BANK OF AMERICA CORP /DE/
Form 10-K
February 25, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[ü] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 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
Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange
	London Stock Exchange
	Tokyo Stock Exchange
Warrants to purchase Common Stock (expiring October 28, 2018)	New York Stock Exchange
Warrants to purchase Common Stock (expiring January 16, 2019)	New York Stock Exchange

Depositary Shares, each representing a 1/1,000th interest in a share of 6.204% Non-Cumulative Preferred Stock, Series D	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series E	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series I	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series W	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.500% Non-Cumulative Preferred Stock, Series Y	New York Stock Exchange
7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L	New York Stock Exchange

Title of each class	Name of each exchange on which registered
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 1	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 2	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation 6.375% Non-Cumulative Preferred Stock, Series 3	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 4	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 5	New York Stock Exchange
6.75% Trust Preferred Securities of Countrywide Capital IV (and the guarantees related thereto)	New York Stock Exchange
7.00% Capital Securities of Countrywide Capital V (and the guarantees related thereto)	New York Stock Exchange
6% Capital Securities of BAC Capital Trust VIII (and the guarantee related thereto)	New York Stock Exchange
Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIII (and the guarantee related thereto)	New York Stock Exchange
5.63% Fixed to Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIV (and the guarantee related thereto)	New York Stock Exchange
MBNA Capital B Floating Rate Capital Securities, Series B (and the guarantee related thereto)	New York Stock Exchange
Trust Preferred Securities of Merrill Lynch Capital Trust I (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
Trust Preferred Securities of Merrill Lynch Capital Trust II (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
Trust Preferred Securities of Merrill Lynch Capital Trust III (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
7% Trust Originated Preferred Securities of Merrill Lynch Preferred Capital Trust III and 7% Partnership Preferred Securities of Merrill Lynch Preferred Funding III, L.P. (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
7.12% Trust Originated Preferred Securities of Merrill Lynch Preferred Capital Trust IV and 7.12% Partnership Preferred Securities of Merrill Lynch Preferred Funding IV, L.P. (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
7.28% Trust Originated Preferred Securities of Merrill Lynch Preferred Capital Trust V and 7.28% Partnership Preferred Securities of Merrill Lynch Preferred Funding V, L.P. (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
Market Index Target-Term Securities® Linked to the S&P 500® Index, due February 27, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due March 27, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due April 24, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due May 29, 2015	NYSE Arca, Inc.

Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due June 26, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due July 31, 2015	NYSE Arca, Inc.

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No ü
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No ü
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ü

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 Rule 12b-2 of the Act). Yes No ü

The aggregate market value of the registrant's common stock ("Common Stock") held on June 30, 2014 by non-affiliates was approximately $161,628,224,532 (based on the June 30, 2014 closing price of Common Stock of $15.37 per share as reported on the New York Stock Exchange). As of February 24, 2015, there were 10,519,566,829 shares of Common Stock outstanding.

Documents incorporated by reference: Portions of the definitive proxy statement relating to the registrant's annual meeting of stockholders scheduled to be held on May 6, 2015 are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

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Part I
Bank of America Corporation and Subsidiaries
Item 1. Business
Bank of America Corporation (together, with its consolidated subsidiaries, Bank of America, we or us) 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. As part of our efforts to streamline the Corporation's organizational structure and reduce complexity and costs, the Corporation has reduced and intends to continue to reduce the number of its corporate subsidiaries, including through intercompany mergers.
Bank of America is one of the world's largest financial institutions, serving individual consumers, small- and middle-market businesses, institutional investors, large corporations and governments with a full range of banking, investing, asset management and other financial and risk management products and services. Our principal executive offices are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, North Carolina 28255.
Bank of America's website is www.bankofamerica.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) are available on our website at http://investor.bankofamerica.com under the heading Financial Information SEC Filings as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the U.S. Securities and Exchange Commission (SEC). In addition, we make available on http://investor.bankofamerica.com under the heading Corporate Governance: (i) our Code of Conduct (including our insider trading policy); (ii) our Corporate Governance Guidelines (accessible by clicking on the Governance Highlights link); and (iii) the charter of each active committee of our Board of Directors (the Board) (accessible by clicking on the committee names under the Committee Composition link), and we also intend to disclose any amendments to our Code of Conduct, or waivers of our Code of Conduct on behalf of our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, on our website. All of these corporate governance materials are also available free of charge in print to stockholders who request them in writing to: Bank of America Corporation, Attention: Office of the Corporate Secretary, Hearst Tower, 214 North Tryon Street, NC1-027-20-05, Charlotte, North Carolina 28255.
Segments
Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. Effective January 1, 2015, to align the segments with how we manage the businesses in 2015, the Corporation changed its basis of segment presentation as follows: the Home Loans subsegment within CRES was moved to CBB, and Legacy Assets & Servicing became a separate segment. Also, a portion of the Business Banking business, based on the size of the client relationship, was moved from CBB to Global Banking. Prior periods will be restated in our quarterly 2015 filings with the SEC under Section 13(a) or 15(d) of the Exchange Act, to conform to the new segment alignment.
Additional information related to our business segments and the products and services they provide is included in the information set forth on pages 34 through 49 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Note 24 – Business Segment Information to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data (Consolidated Financial Statements).
Competition
We operate in a highly competitive environment. Our competitors include banks, thrifts, credit unions, investment banking firms, investment advisory firms, brokerage firms, investment companies, insurance companies, mortgage banking companies, credit card issuers, mutual fund companies, and e-commerce and other internet-based companies. We compete with some of these competitors globally and with others on a regional or product basis.
Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits, and customer convenience.

Our ability to continue to compete effectively also depends in large part on our ability to attract new employees and retain and motivate our existing employees, while managing compensation and other costs.

Employees

As of December 31, 2014, we had approximately 224,000 full-time equivalent employees. None of our domestic employees are subject to a collective bargaining agreement. Management considers our employee relations to be good.

Government Supervision and Regulation

The following discussion describes, among other things, elements of an extensive regulatory framework applicable to BHCs, financial holding companies, banks and broker-dealers, including specific information about Bank of America. U.S. federal regulation of banks, BHCs and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund (DIF) rather than for the protection of stockholders and creditors.

General

We are subject to an extensive regulatory framework applicable to BHCs, financial holding companies and banks and other financial services entities.

As a registered financial holding company and BHC, the Corporation is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (Federal Reserve). Our U.S. banking subsidiaries (the Banks) organized as national banking associations are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve. The Consumer Financial Protection Bureau (CFPB) regulates consumer financial products and services.

U.S. financial holding companies, and the companies under their control, are permitted to engage in activities considered “financial in nature” as defined by the Gramm-Leach-Bliley Act and related Federal Reserve interpretations. Unless otherwise limited by the Federal Reserve, a financial holding company may engage directly or indirectly in activities considered financial in nature provided the financial holding company gives the Federal Reserve after-the-fact notice of the new activities. The Gramm-Leach-Bliley Act also permits national banks to engage in activities considered financial in nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the OCC. If the Federal Reserve finds that any of our Banks is not “well-capitalized” or “well-managed,” we would be required to enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements, which may contain additional limitations or conditions relating to our activities.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 permits a BHC to acquire banks located in states other than its home state without regard to state law, subject to certain conditions, including the condition that the BHC, after and as a result of the acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the U.S. and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state. At December 31, 2014, we held approximately 11 percent of the total amount of deposits of insured depository institutions in the U.S. The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act) restricts acquisitions by a financial institution if, as a result of the acquisition, the total liabilities of the financial institution would exceed 10 percent of the total liabilities of all financial institutions in the U.S. At December 31, 2014, our liabilities did not exceed 10 percent of the total liabilities of all financial institutions in the U.S.

We are also subject to various other laws and regulations, as well as supervision and examination by other regulatory agencies, all of which directly or indirectly affect our operations and management and our ability to make distributions to stockholders. Our U.S. broker-dealer subsidiaries are subject to regulation by and supervision of the SEC, the New York Stock Exchange and the Financial Industry Regulatory Authority; our commodities businesses in the U.S. are subject to regulation by and supervision of the U.S. Commodity Futures Trading Commission (CFTC); our U.S. derivatives activity is subject to regulation and supervision of the CFTC and National Futures Association or the SEC, and in the case of the Banks, certain banking regulators; and our

insurance activities are subject to licensing and regulation by state insurance regulatory agencies.

Our non-U.S. businesses are also subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. For example, our financial services operations in the U.K. are subject to regulation by and supervision of the Prudential Regulatory Authority (PRA) for prudential matters, and the Financial Conduct Authority (FCA) for the conduct of business matters.

Financial Reform Act

The Financial Reform Act enacted sweeping financial regulatory reform across the financial services industry, including significant changes regarding capital adequacy and capital planning, stress testing, resolution planning, derivatives activities, prohibitions on proprietary trading and restrictions on debit interchange fees. As a result of the Financial Reform Act, we have altered and will continue to alter the way in which we conduct certain businesses. Our costs and revenues could continue to be negatively impacted as additional final rules of the Financial Reform Act are adopted.

Resolution Planning

As a BHC with greater than $50 billion of assets, the Corporation is required by the Federal Reserve and the FDIC to annually submit a plan for a rapid and orderly resolution in the event of material financial distress or failure.

A resolution plan is intended to be a detailed roadmap for the orderly resolution of a BHC and material entities pursuant to the U.S. Bankruptcy Code and other applicable resolution regimes under one or more hypothetical scenarios assuming no extraordinary government assistance.

If both the Federal Reserve and the FDIC determine that our plan is not credible and the deficiencies are not cured in a timely manner, the Federal Reserve and the FDIC may jointly impose on us more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations. A description of our plan is available on the Federal Reserve and FDIC websites.

Similarly, in the U.K., the PRA has issued rules requiring the submission of significant information about certain U.K.-incorporated subsidiaries and other financial institutions, as well as branches of non-U.K. banks located in the U.K. (including information on intra-group dependencies, legal entity separation and barriers to resolution) to allow the PRA to develop resolution plans. As a result of the PRA review, we could be required to take certain actions over the next several years which could impose operating costs and potentially result in the restructuring of certain business and subsidiaries.

The Volcker Rule

The Volcker Rule prohibits insured depository institutions and companies affiliated with insured depository institutions (collectively, banking entities) from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options for their own account. The Volcker Rule also imposes limits on banking entities' investments in, and other relationships with, hedge funds and private equity funds, although the Federal Reserve extended the conformance period for certain existing covered investments and relationships to July 2016 (with indications that the conformance period may be further extended to July 2017). The Volcker Rule provides exemptions for certain activities, including market-making, underwriting, hedging, trading in government obligations, insurance company activities, and organizing and offering hedge funds and private equity funds. The Volcker Rule also clarifies that certain activities are not prohibited, including acting as agent, broker or custodian. A banking entity with significant trading operations, such as the Corporation, is required to establish a detailed compliance program to comply with the restrictions of the Volcker Rule. We exited our stand-alone proprietary trading business in 2011 and continue to wind down our Global Principal Investments operations.

Derivatives

Our derivatives operations are subject to extensive regulation both in the U.S. and internationally. In the U.S., the Financial Reform Act broadens the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives; imposing new capital, margin, reporting, registration and business conduct requirements for certain market participants; and imposing position limits on certain over-the-counter (OTC) derivatives. Additionally, in Europe, the European Commission and European Securities and Markets Authority (ESMA) have been granted authority to adopt and implement the European Market Infrastructure Regulation (EMIR), which regulates OTC derivatives, central counterparties and the trade repositories, and imposes requirements for certain market participants with respect to derivatives reporting, OTC derivatives clearing, business conduct and collateral. The adoption of many of these U.S. and European Union (EU) regulations is ongoing and their ultimate impact remains uncertain.

