16,618	22,441
Reserve for unfunded lending commitments, January 1	484	513
Provision for unfunded lending commitments	25	(18)
Other	—	(9)
Reserve for unfunded lending commitments, March 31	509	486
Allowance for credit losses, March 31	$17,127	$22,927

(1) Includes U.S. small business commercial charge-offs of $79 million and $128 million for the three months ended March 31, 2014 and 2013.

(2) Includes U.S. small business commercial recoveries of $15 million and $26 million for the three months ended March 31, 2014 and 2013.

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

Table of Contents

Table 63
Allowance for Credit Losses (continued)

	Three Months Ended March 31			
(Dollars in millions)	2014		2013	
Loan and allowance ratios:				
Loans and leases outstanding at March 31 [4]	$905,154		$902,772	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 [4]	1.84	%	2.49	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at March 31 [5]	2.38		3.55	
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at March 31 [6]	1.11		0.87	
Average loans and leases outstanding [4]	$909,265		$897,116	
Annualized net charge-offs as a percentage of average loans and leases outstanding [4, 7]	0.62	%	1.14	%
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [4]	0.79		1.52	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 [4, 8]	97		102	
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs [7]	2.95		2.20	
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs and PCI write-offs	2.30		1.65	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases at March 31 [9]	$7,143		$10,690	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases at March 31 [4, 9]	55	%	53	%
Loan and allowance ratios excluding PCI loans and the related valuation allowance: [10]				
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 [4]	1.65	%	2.06	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at March 31 [5]	2.07		2.88	
Annualized net charge-offs as a percentage of average loans and leases outstanding [4]	0.64		1.18	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 [4, 8]	85		82	
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs	2.58		1.76	

(4) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option of $11.1 billion and $8.8 billion at March 31, 2014 and 2013. Average loans accounted for under the fair value option were $10.2 billion and $9.1 billion for the three months ended March 31, 2014 and 2013.

(5) Excludes consumer loans accounted for under the fair value option of $2.1 billion and $1.0 billion at March 31, 2014 and 2013.

(6) Excludes commercial loans accounted for under the fair value option of $8.9 billion and $7.8 billion at March 31, 2014 and 2013.

(7) Net charge-offs exclude $391 million and $839 million of write-offs in the PCI loan portfolio for the three months ended March 31, 2014 and 2013. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 84.

(8) For more information on our definition of nonperforming loans, see pages 90 and 99.

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

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

Table of Contents

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is generally available to absorb any credit losses without restriction. Table 64 presents our allocation by product type.

Table 64
Allocation of the Allowance for Credit Losses by Product Type

	March 31, 2014			December 31, 2013		
(Dollars in millions)	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]
Allowance for loan and lease losses						
Residential mortgage	$3,502	21.07 %	1.44 %	$4,084	23.43 %	1.65 %
Home equity	4,054	24.40	4.43	4,434	25.44	4.73
U.S. credit card	3,857	23.21	4.40	3,930	22.55	4.26
Non-U.S. credit card	432	2.60	3.74	459	2.63	3.98
Direct/Indirect consumer	389	2.34	0.48	417	2.39	0.51
Other consumer	97	0.58	4.86	99	0.58	5.02
Total consumer	12,331	74.20	2.38	13,423	77.02	2.53
U.S. commercial [2]	2,563	15.43	1.12	2,394	13.74	1.06
Commercial real estate	972	5.85	1.99	917	5.26	1.91
Commercial lease financing	122	0.73	0.50	118	0.68	0.47
Non-U.S. commercial	630	3.79	0.74	576	3.30	0.64
Total commercial [3]	4,287	25.80	1.11	4,005	22.98	1.03
Allowance for loan and lease losses	16,618	100.00 %	1.84	17,428	100.00 %	1.90
Reserve for unfunded lending commitments	509			484		
Allowance for credit losses [4]	$17,127			$17,912		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option. Consumer loans accounted for under the fair value option included residential mortgage loans of $2.0 billion and $2.0 billion and home equity loans of $152 million and $147 million at March 31, 2014 and December 31, 2013. Commercial loans accounted for under the fair value option included U.S. commercial loans of $1.4 billion and $1.5 billion and non-U.S. commercial loans of $7.5 billion and $6.4 billion at March 31, 2014 and December 31, 2013.

(2) Includes allowance for loan and lease losses for U.S. small business commercial loans of $462 million at both March 31, 2014 and December 31, 2013.

(3) Includes allowance for loan and lease losses for impaired commercial loans of $277 million at both March 31, 2014 and December 31, 2013.

(4) Includes $2.1 billion and $2.5 billion