Capital, Liquidity and Operational Requirements

As a financial services holding company, we and our bank subsidiaries are subject to the risk-based capital guidelines issued by the Federal Reserve and other U.S. banking regulators, including the FDIC and the OCC. These rules are complex and are evolving as U.S. and international regulatory authorities propose and enact enhanced capital and liquidity rules. The Corporation seeks to manage its capital position to maintain sufficient capital to meet these regulatory guidelines and to support our business activities. These evolving capital and liquidity rules are likely to influence our regulatory capital and liquidity planning processes, and require additional capital and liquidity, and may impose additional operational and compliance costs on the Corporation. In addition, the Federal Reserve and the OCC have adopted guidelines that

establish minimum standards for the design, implementation and board oversight of BHC's and national banks' risk governance frameworks.

For more information on regulatory capital rules, capital composition and pending or proposed regulatory capital changes, see Capital Management – Regulatory Capital in the MD&A on page 59, and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements, which are incorporated by reference in this Item 1.

Distributions

We are subject to various regulatory policies and requirements relating to capital actions, including payment of dividends and common stock repurchases. Many of our subsidiaries, including our bank and broker-dealer subsidiaries, are subject to laws that restrict dividend payments, or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the parent company or other subsidiaries. Additionally, the applicable federal regulatory authority is authorized to determine, under certain circumstances relating to the financial condition of a bank or BHC, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. For instance, Federal Reserve regulations require major U.S. BHCs to submit a capital plan as part of an annual Comprehensive Capital Analysis and Review (CCAR). The purpose of the CCAR is to assess the capital planning process of the BHC, including any planned capital actions, such as payment of dividends on common stock and

common stock repurchases.
Our ability to pay dividends is also affected by the various minimum capital requirements and the capital and non-capital standards established under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). The right of the Corporation, our stockholders and our creditors to participate in any distribution of the assets or earnings of our subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries. For more information regarding the requirements relating to the payment of dividends, including the minimum capital requirements, see Note 13 – Shareholders' Equity and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements.
Insolvency and the Orderly Liquidation Authority
Under the Federal Deposit Insurance Act, the FDIC may be appointed receiver of an insured depository institution if it is insolvent or in certain other circumstances. In addition, under the Financial Reform Act, when a systemically important financial institution such as the Corporation is in default or danger of default, the FDIC may be appointed receiver in order to conduct an orderly liquidation of such institution. In the event of such appointment, the FDIC could invoke the orderly liquidation authority, instead of the U.S. Bankruptcy Code, if the Secretary of the Treasury makes certain financial distress and systemic risk determinations. The orderly liquidation authority is modeled in part on the Federal Deposit Insurance Act, but also adopts certain concepts from the U.S. Bankruptcy Code.

In 2013, the FDIC issued a notice describing its preferred "single point of entry" strategy for resolving systemically important financial institutions. Under this approach, the FDIC could replace a distressed BHC with a bridge holding company, which could continue operations and result in an orderly resolution of the underlying bank, but whose equity is held solely for the benefit of creditors of the original BHC. Furthermore, the Federal Reserve Board has indicated that it will be proposing regulations regarding the minimum levels of long-term debt required for BHCs to ensure there is adequate loss absorbing capacity in the event of a resolution. The orderly liquidation authority contains certain differences from the U.S. Bankruptcy Code. For example, in certain circumstances, the FDIC could permit payment of obligations it determines to be systemically significant (e.g., short-term creditors or operating creditors) in lieu of paying other obligations (e.g., long-term creditors) without the need to obtain creditors' consent or prior court review. The insolvency and resolution process could also lead to a large reduction or total elimination of the value of a BHC's outstanding equity, as well as impairment or elimination of certain debt.

Deposit Insurance

Deposits placed at U.S. domiciled banks (U.S. banks) are insured by the FDIC, subject to limits and conditions of applicable law and the FDIC's regulations. Pursuant to the Financial Reform Act, FDIC insurance coverage limits were permanently increased to $250,000 per customer. All insured depository institutions are required to pay assessments to the FDIC in order to fund the Deposit Insurance Fund (DIF).

The FDIC is required to maintain at least a designated minimum ratio of the DIF to insured deposits in the U.S. The Financial Reform Act requires the FDIC to assess insured depository institutions to achieve a DIF ratio of at least 1.35 percent by September 30, 2020. The FDIC has adopted new regulations that establish a long-term target DIF ratio of greater than two percent. The DIF ratio is currently below the required targets and the FDIC has adopted a restoration plan that may result in increased deposit insurance assessments. Deposit insurance assessment rates are subject to change by the FDIC and will be impacted by the overall economy and the stability of the banking industry as a whole. For more information regarding deposit insurance, see Item 1A. Risk Factors – Regulatory, Compliance and Legal Risk on page 12.

Source of Strength

According to the Financial Reform Act and Federal Reserve policy, BHCs are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. Similarly, under the cross-guarantee provisions of FDICIA, in the event of a loss suffered or anticipated by the FDIC, either as a result of default of a banking subsidiary or related to

FDIC assistance provided to such a subsidiary in danger of default, the affiliate banks of such a subsidiary may be assessed for the FDIC's loss, subject to certain exceptions.

Consumer Regulations

Our consumer businesses are subject to extensive regulation and oversight by federal and state regulators. Certain federal consumer finance laws to which we are subject, including, but not limited to, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Electronic Fund Transfer Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA) and Truth in Savings Act, are enforced by the CFPB. Other federal consumer finance laws, such as the Servicemembers Civil Relief Act, are enforced by the Officer of the Comptroller of the Currency.

Transactions with Affiliates

Pursuant to Section 23A and 23B of the Federal Reserve Act, as implemented by the Federal Reserve's Regulation W, the Banks are subject to restrictions that limit certain types of transactions between the Banks and their nonbank affiliates. In general, U.S. banks are subject to quantitative and qualitative limits on extensions of credit, purchases of assets and certain other transactions involving its nonbank affiliates. Additionally, transactions between U.S. banks and their nonbank affiliates are required to be on arm's length terms and must be consistent with standards of safety and soundness.

Privacy and Information Security

We are subject to many U.S. federal, state and international laws and regulations governing requirements for maintaining policies and procedures to protect the non-public confidential information of our customers. The Gramm-Leach-Bliley Act requires the Banks to periodically disclose Bank of America's privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. Other laws and regulations, at both the federal and state level, impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The Gramm-Leach-Bliley Act also requires the Banks to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations.

Item 1A. Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own businesses. The discussion below addresses the most significant factors, of which we are currently aware, that could affect our businesses, results of operations and financial condition. Additional factors that could affect our businesses, results of operations and financial condition are discussed in Forward-looking Statements in the MD&A on page 22. However, other factors not discussed below or elsewhere in this Annual Report on Form 10-K could also adversely affect our businesses, results of operations and financial condition. Therefore, the risk factors below should not be considered a complete list of potential risks that we may face.

Any risk factor described in this Annual Report on Form 10-K or in any of our other Securities and Exchange Commission (SEC) filings could by itself, or together with other factors, materially adversely affect our liquidity, cash flows, competitive position, business, reputation, results of operations, capital position or financial condition, including by materially increasing our expenses or decreasing our revenues, which could result in material losses.

General Economic and Market Conditions Risk

Our businesses and results of operations may be adversely affected by the U.S. and international financial markets, U.S. and non-U.S. fiscal and monetary policy, and economic conditions generally.

Our businesses and results of operations are affected by the financial markets and general economic conditions in the U.S. and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets and currencies, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, the sustainability of economic growth in the U.S., Europe, China and Japan, and economic, market, political and social conditions in several larger emerging market countries. The deterioration of any of these conditions could adversely affect our consumer and commercial businesses, our securities and derivatives portfolios, our level of charge-offs and provision for credit losses, the carrying value of our deferred tax assets, our capital levels and liquidity, and our results of operations.

Despite improving labor markets in the past year and recent sharp declines in energy costs, an elevated level of under-employment and household debt, the prolonged low interest rate environment and a strengthening U.S. Dollar, along with a continued sluggish recovery in the consumer real estate market and certain commercial real estate markets in the U.S., pose challenges for domestic economic performance and the financial services industry. The elevated level of under-employment and modest wage growth have directly impaired consumer finances and pose risks to the financial services industry.

Continued uncertainty in a number of housing markets and still elevated levels of distressed and delinquent mortgages remain risks to the housing market. The current environment of heightened scrutiny of financial institutions has resulted in increased public awareness of and sensitivity to banking fees and practices. Mortgage and housing market-related risks may be accentuated by attempts to forestall foreclosure proceedings, as well as state

and federal investigations into foreclosure practices by mortgage servicers. Each of these factors may adversely affect our fees and costs.

The recent sharp drop in oil prices, while likely a net positive for the U.S. economy, may also add distress to select regional markets that are energy industry-dependent and may negatively impact certain commercial and consumer loan portfolios.

Our businesses and results of operations are also affected by domestic and international fiscal and monetary policy. The actions of the Federal Reserve in the U.S. and central banks internationally regulate the supply of money and credit in the global financial system. Their policies affect our cost of funds for lending, investing and capital raising activities and the return we earn on those loans and investments, both of which affect our net interest margin. The actions of the Federal Reserve in the U.S. and central banks internationally also can affect the value of financial instruments and other assets, such as debt securities and mortgage servicing rights (MSRs), and its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Our businesses and earnings are also affected by the fiscal or other policies that are adopted by the U.S. government, various U.S.

regulatory authorities, and non-U.S. governments and regulatory authorities. Changes in domestic and international fiscal and monetary policies are beyond our control and difficult to predict but could have an adverse impact on our capital requirements and the costs of running our business.
For more information about economic conditions and challenges discussed above, see Executive Summary – 2014 Economic and Business Environment in the MD&A on page 23.
Liquidity Risk
Liquidity Risk is the Potential Inability to Meet Our Contractual and Contingent Financial Obligations, On- or Off-balance Sheet, as they Become Due.
Adverse changes to our credit ratings from the major credit rating agencies could significantly limit our access to funding or the capital markets, increase our borrowing costs, or trigger additional collateral or funding requirements. Our borrowing costs and ability to raise funds are directly 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. 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, which consider a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control.
Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa2/P-2 (Stable) by Moody's Investors Service, Inc. (Moody's); A-/A-2 (Negative) by Standard & Poor's Ratings Services (S&P); and A/F1 (Negative) by Fitch Ratings (Fitch). The rating agencies could make adjustments to our credit ratings at any time, including as a result of a determination to no longer incorporate an uplift for U.S. government support. There can be no assurance that downgrades will not occur.

A reduction in certain of our credit ratings could negatively affect our liquidity, access to credit markets, the related cost of funds, our businesses and certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. If the short-term credit ratings of our parent company, bank or broker-dealer subsidiaries were downgraded by one or more levels, we may suffer the potential loss of access to short-term funding sources such as repo financing, and/or increased cost of funds.

In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of a downgrade of our credit ratings or certain subsidiaries' credit ratings, counterparties to those agreements may require us or certain subsidiaries to provide additional collateral, terminate these contracts or agreements, or provide other remedies. At December 31, 2014, if the rating agencies had downgraded their long-term senior debt ratings for us or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $1.4 billion, including $1.1 billion for Bank of America, N.A. (BANA). If the rating agencies had downgraded their long-term senior debt ratings for these entities by an additional incremental notch, approximately $2.8 billion in additional incremental collateral, including $1.9 billion for BANA would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for us or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2014 was $1.8 billion against which $1.5 billion of collateral has been posted. If the rating agencies had downgraded their long-term senior debt ratings for us and certain subsidiaries by a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2014 was an incremental $3.9 billion, against which $3.0 billion of collateral has been posted.

While certain potential impacts are contractual and quantifiable, the full consequences of a credit ratings downgrade to a financial institution are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm'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 about our credit ratings and their potential effects to our liquidity, see Liquidity Risk – Credit Ratings in the MD&A on page 68 and Note 2 – Derivatives to the Consolidated Financial Statements.

If we are unable to access the capital markets, continue to maintain deposits, or our borrowing costs increase, our liquidity and competitive position will be negatively affected.

Liquidity is essential to our businesses. We fund our assets primarily with globally sourced deposits in our bank entities, as well as secured and unsecured liabilities transacted in the capital markets. We rely on certain secured funding sources, such as repo markets, which are typically short-term and credit-sensitive in nature. We also engage in asset securitization transactions, including with the government-sponsored enterprises (GSEs), to fund consumer lending activities. Our liquidity could be adversely affected by any inability to access the capital markets; illiquidity or volatility in the capital markets; unforeseen outflows of cash, including customer deposits, funding for commitments and contingencies; increased liquidity requirements on our banking and nonbank subsidiaries imposed by their home countries; or negative perceptions about our short- or long-term business prospects, including downgrades of our credit ratings. Several of these factors may arise due to circumstances beyond our control, such as a general market disruption, negative views about the financial services industry generally, changes in the regulatory environment, actions by credit rating agencies or an operational problem that affects third parties or us.

Our cost of obtaining funding is directly related to prevailing market interest rates and to our credit spreads. Credit spreads are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of a similar maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads can increase the cost of our funding. Changes in our credit spreads are market-driven and may be influenced by market perceptions of our creditworthiness. Changes to interest rates and our credit spreads occur continuously and may be unpredictable and highly volatile.

For more information about our liquidity position and other liquidity matters, including credit ratings and outlooks and the policies and procedures we use to manage our liquidity risks, see Liquidity Risk in the MD&A on page 65.

Bank of America Corporation is a holding company and we depend upon our subsidiaries for liquidity, including our ability to pay dividends to shareholders. Applicable laws and regulations, including capital and liquidity requirements, may restrict our ability to transfer funds from our subsidiaries to Bank of America Corporation or other subsidiaries. Bank of America Corporation, as the parent company, is a separate and distinct legal entity from our banking and nonbank subsidiaries. We evaluate and manage liquidity on a legal entity basis. Legal entity liquidity is an important consideration as there are legal and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, including the parent company. For instance, the parent company depends on dividends, distributions and other payments from our banking and nonbank subsidiaries to fund dividend payments on our common stock and preferred stock and to fund all payments on our other obligations, including debt obligations. Many of our subsidiaries, including our bank and broker-dealer subsidiaries, are subject to laws that restrict dividend payments, or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the parent company or other subsidiaries. In addition, our bank and broker-dealer subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital and liquidity requirements, as well as restrictions on their ability to use funds deposited with them in bank or brokerage accounts to fund their businesses.

Additional restrictions on related party transactions, increased capital and liquidity requirements and additional limitations on the use of funds on deposit in bank or brokerage accounts, as well as lower earnings, can reduce the amount of funds available to meet the obligations of the parent company and even require the parent company to provide additional funding to such subsidiaries. Also, additional liquidity may be required at each subsidiary entity. Regulatory action of that kind could impede access to funds we need to make payments on our obligations or dividend payments. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. For more information regarding our ability to pay dividends, see Capital Management in the MD&A on page 59 and Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

Credit Risk

Credit Risk is the Risk of Loss Arising from the Inability or Failure of a Borrower or Counterparty to Meet its Obligations.

Economic or market disruptions, insufficient credit loss reserves or concentration of credit risk may result in an increase in the provision for credit losses, which could have an adverse effect on our financial condition and results of operations.

A number of our products expose us to credit risk, including loans, letters of credit, derivatives, trading account assets and assets held-for-sale. The financial condition of our consumer and commercial borrowers and counterparties could adversely affect our earnings.

Global and U.S. economic conditions may impact our credit portfolios. To the extent economic or market disruptions occur, such disruptions would likely increase the risk that borrowers or counterparties would default or become delinquent on their obligations to us. Increases in delinquencies and default rates could adversely affect our consumer credit card, home equity, residential mortgage and purchased credit-impaired (PCI) portfolios through increased charge-offs and provision for credit losses. Additionally, increased credit risk could also adversely affect our commercial loan portfolios with weakened customer and collateral positions.

We estimate and establish an allowance for credit losses for losses inherent in our lending activities (including unfunded lending commitments), excluding those measured at fair value, through a charge to earnings. The amount of allowance is determined based on our evaluation of the potential credit losses included within our loan portfolios. The process for determining the amount of the allowance requires difficult and complex judgments, including forecasts of economic conditions and how borrowers will react to those conditions. The ability of our borrowers or counterparties to repay their obligations will likely be impacted by changes in economic conditions, which in turn could impact the accuracy of our forecasts. There is also the chance that we will fail to accurately identify the appropriate economic indicators or that we will fail to accurately estimate their impacts.

We may suffer unexpected losses if the models and assumptions we use to establish reserves and make judgments in extending credit to our borrowers or counterparties become less predictive of future events. Although we believe that our allowance for credit losses was in compliance with applicable accounting standards at December 31, 2014, there is no guarantee that it

will be sufficient to address future credit losses, particularly if economic conditions deteriorate. In such an event, we may increase the size of our allowance, which reduces our earnings.

In the ordinary course of our business, we also may be subject to a concentration of credit risk in a particular industry, country, counterparty, borrower or issuer. A deterioration in the financial condition or prospects of a particular industry or a failure or downgrade of, or default by, any particular entity or group of entities could negatively affect our businesses and the processes by which we set limits and monitor the level of our credit exposure to individual entities, industries and countries may not function as we have anticipated. While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers-dealers, commercial banks, investment banks, insurers, mutual and hedge funds, and other institutional clients. This has resulted in significant credit concentration with respect to this industry. Financial services institutions and other counterparties are inter-related because of trading, funding, clearing or other relationships. As a result, defaults by, or even rumors or questions about the financial stability of one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity

disruptions, losses and defaults. Many of these transactions expose us to credit risk in the event of default of a counterparty. In addition, our credit risk may be heightened by market risk when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivatives exposure due to us.
In the ordinary course of business, we also enter into transactions with sovereign nations, U.S. states and U.S. municipalities. Unfavorable economic or political conditions, disruptions to capital markets, currency fluctuations, changes in energy prices, social instability and changes in government policies could impact the operating budgets or credit ratings of sovereign nations, U.S. states and U.S. municipalities and expose us to credit risk.
We also have a concentration of credit risk with respect to our consumer real estate, consumer credit card and commercial real estate portfolios, which represent a large percentage of our overall credit portfolio. Economic downturns have adversely affected these portfolios. Continued economic weakness or deterioration in real estate values or household incomes could result in higher credit losses.
For more information about our credit risk and credit risk management policies and procedures, see Credit Risk Management in the MD&A on page 70 and Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.
Our derivatives businesses may expose us to unexpected risks and potential losses.
We are party to a large number of derivatives transactions, including credit derivatives. Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses. Severe declines in asset values, unanticipated credit events or unforeseen circumstances that may cause previously uncorrelated factors to become correlated (and vice versa) may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument. The terms of certain of our OTC derivative contracts and other trading agreements provide that upon the occurrence of certain specified events, such as a change in our credit ratings, we may be required

to provide additional collateral or to provide other remedies, or our counterparties may have the right to terminate or otherwise diminish our rights under these contracts or agreements.

Many derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling some positions difficult. Many derivatives require that we deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold, and may not be able to obtain, the underlying security, loan or other obligation.

In the event of a downgrade of the Corporation's credit ratings, certain derivative and other counterparties may request we substitute BANA (which has generally had equal or higher credit ratings than the Corporation's) as counterparty for certain derivative contracts and other trading agreements. The Corporation's ability to substitute or make changes to these agreements to meet counterparties' requests may be subject to certain limitations, including counterparty willingness, regulatory limitations on naming BANA as the new counterparty and the type or amount of collateral required. It is possible that such limitations on our ability to substitute or make changes to these agreements, including naming BANA as the new counterparty, could adversely affect our results of operations.

Derivatives contracts, including new and more complex derivatives products, and other transactions entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While a transaction remains unconfirmed, or during any delay in settlement, we are subject to heightened credit, market and operational risk and, in the event of default, may find it more difficult to enforce the contract. In addition, disputes may arise with counterparties, including government entities, about the terms, enforceability and/or suitability of the underlying contracts. These factors could negatively impact our ability to effectively manage our risk exposures from these products and subject us to increased credit and operating costs and reputational risk. For more information on our derivatives exposure, see Note 2 – Derivatives to the Consolidated Financial Statements.

Market Risk

Market Risk is the Risk that Market Conditions May Adversely Impact the Value of Assets or Liabilities or Otherwise Negatively Impact Earnings. Market Risk is Inherent in the Financial Instruments Associated with our Operations, Including Loans, Deposits, Securities, Short-term Borrowings, Long-term Debt, Trading Account Assets and Liabilities, and Derivatives.

Increased market volatility and adverse changes in other financial or capital market conditions may increase our market risk.

Our liquidity, cash flows, competitive position, business, results of operations and financial condition are affected by market risk factors such as changes in interest and currency exchange rates, equity and futures prices, the implied volatility of interest rates, credit spreads and other economic and business factors. These market risks may adversely affect, among other things, (i) the value of our on- and off-balance sheet securities, trading assets, other financial instruments, and MSRs, (ii) the cost of debt capital and our access to credit markets, (iii) the value of assets under management (AUM), (iv) fee income relating to AUM, (v) customer

allocation of capital among investment alternatives, (vi) the volume of client activity in our trading operations, (vii) investment banking fees, and (viii) the general profitability and risk level of the transactions in which we engage. For example, the value of certain of our assets is sensitive to changes in market interest rates. If the Federal Reserve, or central banks internationally, change or signal a change in monetary policy, market interest rates could be affected, which could adversely impact the value of such assets. In addition, the existence of a prolonged low interest rate environment could negatively impact our cash flows, financial condition or results of operations, including future revenue and earnings growth.

We use various models and strategies to assess and control our market risk exposures but those are subject to inherent limitations. Our models, which rely on historical trends and assumptions, may not be sufficiently predictive of future results due to limited historical patterns, extreme or unanticipated market movements and illiquidity, especially during severe market downturns or stress events. The models that we use to assess and control our market risk exposures also reflect assumptions about the degree of correlation among prices of various asset classes or other market indicators. In addition, market conditions in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

In times of market stress or other unforeseen circumstances, such as the market conditions experienced in 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to ours. In these and other cases, it may be difficult to reduce our risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets. To the extent that we own securities that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, we may not be able to reduce our positions and therefore reduce our risk associated with such positions. In addition, challenging market conditions may also adversely affect our investment banking fees.

For more information about market risk and our market risk management policies and procedures, see Market Risk Management in the MD&A on page 99.

A downgrade in the U.S. government's sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions, agencies or instrumentalities, could result in risks to the Corporation and its credit ratings and general economic conditions that we are not able to predict.

On June 6, 2014, S&P affirmed its AA+ long-term and A-1+ short-term sovereign credit rating on the U.S. government with a stable outlook. 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.

The ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any downgrade. Instruments of this nature are often held as trading, investment or excess liquidity positions on the balance sheets of financial institutions, including the Corporation, and are widely used as collateral by financial institutions to raise cash in the secured financing markets. A downgrade of the sovereign credit ratings of the U.S. government and perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments.

We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. The credit rating agencies' ratings for the Corporation or its subsidiaries could be directly or indirectly impacted by a downgrade of the U.S. government's sovereign rating because credit ratings of large systemically important financial institutions issued by S&P and Fitch, including those of the Corporation or its subsidiaries, currently include a degree of uplift due to rating agencies' assumptions concerning potential government support. In addition, the Corporation presently delivers a portion of the residential mortgage loans it originates into GSEs, agencies or instrumentalities (or instruments insured or guaranteed thereby). We cannot predict if, when or how any changes to the credit ratings of these organizations will affect their ability to finance residential mortgage loans.

A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instrumentalities would exacerbate the other risks to which the Corporation is subject and any related adverse effects on our business, financial condition and results of operations.

Our businesses may be affected by uncertainty 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.

Risks and ongoing concerns about the financial stability of several non-U.S. jurisdictions could impact our operations and have a detrimental impact on the global economic recovery. For instance, sovereign and non-sovereign debt levels remain elevated. Market and economic disruptions have affected, and may continue to affect, consumer confidence levels and spending, corporate investment and job creation, bankruptcy rates, levels of incurrence and default on consumer debt and corporate debt, economic growth rates and asset values, among other factors.

A number of non-U.S. jurisdictions in which we do business have been negatively impacted by slowing growth rates or recessionary conditions, market volatility and/or political unrest. Additionally, there can be no assurance that market stabilization in Europe, which has recently experienced a renewed slowdown and increased volatility, is sustainable, nor can there be any assurance that future assistance packages, if required, will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. To the extent European economic recovery uncertainty continues to negatively impact consumer and business confidence and credit factors, or should the EU enter a deep recession, both the U.S. economy and our business and results of operations could be adversely affected.

Global economic and political uncertainty, regulatory initiatives and reform have impacted, and will likely continue to impact, non-U.S. credit and trading portfolios. There can be no assurance our risk mitigation efforts in this respect will be sufficient or successful.

For more information on our exposures in the top 20 non-U.S. countries, see Non-U.S. Portfolio in the MD&A on page 93.

We may incur losses if the values of certain assets decline, including due to changes in interest rates and prepayment speeds.

We have a large portfolio of financial instruments, including, among others, certain loans and loan commitments, loans held-for-sale, securities financing agreements, asset-backed secured financings, long-term deposits, long-term debt, trading account assets and liabilities, derivative assets and liabilities, available-for-sale (AFS) debt and equity securities, other debt securities, certain MSRs and certain other assets and liabilities that we measure at fair value. We determine the fair values of these instruments based on the fair value hierarchy under applicable accounting guidance. The fair values of these financial instruments include adjustments for market liquidity, credit quality, funding impact on certain derivatives and other transaction-specific factors, where appropriate.

Gains or losses on these instruments can have a direct impact on our results of operations, including higher or lower mortgage banking income and earnings, unless we have effectively hedged our exposures. For example, decreases in interest rates and increases in mortgage prepayment speeds, which are influenced by interest rates and other factors such as reductions in mortgage insurance premiums and origination costs, could adversely impact the value of our MSR asset, cause a significant acceleration of purchase premium amortization on our mortgage portfolio, because a decline in long-term interest rates shortens the expected lives of the securities, and adversely affect our net interest margin. Conversely, increases in interest rates may result in a decrease in residential mortgage loan originations. In addition, increases in interest rates may adversely impact the fair value of debt securities and, accordingly, for debt securities classified as AFS, may adversely affect accumulated other comprehensive income and, thus, capital levels.

Fair values may be impacted by declining values of the underlying assets or the prices at which observable market transactions occur and the continued availability of these transactions. The financial strength of counterparties, with whom we have economically hedged some of our exposure to these assets, also will affect the fair value of these assets. Sudden declines and volatility in the prices of assets may curtail or eliminate the trading activity for these assets, which may make it difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may increase our risk-weighted assets, which requires us to maintain additional capital and increases our funding costs.

Asset values also directly impact revenues in our asset management businesses. We receive asset-based management fees based on the value of our clients’ portfolios or investments in funds managed by us and, in some cases, we also receive performance fees based on increases in the value of such investments. Declines in asset values can reduce the value of our clients’ portfolios or fund assets, which in turn can result in lower fees earned for managing such assets.

For more information about fair value measurements, see Note 20 – Fair Value Measurements to the Consolidated Financial Statements. For more information about our asset management businesses, see GWIM in the MD&A on page 42. For more information about interest rate risk management, see Interest Rate Risk Management for Non-trading Activities in the MD&A on page 105.

Changes in the method of determining the London Interbank Offered Rate (LIBOR) or other reference rates may adversely impact the value of debt securities and other financial instruments we hold or issue that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition or results of operations.

In recent years, concerns have been raised about the accuracy of the calculation of LIBOR. Aspects of the method for determining how LIBOR is formulated and its use in the market have changed and may continue to change. Effective February 1, 2014, the transfer of LIBOR administration to the ICE Benchmark Administration, Ltd. was completed following authorization by the U.K. Financial Conduct Authority. On July 22, 2014, the Financial Stability Board published its report recommending reforms to the administration of major benchmarks, including LIBOR. Changes to LIBOR administration include, but are not limited to, the introduction of statutory regulation of LIBOR by U.K. regulatory authorities; reducing the currencies for which LIBOR is calculated to five; reducing the tenors for which LIBOR is calculated to seven; delay in the publication of individual banks' LIBOR submissions for three months from submission; and requiring banks to provide LIBOR submissions based on an effective methodology on the basis of relevant criteria and information, including observable market transactions where possible. Each such change and any future changes could impact the availability and volatility of LIBOR. Similar changes have occurred or may occur with respect to other reference rates. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would impact the value of any debt securities we hold or issue that are linked to LIBOR or other reference rates, or any loans, derivatives and other financial obligations or extensions of credit we hold or are due to us, or for which we are an obligor, that are linked to LIBOR or other reference rates, or whether, or to what extent, such changes would impact our financial condition or results of operations.

Mortgage and Housing Market-Related Risk

Our mortgage loan repurchase obligations or claims from third parties could result in additional losses.

We and our legacy companies have sold significant amounts of residential mortgage loans. In connection with these sales, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties, breaches of which may result in a requirement that we repurchase the mortgage loans, or otherwise make whole or provide other remedies to counterparties (collectively, repurchases). At December 31, 2014, we had approximately $22.4 billion of unresolved repurchase claims, net of duplicate claims. These repurchase claims relate primarily to private-label securitizations and include claims in the amount of $4.7 billion, net of duplicate claims, where we believe the statute of limitations has expired under current law. Private-label securitization unresolved repurchase claims have increased in recent periods, and such claims may continue to increase. In

addition to unresolved repurchase claims, we have received notifications pertaining to loans for which we have not received a repurchase request from sponsors of third-party securitizations with whom the Corporation engaged in whole-loan transactions and for which we may owe indemnity obligations. We also from time to time receive correspondence purporting to raise representations and warranties breach issues from entities that do not have contractual standing or ability to bring such claims. We believe such communications to be procedurally and/or substantially invalid, and generally do not respond to such correspondence. In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices). Although they declined during 2014, the number of open MI rescission notices remains elevated.

We have recorded a liability of $12.1 billion for obligations under representations and warranties exposures (which includes exposures related to MI rescission notices). We have also established an estimated range of possible loss of up to $4 billion over our recorded liability. The liability for representations and warranties exposures and the corresponding estimated range of possible loss do not consider losses related to servicing (except as such losses are included as potential costs of the BNY Mellon Settlement), including foreclosure and related costs, fraud, indemnity, or claims (including for residential mortgage-backed securities (RMBS)) related to securities law or monoline litigations. Losses with respect to one or more of these matters could be material to the Corporation's results of operations or cash flows for any particular reporting period.

Our recorded liability and estimated range of possible loss for representations and warranties exposures are based on currently available information and are necessarily dependent on, and limited by, a number of factors, including our historical claims and settlement experiences as well as significant judgment and a number of assumptions that are subject to change. As a result, our liability and estimated range of possible loss related to our representations and warranties exposures may materially change in the future. Additionally, if final court approval of the settlement with the Bank of New York Mellon, as trustee (BNY Mellon Settlement) is not obtained, or if the Corporation and legacy Countrywide Financial Corporation determine to withdraw from the BNY Mellon Settlement agreement in accordance with its terms, the Corporation's future representations and warranties losses could be substantially different from existing accruals and the existing estimated range of possible loss. If future representations and warranties losses occur in excess of our recorded liability and estimated range of possible loss, such losses could have an adverse effect on our cash flows, financial condition and results of operations.

For more information about our representations and warranties exposure, including the estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties in the MD&A on page 50, Consumer Portfolio Credit Risk Management in the MD&A on page 70 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

For more information regarding the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Failure to satisfy our obligations as servicer for residential mortgage securitizations, along with other losses we could incur in our capacity as servicer, and continued foreclosure delays and/or investigations into our residential mortgage foreclosure practices could cause losses.

We and our legacy companies have securitized a significant portion of the residential mortgage loans that we originated or acquired. We service a large portion of the loans we have securitized and also service loans on behalf of third-party securitization vehicles and other investors. At December 31, 2014, we serviced approximately 5.3 million loans with an aggregate unpaid principal balance of $693 billion, including loans owned by us and by others. Of the 3.2 million loans serviced for others, approximately 67 percent are held in GSE securitization vehicles and 33 percent are held in non-GSE securitization vehicles or by other investors. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which could cause us to lose servicing income. In addition, for loans held in non-GSE securitization vehicles, we may have liability for any failure by us, as a servicer or master servicer, for any act or omission on our part that involves willful misfeasance, bad faith, gross negligence or reckless disregard of our duties. If any such breach were found to have occurred, it may harm our reputation, increase our servicing costs or adversely impact our results of operations. Additionally, with respect to foreclosures, we may incur costs or losses due to irregularities in the underlying documentation, or if the validity of a foreclosure action is challenged by a borrower or overturned by a court because of errors or deficiencies in the foreclosure process. We may also incur costs or losses relating to delays or alleged deficiencies in processing documents necessary to comply with state law governing foreclosures.

We are subject to certain legal and contractual requirements for how we hold, transfer, use or enforce promissory notes, security instruments and other documents for residential mortgage loans that we service. In recent years, challenges have been raised to whether we have adhered to these requirements, and whether, as a result in some instances, the loans can be enforced as local law otherwise would permit. Additionally, we currently use the Mortgage Electronic Registration Systems, Inc. (MERS) system for approximately half of the residential mortgage loans that remain in our servicing portfolio. Individual borrowers and certain local governments have contended that the use of MERS is improper or otherwise adversely affects the security interest. If documentation requirements were not met, or if the use of MERS or the MERS system is found not valid or effective, we could be obligated to, or choose to, take remedial actions and may be subject to additional costs or losses.

For additional information, Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A on page 50.

If the U.S. housing market weakens, or home prices decline, our consumer loan portfolios, credit quality, credit losses, representations and warranties exposures, and earnings may be adversely affected.

Although U.S. home prices continued to improve during 2014, the declines in prior years have negatively impacted the demand for many of our products. Additionally, our mortgage loan production volume is generally influenced by the rate of growth in residential mortgage debt outstanding and the size of the residential mortgage market.

Conditions in the U.S. housing market in prior years have also resulted in significant write-downs of asset values in several asset classes, notably mortgage-backed securities, and increased exposure to monolines. If the U.S. housing market were to weaken, the value of real estate could decline, which could negatively affect our exposure to representations and warranties. While there were continued indications in 2014 that the U.S. economy is improving, the performance of our overall consumer portfolios may not significantly improve in the near future. A protracted continuation or worsening of difficult housing market conditions may exacerbate the adverse effects outlined above and could have an adverse effect on our financial condition and results of operations.

In addition, our home equity portfolio, which makes up approximately 28 percent of our total home loans portfolio, contains a significant percentage of loans in second-lien or more junior-lien positions, and such loans have elevated risk characteristics. Our home equity portfolio had an outstanding balance of $85.7 billion as of December 31, 2014, including $74.2 billion of home equity lines of credit (HELOC), $9.8 billion of home equity loans and $1.7 billion of reverse mortgages. Of the total home equity portfolio at December 31, 2014, $20.6 billion, or 24 percent, were in first-lien positions (26 percent excluding the PCI home equity portfolio) and $65.1 billion, or 76 percent (74 percent excluding the PCI home equity portfolio) were in second-lien or more junior-lien positions. 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. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 75 percent of these loans will not enter their amortization period until 2016 or later. As a result, delinquencies and defaults may increase in future periods. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A on page 50 and Consumer Portfolio Credit Risk Management on page 70.

Regulatory, Compliance and Legal Risk

U.S. federal banking agencies may require us to hold higher levels of regulatory capital, increase our regulatory capital ratios or increase liquidity, which could result in the need to issue additional securities that qualify as regulatory capital or to take other actions, such as to sell company assets.

We are subject to the Federal Reserve's risk-based capital rules. These rules establish regulatory capital requirements for banking institutions to meet minimum requirements as well as to qualify as a "well-capitalized" institution. If any of our subsidiary insured depository institutions fail to maintain its status as "well-capitalized" under the applicable regulatory capital rules, the Federal Reserve will require us to agree to bring the insured depository institution or institutions back to "well-capitalized" status. For the duration of such an agreement, the Federal Reserve may impose restrictions on our activities. If we were to fail to enter into such an agreement, or fail to comply with the terms of such agreement, the Federal Reserve may impose more severe restrictions on our activities, including requiring us to cease and desist activities permitted under the Bank Holding Company Act of 1956.

The current regulatory environment is fluid, with requirements frequently being introduced and amended. It is possible that increases in regulatory capital requirements, changes in how regulatory capital is calculated or increases to liquidity requirements could cause us to increase our capital levels by issuing additional common stock, thus diluting our existing shareholders, or by taking other actions, such as selling company assets, in order to maintain our "well-capitalized" status.

In October 2013, the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) (the Agencies, or U.S. banking regulators) published the final Basel 3 regulatory capital rules (Basel 3). Basel 3 materially changes Tier 1 and Total capital calculations and formally establishes a Common equity tier 1 capital ratio, notably phasing out trust preferred securities. Additionally, Basel 3 introduces new minimum capital ratios and buffer requirements and a supplementary leverage ratio (SLR), changes the composition of regulatory capital, revises the adequately capitalized minimum requirements under the Prompt Corrective Action (PCA) 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, which serves as a minimum. Changes to the composition of regulatory capital under Basel 3, as compared to the Basel 1 – 2013 Rules, are subject to a transition period. The new minimum capital ratio requirements and related buffers will be phased in from January 1, 2014 through January 1, 2019. 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. The Advanced approaches require approval by the Agencies of our internal analytical models used to calculate risk-weighted assets. As an advanced approaches bank, under Basel 3, we are required to complete a qualification period (parallel run) to demonstrate compliance with the final Basel 3 rules to the satisfaction of U.S. banking regulators. 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. We are currently working with the U.S. banking regulators to obtain approval of certain internal analytical models including the wholesale (e.g., commercial) and other credit models in order to exit parallel run. The U.S. banking regulators have indicated that they will require modifications to these models which would likely result in a material increase in our risk-weighted assets resulting in a decrease in our capital ratios.

In April 2014, the Agencies adopted a final rule to strengthen the SLR standards for the largest U.S. banking organizations by requiring such institutions to maintain a leverage buffer greater than 2.0 percentage points above the minimum SLR requirement of 3.0 percent, for a total of greater than 5.0 percent, to avoid restrictions on capital distributions and variable compensation payments. Banking subsidiaries of such organizations are required to maintain at least a six percent SLR to be considered "well capitalized" under the PCA framework. In addition, in September 2014, the Agencies adopted a final rule modifying the definition of the denominator of the SLR in a manner consistent with changes adopted by the Basel Committee on Banking Supervision (Basel Committee) to better capture on- and off-balance sheet exposures, including credit derivatives, repo-style transactions, and lines of credit.

In September 2014, the Agencies issued a final Liquidity Coverage Ratio (LCR) rule. This rule creates a standardized minimum liquidity requirement for the largest U.S. financial institutions. The rule will require an institution to hold high quality liquid assets (HQLA), such as central bank reserves and

government debt that can be converted easily and quickly into cash, in an amount equal to or greater than prescribed net cash outflows during a 30-day stress period. In October 2014, the Basel Committee issued its final standard for the Net Stable Funding Ratio (NSFR) regulation. The NSFR requires banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities. Although the timing is uncertain, the Agencies are expected to propose similar regulation for the NSFR in the near future.

In November 2014, the Financial Stability Board, in consultation with the Basel Committee, issued for public consultation a proposal for a common international standard on total loss-absorbing capacity (TLAC) for global systemically important banks (GSIBs). Although the timing is uncertain, the Agencies are expected to propose TLAC regulation in the near future.

In December 2014, a U.S. banking regulator proposed a regulation that would implement GSIB surcharge requirements for the largest U.S. BHCs. The proposed rule would require such organizations to calculate a GSIB capital buffer that is the higher of the GSIB's capital buffer proposed by the Basel Committee in 2012 and a modified capital buffer with a short-term wholesale funding component. As proposed, the Federal Reserve estimates that the GSIB surcharge requirements, which currently ranges from 1.0 percent to 4.5 percent, would require us to hold

Common equity tier 1 capital in excess of regulatory minimums and the capital conservation buffer. Consequences of falling below this level are expected to include limitations on capital distributions and variable compensation payments.

Compliance with the regulatory capital and liquidity requirements may impact our ability to return capital to shareholders and may impact our operations by requiring us to liquidate assets, increase borrowings, issue additional equity or other securities, cease or alter certain operations, or hold highly liquid assets, which may adversely affect our results of operations.

For additional information, see Capital Management and Liquidity Risk – Basel 3 Liquidity Standards on pages 59 and 67.

We are subject to extensive government legislation and regulations, both domestically and internationally, which impact our operating costs and could require us to make changes to our operations, which could result in an adverse impact on our results of operations. Additionally, these regulations, and certain consent orders and settlements we have entered into, have increased and will continue to increase our compliance and operational costs.

We are subject to extensive laws and regulations promulgated by U.S. state, U.S. federal and non-U.S. laws in the jurisdictions in which we operate. In response to the financial crisis, the U.S. adopted the Financial Reform Act, which has resulted in significant rulemaking and proposed rulemaking by the U.S. Department of the Treasury, the Federal Reserve, the OCC, the CFPB, FSOC, the FDIC, the SEC and CFTC. In addition, non-U.S. regulators, such as the U.K. financial regulators and the European Parliament and Commission, have adopted or have proposed laws and regulations regarding financial institutions located in their jurisdictions.

The ultimate impact of these laws and regulations remains uncertain. For example, we are required to annually submit a resolution plan to the FDIC and the Federal Reserve. If the FDIC and Federal Reserve jointly determine that our resolution plan is not credible and we fail to cure the deficiencies in a timely manner, they could impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations of the Corporation, and we could be required to take certain actions that could impose operating costs and could potentially result in the divestiture or restructuring of certain businesses and subsidiaries. In August 2014, the Federal Reserve and the FDIC completed their reviews of the resolution plans submitted in 2013 by 11 large, complex banking organizations, including Bank of America, and issued letters to each of these banking organizations. Separately, in August 2014, the Federal Reserve and the FDIC issued a joint press release stating that the Board of Directors of the FDIC had determined that the plans submitted by each of the 11 banks were not credible and do not facilitate an orderly resolution under the U.S. Bankruptcy Code. However, the Federal Reserve did not join the FDIC in its determination that the submitted plans were not credible. Many rules are still being finalized, and upon finalization could require additional regulatory guidance and interpretation. Additionally, laws proposed by different jurisdictions could create competing or conflicting requirements.

We are also subject to other significant regulations, such as OFAC, FCPA, and U.S. and international anti-money laundering regulations. Laws proposed by different jurisdictions could create competing or conflicting requirements. We could become subject to regulatory requirements beyond those currently proposed, adopted or contemplated. We are currently subject to the terms of settlements and consent orders that we have entered into with government agencies, such as the 2011 OCC Consent Order and the National Mortgage Settlement, and may become subject to additional settlements or orders in the future.

While we believe that we have adopted appropriate risk management and compliance programs, compliance risks will continue to exist, particularly as we adapt to new rules and regulations. Our regulators have assumed an increasingly active oversight, inspection and investigatory role over our operations and the financial services industry generally. In addition, legal and regulatory proceedings and other contingencies will arise from time to time that may result in fines, penalties, equitable relief and changes to our business practices. As a result, we are and will continue to be subject to heightened compliance and operating costs that could adversely affect our results of operations.

Changes in the structure of the GSEs and the relationship among the GSEs, the government and the private markets, or the conversion of the current conservatorship of the GSEs into receivership, could result in significant changes to our business operations and may adversely impact our business.

During 2013 and 2014, we sold approximately $65 billion of loans to the GSEs. Each GSE is currently in a conservatorship, with its primary regulator, the Federal Housing Finance Agency, acting as conservator. We cannot predict if, when or how the conservatorships will end, or any associated changes to the GSEs' business structure that could result. We also cannot predict whether the conservatorships will end in receivership. There are several proposed approaches to reform the GSEs that, if enacted, could change the structure of the GSEs and the relationship among the GSEs, the government and the private markets, including the trading markets for agency conforming mortgage loans and markets for mortgage-related securities in which we participate. We cannot predict the prospects for the enactment, timing or content of legislative or rulemaking proposals regarding the future status of the GSEs. Accordingly, there continues to be uncertainty regarding the future of the GSEs, including whether they will continue to exist in their current form.

We are subject to significant financial and reputational risks from potential liability arising from lawsuits, regulatory and government action.

We face significant legal risks in our business, and the volume of claims and amount of damages, penalties and fines claimed in litigation, and regulatory and government proceedings against us and other financial institutions remain high. Increased litigation and investigation costs, substantial legal liability or significant regulatory or government action against us could have adverse effects on our financial condition and results of operations or cause significant reputational harm to us, which in turn could adversely impact our business prospects. We continue to experience increased litigation and other disputes, including claims for contractual indemnification, with counterparties regarding relative rights and responsibilities. Consumers, clients and other counterparties have grown more litigious. Our experience with certain regulatory authorities suggests an increasing supervisory focus on enforcement, including in connection with alleged violations of law and customer harm. 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. 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 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 litigation risks, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.
We may be adversely affected by changes in U.S. and non-U.S. tax and other laws and regulations.
The U.S. Congress and the Administration have indicated an interest in reforming the U.S. corporate income tax code. Possible approaches include lowering the 35 percent corporate tax rate, modifying the taxation of income earned outside the U.S. and limiting or eliminating various other deductions, tax credits and/or other tax preferences. Also, it is possible that New York City will enact corporate tax reform that may conform to New York state's tax reform enacted during 2014. It is not possible at this time to quantify either the one-time impacts from the remeasurement of deferred tax assets and liabilities that might result upon tax reform enactment or the ongoing impacts reform proposals might have on income tax expense.
In addition, income from certain non-U.S. subsidiaries has not been subject to U.S. income tax as a result of long-standing deferral provisions applicable to income that is derived in the active conduct of a banking and financing business abroad. These deferral provisions have expired for taxable years beginning on or after January 1, 2015. However, the U.S. Congress has extended these provisions several times, most recently in December 2014, when it reinstated the provisions retroactively to January 2014. Congress this year may similarly consider reinstating these provisions to apply to the 2015 taxable year. Absent an extension, active financing income earned by certain non-U.S. subsidiaries will generally be subject to a tax provision that considers

incremental U.S. income tax. The impact of the expiration of these provisions would depend upon the amount, composition and geographic mix of our future earnings.

The Corporation has $7.7 billion of U.K. net deferred tax assets which consist primarily of net operating losses (NOLs) that are expected to be realized by certain subsidiaries over an extended number of years. Pretax income for these subsidiaries for 2014, 2013 and 2012 on a cumulative basis totaled $1.7 billion, excluding the impact of debit valuation adjustments (DVA) and the adoption impact of a funding valuation adjustment (FVA). In December 2014, the U.K. Treasury announced that its 2015 Finance Bill, to be introduced soon, will include a proposal that, if enacted, would limit the amount of a bank's taxable profits that can be reduced by the bank's existing NOLs to 50 percent of such profits. This proposal would significantly increase the number of years over which our U.K. NOLs, which may be carried forward indefinitely, could be utilized, effectively accelerating U.K. tax that would otherwise have been paid further out in the future. The acceleration of tax and deferral of NOL utilization would not impact our results of operations, but would result in a slower improvement in the amount of our DTAs disallowed for Basel 3 regulatory capital. We are unable to predict whether this proposal will be enacted or, if enacted, what the final provisions will be. Adverse developments with respect to tax laws or to other material factors, such as a prolonged worsening of Europe's capital markets, could lead management to reassess and/or change its current conclusion that no valuation allowance is necessary with respect to our U.K. net deferred tax assets.

Other countries have also proposed and adopted certain regulatory changes targeted at financial institutions or that otherwise affect us. The EU has adopted increased capital requirements and the U.K. has (i) increased liquidity requirements for local financial institutions, including regulated U.K. subsidiaries of non-U.K. BHCs and other financial institutions as well as branches of non-U.K. banks located in the U.K.; (ii) adopted a Bank Levy, which applies to the aggregate balance sheet of branches and subsidiaries of non-U.K. banks and banking groups operating in the U.K.; and (iii) proposed the creation and production of recovery and resolution plans by U.K.-regulated entities.

Risk of the Competitive Environment in which We Operate

We face significant and increasing competition in the financial services industry.

We operate in a highly competitive environment. Over time, there has been substantial consolidation among companies in the financial services industry. This trend has also hastened the globalization of the securities and financial services markets. We will continue to experience intensified competition as consolidation in and globalization of the financial services industry may result in larger, better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices. To the extent we expand into new business areas and new geographic regions, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to compete. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions to compete with

technology companies in providing electronic and internet-based financial solutions. Increased competition may negatively affect our earnings by creating pressure to lower prices on our products and services and/or reducing market share.

Damage to our reputation could harm our businesses, including our competitive position and business prospects.

Our ability to attract and retain customers, clients, investors and employees is impacted by our reputation. We continue to face increased public and regulatory scrutiny resulting from the financial crisis and economic downturn as well as alleged irregularities in servicing, foreclosure, consumer collections, mortgage loan modifications and other practices, compensation practices, and the suitability or reasonableness of recommending particular trading or investment strategies.

Harm to our reputation can also arise from other sources, including employee misconduct, unethical behavior, litigation or regulatory outcomes, failing to deliver minimum or required standards of service and quality, compliance failures, unintended disclosure of confidential information, and the activities of our clients, customers and counterparties, including vendors. Actions by the financial services industry generally or by certain members or individuals in the industry also can adversely affect our reputation.

We are subject to complex and evolving laws and regulations regarding privacy, data protections and other matters. Principles concerning the appropriate scope of consumer and commercial privacy vary considerably in different jurisdictions, and regulatory and public expectations regarding the definition and scope of consumer and commercial privacy may remain fluid in the future. It is possible that these laws may be interpreted and applied by various jurisdictions in a manner inconsistent with our current or future practices, or that is inconsistent with one another. We face regulatory, reputational and operational risks if personal, confidential or proprietary information of customers or clients in our possession is mishandled or misused.

We could suffer reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions, which could adversely affect our businesses.

Our actual or perceived failure to address these and other issues gives rise to reputational risk that could cause harm to us and our business prospects, including failure to properly address operational risks. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions, legal risks and reputational harm, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

Our ability to attract and retain qualified employees is critical to the success of our business and failure to do so could hurt our business prospects and competitive position.

Our performance is heavily dependent on the talents and efforts of highly skilled individuals. Competition for qualified personnel within the financial services industry and from businesses outside the financial services industry has been, and is expected to continue to be, intense. Our competitors include non-U.S. based institutions and institutions subject to different compensation and hiring regulations than those imposed on U.S. institutions and financial institutions. The difficulty we face in competing for key personnel is exacerbated in emerging markets, where we are often competing for qualified employees with entities that may have a significantly greater presence or more extensive experience in the region.

In order to attract and retain qualified personnel, we must provide market-level compensation. As a large financial and banking institution, we may be subject to limitations on compensation practices (which may or may not affect our competitors) by the Federal Reserve, the FDIC or other regulators around the world. For instance, recent EU rules limit and subject to clawback certain forms of variable compensation for senior employees. Current and potential future limitations on executive compensation imposed by legislation or regulation could adversely affect our ability to attract and maintain qualified employees. Furthermore, a substantial portion of our annual incentive compensation paid to our senior employees has in recent years taken the form of long-term equity awards. Therefore, the ultimate value of this compensation depends on the price of our common stock when the awards vest. If we are unable to continue to attract and retain qualified individuals, our business prospects and competitive position could be adversely affected.

In addition, if we fail to retain the wealth advisors that we employ in Global Wealth & Investment Management, particularly those with significant client relationships, such failure could result in a loss of clients or the withdrawal of significant client assets.

Our inability to adapt our products and services to evolving industry standards and consumer preferences could harm our business.

Our business model is based on a diversified mix of business that provides a broad range of financial products and services, delivered through multiple distribution channels. Our success depends on our ability to adapt our products and services to evolving industry standards. There is increasing pressure by competitors to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. In addition, the widespread adoption of new technologies, including internet services and payment systems, could require us to incur substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing or introducing new products and services, responding or adapting to changes in consumer spending and saving habits, achieving market acceptance of our products and services, or sufficiently developing and maintaining loyal customers.

We may not be able to achieve expected cost savings from cost-saving initiatives or in accordance with currently anticipated time frames.

We are currently engaged in efforts to achieve cost savings. For example, we currently expect our Legacy Assets and Servicing costs, excluding litigation costs, to decrease to approximately $800 million per quarter by the end of 2015. We may be unable to fully realize the cost savings and other anticipated benefits from our cost saving initiatives or in accordance with currently anticipated timeframes. In addition, our litigation expense may vary from period to period and may cause our noninterest expense to increase for any particular period even if we otherwise achieve cost savings as the result of our cost savings initiatives or otherwise.

Risks Related to Risk Management

Our risk management framework may not be effective in mitigating risk and reducing the potential for losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to the types of risk to which we are subject, including strategic, credit, market, liquidity, compliance, operational and reputational risks, among others. While we employ a broad and diversified set of risk monitoring and mitigation techniques, including hedging strategies and techniques that seek to balance our ability to profit from trading positions with our exposure to potential losses, those techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. The Volcker Rule may impact our ability to engage in certain hedging strategies. Recent economic conditions, heightened legislative and regulatory scrutiny of the financial services industry and increases in the overall complexity of our operations, among other developments, have resulted in a heightened level of risk for us. Accordingly, we could suffer losses as a result of our failure to properly anticipate and manage these risks.

For more information about our risk management policies and procedures, see Managing Risk in the MD&A on page 55.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties, could disrupt our businesses, and adversely impact our results of operations, cash flows, liquidity and financial condition, as well as cause reputational harm.

The potential for operational risk exposure exists throughout our organization and as a result of our interactions with third parties, and is not limited to our operational functions. Our operational and security systems, infrastructure, including our computer systems, data management, and internal processes, as well as those of third parties, are integral to our performance. In addition, we rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error or malfeasance or failure or breach of third-party systems or infrastructure, expose us to risk. We have taken measures to implement backup systems and other safeguards to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. Our financial, accounting, data processing, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control which could adversely affect our ability to process these transactions or provide these services. There could be sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters such as earthquakes, tornadoes, hurricanes and floods; disease pandemics; and events arising from local or larger scale political or social matters, including terrorist acts. We continuously update these systems to support our operations and growth. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones. Operational risk exposures could adversely impact our results of operations, cash flows, liquidity and financial condition, as well as cause reputational harm.

A cyber attack, information or security breach, or a technology failure of ours or of a third party could adversely affect our ability to conduct our business, manage our exposure to risk or expand our businesses, result in the disclosure or misuse of confidential or proprietary information, increase our costs to maintain and update our operational and security systems and infrastructure, and adversely impact our results of operations, cash flows, liquidity and financial condition, as well as cause reputational harm.

Our businesses are highly dependent on the security and efficacy of our infrastructure, computer and data management systems, as well as those of third parties with whom we interact. Cyber security risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. Our businesses rely on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. We rely on digital technologies, computer, database and email systems, software, and networks to conduct our operations. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment. We, our customers, regulators and other third parties have been subject to, and are likely to continue to be the target of, cyber attacks, including computer viruses, malicious or destructive code, phishing attacks, denial of service or information or other security breaches, that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Corporation, our employees, our customers or of third parties, or otherwise materially disrupt our or our customers' or other third parties' network access or business operations. For example, in recent years, we have been subject to malicious activity, including distributed denial of service attacks. Additionally, several large retailers have disclosed substantial cyber security breaches affecting debit and credit card accounts of their customers, some of whom were our cardholders. Although these incidents have not, to date, had a material impact on us, we believe that such incidents will continue, and we are unable to predict the severity of such future attacks on us. Our counterparties, regulators, customers and clients, and other third parties with whom we or our customers and clients interact are exposed to similar incidents, and incidents affecting those third parties could impact us.

Although to date we have not experienced any material losses or other material consequences relating to technology failure, cyber attacks or other information or other security breaches, there can be no assurance that we will not suffer such losses or other consequences in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our prominent size and scale, and our role in the financial services industry and the broader economy, our plans to continue to implement our internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our continuous transmission of sensitive information to, and storage of such information by, third

parties, including our vendors and regulators, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, the continued uncertain global economic environment, threats of cyber terrorism, external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends, and system and customer account updates and conversions. As a result, cyber security and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents.

We also face indirect technology, cyber security and operational risks relating to the third parties with whom we do business or upon whom we rely to facilitate or enable our business activities. In addition to customers and clients, the third parties with whom we interact and upon whom we rely include financial counterparties; financial intermediaries such as clearing agents, exchanges and clearing houses; vendors; regulators; providers of critical infrastructure such as internet access and electrical power, and retailers for whom we process transactions. Each of these third parties faces the risk of cyber attack, information breach or loss, or technology failure. Any such cyber attack, information breach or loss, or technology failure of a third party could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses. As a result of financial entities and technology systems becoming more interdependent and complex, a cyber incident, information breach or loss, or technology failure that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Corporation. For example, in recent years, there has been significant consolidation among clearing agents, exchanges and clearing houses and increased interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses. This consolidation and interconnectivity increases the risk of operational failure, on both individual and industry-wide bases, as disparate complex systems need to be integrated, often on an accelerated basis. Any such cyber attack, information breach or loss, failure, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses.

Any of the matters discussed above could result in our loss of customers and business opportunities, significant business disruption to our operations and business, misappropriation or destruction of our confidential information and/or that of our customers, or damage to our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, and additional compliance costs. In addition, any of the matters described above could adversely impact our results of operations, cash flows, liquidity and financial condition.

Risk of Being an International Business

We are subject to numerous political, economic, market, reputational, operational, legal, regulatory and other risks in the non-U.S. jurisdictions in which we operate.

We do business throughout the world, including in developing regions of the world commonly known as emerging markets. Our businesses and revenues derived from non-U.S. jurisdictions are subject to risk of loss from currency fluctuations, social or judicial instability, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, capital controls, exchange controls, other restrictive actions, unfavorable political and diplomatic developments, oil price fluctuation and changes in legislation. These risks are especially elevated in emerging markets. A number of non-U.S. jurisdictions in which we do business have been negatively impacted by slowing growth rates or recessionary conditions, market volatility and/or political unrest. Several emerging market economies are particularly vulnerable to the impact of rising interest rates, inflationary pressures, weaker oil and other commodity prices, large external deficits, and political uncertainty. While some of these jurisdictions are showing signs of stabilization or recovery, others, such as Russia and Greece, continue to experience increasing levels of stress and volatility. In addition, the potential risk of default on sovereign debt in some non-U.S. jurisdictions could expose us to substantial losses. Risks in one country can limit our opportunities for portfolio growth and negatively affect our operations in another country or countries, including our operations in the U.S. As a result, any such unfavorable conditions or developments could have an adverse impact on our company.

Our non-U.S. businesses are also subject to extensive regulation by various regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. In many countries, the laws and regulations applicable to the financial services and securities industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market or manage our relationships with multiple regulators in various jurisdictions. Our potential inability to remain in compliance with local laws in a particular market and manage our relationships with regulators could have an adverse effect not only on our businesses in that market but also on our reputation generally.

We also invest or trade in the securities of corporations and governments located in non-U.S. jurisdictions, including emerging markets. Revenues from the trading of non-U.S. securities may be subject to negative fluctuations as a result of the above factors. Furthermore, the impact of these fluctuations could be magnified, because non-U.S. trading markets, particularly in emerging market countries, are generally smaller, less liquid and more volatile than U.S. trading markets.

In addition to non-U.S. legislation, our international operations are also subject to U.S. legal requirements. For example, our

international operations are subject to U.S. laws on foreign corrupt practices, the Office of Foreign Assets Control, and anti-money laundering regulations.

We are subject to geopolitical risks, including acts or threats of terrorism, and actions taken by the U.S. or other governments in response thereto and/or military conflicts, which could adversely affect business and economic conditions abroad as well as in the U.S.

For more information on our non-U.S. credit and trading portfolios, see Non-U.S. Portfolio in the MD&A on page 93.

Risk from Accounting Changes

Changes in accounting standards or inaccurate estimates or assumptions in applying accounting policies could adversely affect us.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior-period financial statements.

Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board (FASB), the SEC, banking regulators and our independent registered public accounting firm) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes may be difficult to predict and could impact how we prepare and report our financial statements. In

some cases, we could be required to apply a new or revised standard retroactively, resulting in the Corporation needing to revise and republish prior-period financial statements.
The FASB issued in 2012 a proposed standard on accounting for credit losses. The standard would replace multiple existing impairment models, including replacing an “incurred loss” model for loans with an “expected loss” model. The FASB has not yet established a proposed effective date but a final standard is expected to be issued in the second half of 2015. The final standard may materially reduce retained earnings in the period of adoption.
For more information on some of our critical accounting policies and standards and recent accounting changes, see Complex Accounting Estimates in the MD&A on page 109 and Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.
Item 1B. Unresolved Staff Comments
None

Item 2. Properties

As of December 31, 2014, our principal offices and other materially important properties consisted of the following:

Facility Name	Location	General Character of the Physical Property	Primary Business Segment	Property Status	Property Square Feet [1]
Bank of America Corporate Center	Charlotte, NC	60 Story Building	Principal Executive Offices	Owned	1,200,392
Bank of America Tower at One Bryant Park	New York, NY	55 Story Building	GWIM, Global Banking and Global Markets	Leased [2]	1,798,373
Bank of America Merrill Lynch Financial Centre	London, UK	4 Building Campus	Global Banking and Global Markets	Leased	568,032
Cheung Kong Center	Hong Kong	62 Story Building	Global Banking and Global Markets	Leased	149,790

[1] For leased properties, property square feet represents the square footage occupied by the Corporation.

[2] The Corporation has a 49.9 percent joint venture interest in this property.

We own or lease approximately 90.5 million square feet in 22,530 facility and ATM locations globally, including approximately 84.3 million square feet in the U.S. (all 50 states and the District of Columbia, the U.S. Virgin Islands and Puerto Rico) and approximately 6.2 million square feet in more than 35 countries.

We believe our owned and leased properties are adequate for our business needs and are well maintained. We continue to evaluate our owned and leased real estate and may determine from time to time that certain of our premises and facilities, or ownership structures, are no longer necessary for our operations. In connection therewith, we are evaluating the sale or sale/leaseback of certain properties and we may incur costs in connection with any such transactions.

Item 3. Legal Proceedings

See Litigation and Regulatory Matters in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

None

Part II
Bank of America Corporation and Subsidiaries
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock is traded is the New York Stock Exchange. Our common stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. As of February 24, 2015, there were 203,715 registered shareholders of common stock. The table below sets forth the high and low closing sales prices of the common stock on the New York Stock Exchange for the periods indicated during 2013 and 2014, as well as the dividends we paid on a quarterly basis:

	Quarter	High	Low	Dividend
2013	first	$12.78	$11.03	$0.01
	second	13.83	11.44	0.01
	third	14.95	12.83	0.01
	fourth	15.88	13.69	0.01
2014	first	17.92	16.10	0.01
	second	17.34	14.51	0.01
	third	17.18	14.98	0.05
	fourth	18.13	15.76	0.05

For more information regarding our ability to pay dividends, see Note 13 – Shareholders' Equity and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements, which are incorporated herein by reference.

For information on our equity compensation plans, see Note 18 – Stock-based Compensation Plans to the Consolidated Financial Statements and Item 12 on page 270 of this report, which are incorporated herein by reference.

The table below presents share repurchase activity for the three months ended December 31, 2014. We did not have any unregistered sales of our equity securities in 2014.

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased (1)	Weighted-Average Per Share Price	Shares Purchased as Part of Publicly Announced Programs	Remaining Buyback Authority Amounts (2)
October 1 - 31, 2014	339	$ 17.29	—	$3,767
November 1 - 30, 2014	73	17.15	—	3,767
December 1 - 31, 2014	32	16.97	—	3,767
Three months ended December 31, 2014	444	17.24		

(1) Includes shares of the Corporation's common stock acquired by the Corporation in connection with satisfaction of tax withholding obligations on vested restricted stock or restricted stock units and certain forfeitures and terminations of employment-related awards under equity incentive plans.

(2) On March 26, 2014, the Corporation announced that the Federal Reserve had informed the Corporation that it completed its 2014 Comprehensive Capital Analysis and Review and did not object to the Corporation's 2014 capital plan, which included a request to repurchase up to $4.0 billion of common stock over four quarters beginning in the second quarter of 2014. On March 26, 2014, the Corporation's Board of Directors authorized the repurchase of up to $4.0 billion of the Corporation's common stock through open market purchases or privately negotiated transactions, including Rule 10b5-1 plans, over four quarters beginning with the second quarter of 2014. On April 28, 2014, the Corporation announced the suspension of the repurchase authorization previously announced on March 26, 2014. On May 27, 2014, the Corporation submitted a revised 2014 capital plan to the Federal Reserve that included no additional repurchases of common stock through the end of the first quarter of

2015 (excluding approximately $233 million of repurchases prior to April 27, 2014). On August 6, 2014, the Federal Reserve notified the Corporation that it did not object to the revised 2014 capital plan. Amounts shown in the column reflect remaining buyback authority under the March 26, 2014 authorization; however, the Corporation will not repurchase any shares of common stock pursuant to such authorization without prior approval by the Federal Reserve.

Item 6. Selected Financial Data

See Table 7 in the MD&A on page 30 and Statistical Table XII in the MD&A on page 129, which are incorporated herein by reference.

Item 7. Bank of America Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operation
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Management's Discussion and Analysis of Financial Condition and Results of Operations

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

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including under Item 1A. Risk Factors of this Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings for further information about factors that could affect such forward-looking statements: the Corporation's ability to resolve representations and warranties repurchase claims 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, including the possibility that the court decision with respect to the BNY Mellon Settlement is overturned on appeal in whole or in part; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; the possibility that the Corporation may not collect mortgage insurance claims; potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation and regulatory proceedings, including the possibility that amounts may be in excess of the Corporation's recorded liability and estimated range of possible losses for litigation exposures; the possibility that the

European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the possible outcome of LIBOR, other reference rate and foreign exchange inquiries and investigations; uncertainties about the financial stability and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation's exposures to such risks, including direct, indirect and operational; the impact of U.S. and global interest rates, currency exchange rates and economic conditions; the negative impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the Corporation's business and earnings, including as a result of additional regulatory interpretations and rulemaking and the success of the Corporation's actions to mitigate such impacts; the potential impact of a prolonged low interest rate environment on the Corporation's business, financial condition and results of operations; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including, but not limited to, any GSIB surcharge or as a result of changes to our Basel 3 Advanced approaches estimates; the Corporation's ability to fully realize the cost savings and other anticipated benefits from cost-saving initiatives, including in accordance with currently anticipated timeframes, the impact of implementation and compliance with new and evolving U.S. and international regulations, including, but not limited to, recovery and resolution planning requirements, the Volcker Rule, and derivatives regulations; the potential impact of the U.K. tax authorities' proposal to limit how much NOLs can offset annual profit; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber attacks; and other similar matters.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, “the Corporation” may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation’s subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. Effective January 1, 2015, to align the segments with how we manage the businesses in 2015, we changed our basis of segment presentation as follows: the Home Loans subsegment within CRES was moved to CBB, and Legacy Assets & Servicing became a separate segment. Also, a portion of the Business Banking business, based on the size of the client relationship, was moved from CBB to Global Banking. Prior periods will be restated to conform to the new segment alignment. Prior to October 1, 2014, we operated our banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A. or BANA) and, to a lesser extent, FIA Card Services, National Association (FIA Card Services, N.A. or FIA). On October 1, 2014, FIA was merged into BANA. At December 31, 2014, the Corporation had approximately $2.1 trillion in assets and approximately 224,000 full-time equivalent employees.

As of December 31, 2014, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 48 million consumer and small business relationships with approximately 4,800 banking centers, 15,800 ATMs, nationwide call centers, and leading online and mobile banking platforms (www.bankofamerica.com). We offer industry-leading support to approximately three million small business owners. Our industry leading wealth management and trust businesses, with client balances of $2.5 trillion, provide tailored solutions to meet client needs through a full set of brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

2014 Economic and Business Environment

In the U.S., economic growth continued in 2014, ending the year in the midst of its sixth consecutive year of recovery. After a tentative and generally soft trajectory for five years where annualized GDP growth averaged 2.3 percent, there were clear

signs of accelerated growth in the final three quarters of 2014 following a first quarter impacted by adverse weather conditions. Employment gains picked up during the year, and the unemployment rate fell to 5.6 percent at year end. Consumption grew slowly early in the year, before picking up steadily and ending with a robust pace in the final quarter. Core inflation remained relatively unchanged in 2014, rising modestly in the first half and falling thereafter, and ended the year more than half a percentage point below the Board of Governors of the Federal Reserve System’s (Federal Reserve) longer-term annual target of two percent.

U.S. household net worth continued to rise in 2014 but at a substantially slower pace than 2013. Home price appreciation was less in 2014 than 2013 but prices still rose approximately five percent in 2014 while equity markets gained approximately 11 percent. However, consumer spending was more significantly enhanced by sharply lower oil prices late in the year, reflecting foreign economic weakness amid an ample and growing energy supply.

U.S. Treasury yields fell over the course of the year, reversing much of the previous year’s increase. Declining world inflation and interest rates helped push U.S. Treasury yields lower even as the Federal Reserve steadily reduced and finally ended its purchases of agency mortgage-backed securities (MBS) and long-term U.S. Treasury securities. The Federal Reserve ended the year amid indications that it can be patient with regard to normalizing monetary policy.

Internationally, the eurozone grew modestly for much of the year, with growth restrained by continued deleveraging of the financial sector, high unemployment and political uncertainty. Inflation in the eurozone also fell significantly to near zero by year end. European bond yields continued to decline, especially as the European Central Bank eased monetary policy and expectations grew late in the year for outright purchases of sovereign and/or corporate securities in 2015, and were subsequently confirmed to begin in March 2015. The Euro/U.S. Dollar exchange rate also fell significantly, boosting European competitiveness, particularly in the second half of 2014, in direct reaction to the differing directions of U.S. and eurozone monetary policies. Contentious negotiations between parties to Greek sovereign and bank support programs added to uncertainty and market volatility in the first quarter of 2015.

In Russia, the combination of the U.S. and European Union sanctions and sharply lower oil prices weakened growth. Select emerging nations that are net energy suppliers also saw growth diminish sharply, although other nations, including some emerging economies in Asia received some benefits from declining energy prices.

Following a quarter of strong economic growth ahead of a consumption tax increase, Japan contracted through the middle of the year and the Bank of Japan responded with stepped up quantitative easing. Amid gradual economic moderation, China also eased monetary policy late in the year.

Selected Financial Data
Table 1 provides selected consolidated financial data for 2014 and 2013.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2014		2013	
Income statement				
Revenue, net of interest expense (FTE basis) [(1)]	$85,116		$89,801	
Net income	4,833		11,431	
Diluted earnings per common share	0.36		0.90	
Dividends paid per common share	0.12		0.04	
Performance ratios				
Return on average assets	0.23	%	0.53	%
Return on average tangible common shareholders' equity [(1)]	2.52		6.97	
Efficiency ratio (FTE basis) [(1)]	88.25		77.07	
Asset quality				
Allowance for loan and lease losses at December 31	$14,419		$17,428	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [(2)]	1.65	%	1.90	%
Nonperforming loans, leases and foreclosed properties at December 31 [(2)]	$12,629		$17,772	
Net charge-offs [(3)]	4,383		7,897	
Net charge-offs as a percentage of average loans and leases outstanding [(2, 3)]	0.49	%	0.87	%
Net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [(2)]	0.50		0.90	
Net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [(2)]	0.58		1.13	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [(3)]	3.29		2.21	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the purchased credit-impaired loan portfolio	2.91		1.89	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and purchased credit-impaired write-offs	2.78		1.70	
Balance sheet at year end				
Total loans and leases	$881,391		$928,233	
Total assets	2,104,534		2,102,273	
Total deposits	1,118,936		1,119,271	
Total common shareholders' equity	224,162		219,333	
Total shareholders' equity	243,471		232,685	
Capital ratios at year end [(4)]				
Common equity tier 1 capital	12.3	%	n/a	
Tier 1 common capital	n/a		10.9	%
Tier 1 capital	13.4		12.2	
Total capital	16.5		15.1	
Tier 1 leverage	8.2		7.7	

(1) Fully taxable-equivalent (FTE) basis, return on average tangible common shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information, see Supplemental Financial Data on page 32, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XV.

(2) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 82 and corresponding Table

39, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 89 and corresponding Table 48.

(3) Net charge-offs exclude $810 million of write-offs in the purchased credit-impaired loan portfolio for 2014 compared to $2.3 billion for 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 78.

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

n/a = not applicable

Financial Highlights

Net income was $4.8 billion, or $0.36 per diluted share in 2014 compared to $11.4 billion, or $0.90 per diluted share in 2013. The results for 2014 included an increase of $10.3 billion in litigation expense primarily as a result of charges related to the settlements with the U.S. Department of Justice (DoJ) and the Federal Housing Finance Agency (FHFA).

Table 2 Summary Income Statement

(Dollars in millions)	2014	2013
Net interest income (FTE basis) (1)	$40,821	$43,124
Noninterest income	44,295	46,677
Total revenue, net of interest expense (FTE basis) (1)	85,116	89,801
Provision for credit losses	2,275	3,556
Noninterest expense	75,117	69,214
Income before income taxes (FTE basis) (1)	7,724	17,031
Income tax expense (FTE basis) (1)	2,891	5,600
Net income	4,833	11,431
Preferred stock dividends	1,044	1,349
Net income applicable to common shareholders	$3,789	$10,082
Per common share information		
Earnings	$0.36	$0.94
Diluted earnings	0.36	0.90

(1) FTE basis is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 32, and for a corresponding reconciliation to GAAP financial measures, see Statistical Table XV.

Net Interest Income

Net interest income on a fully taxable-equivalent (FTE) basis decreased $2.3 billion to $40.8 billion for 2014 compared to 2013. The net interest yield on an FTE basis decreased 12 basis points (bps) to 2.25 percent for 2014. These declines were primarily due to the acceleration of market-related premium amortization on debt securities as the decline in long-term interest rates shortened the expected lives of the securities. Also contributing to these declines were lower loan yields and consumer loan balances, lower net interest income from the asset and liability management (ALM) portfolio and a decrease in trading-related net interest income. Market-related premium amortization was an expense of $1.2 billion in 2014 compared to a benefit of $784 million in 2013. Partially offsetting these declines were reductions in funding yields, lower long-term debt balances and commercial loan growth.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	2014	2013
Card income	$5,944	$5,826
Service charges	7,443	7,390
Investment and brokerage services	13,284	12,282
Investment banking income	6,065	6,126
Equity investment income	1,130	2,901
Trading account profits	6,309	7,056
Mortgage banking income	1,563	3,874
Gains on sales of debt securities	1,354	1,271
Other income (loss)	1,203	(49)
Total noninterest income	$44,295	$46,677

Noninterest income decreased $2.4 billion to $44.3 billion for 2014 compared to 2013. The following highlights the significant changes.

Investment and brokerage services income increased $1.0 billion primarily driven by increased asset management fees driven by the impact of long-term assets under management (AUM) inflows and higher market levels.

Equity investment income decreased $1.8 billion to $1.1 billion primarily due to a lower level of gains compared to 2013 and the continued wind-down of Global Principal Investments (GPI).

Trading account profits decreased $747 million, which included a charge of $497 million in 2014 related to the adoption of a funding valuation adjustment (FVA) in Global Markets, partially offset by a $359 million change in net debit valuation adjustments (DVA) on derivatives. Excluding the FVA/DVA charges, trading account profits decreased $609 million due to both lower market volumes and volatility.

Mortgage banking income decreased $2.3 billion primarily driven by lower servicing income and core production revenue, partially offset by lower representations and warranties provision.

Other income (loss) improved $1.3 billion due to an increase of $1.1 billion in net DVA gains on structured liabilities as our spreads widened, and gains associated with the sales of residential mortgage loans, partially offset by increases in U.K. consumer payment protection insurance (PPI) costs. The prior year also included the write-down of $450 million on a monoline receivable.

Provision for Credit Losses

The provision for credit losses decreased $1.3 billion to $2.3 billion for 2014 compared to 2013. The provision for credit losses was $2.1 billion lower than net charge-offs for 2014, resulting in a reduction in the allowance for credit losses. The decrease from the prior year was driven by portfolio improvement, including increased home prices in the home loans portfolio and lower unemployment levels driving improvement in the credit card portfolios, and improved asset quality in the commercial portfolio. Partially offsetting this decline was $400 million of additional costs in 2014 associated with the consumer relief portion of the settlement with the DoJ. We expect reserve releases in 2015 to moderate when compared to 2014.

Net charge-offs totaled $4.4 billion, or 0.49 percent of average loans and leases for 2014 compared to $7.9 billion, or 0.87 percent for 2013. The decrease in net charge-offs was due to credit quality improvement across all major portfolios and the impact of increased recoveries primarily from nonperforming and delinquent loan sales. For more information on the provision for credit losses, see Provision for Credit Losses on page 95.

Noninterest Expense

Table 4 Noninterest Expense

(Dollars in millions)	2014	2013
Personnel	$33,787	$34,719
Occupancy	4,260	4,475
Equipment	2,125	2,146
Marketing	1,829	1,834
Professional fees	2,472	2,884
Amortization of intangibles	936	1,086
Data processing	3,144	3,170
Telecommunications	1,259	1,593
Other general operating	25,305	17,307
Total noninterest expense	$75,117	$69,214

Noninterest expense increased $5.9 billion to $75.1 billion for 2014 compared to 2013 primarily driven by higher litigation expense in other general operating expense. Litigation expense increased $10.3 billion primarily as a result of charges related to the settlements with the DoJ and FHFA. The increase in litigation expense was partially offset by a decrease of $3.3 billion in default-related staffing and other default-related servicing expenses in Legacy Assets & Servicing. Also, personnel expense decreased $932 million in 2014 as we continued to streamline processes and achieve cost savings.

In connection with Project New BAC, which we first announced in the third quarter of 2011, we expected to achieve cost savings in certain noninterest expense categories as we streamlined workflows, simplified processes and aligned expenses with our overall strategic plan and operating principles. We expected total cost savings from Project New BAC to reach $8 billion on an annualized basis, or $2 billion per quarter, by mid-2015. We successfully completed our Project New BAC expense program ahead of schedule by reaching our target of $2 billion in cost savings per quarter, in the third quarter of 2014.

Income Tax Expense

Table 5 Income Tax Expense

(Dollars in millions)	2014		2013	
Income before income taxes	$6,855		$16,172	
Income tax expense	2,022		4,741	
Effective tax rate	29.5	%	29.3	%

The effective tax rate for 2014 was driven by our recurring tax preference items, the resolution of several tax examinations and tax benefits from non-U.S. restructurings, partially offset by the non-deductible treatment of certain litigation charges. We expect an effective tax rate in the low 30 percent range, absent unusual items, for 2015.

The effective tax rate for 2013 was driven by our recurring tax preference items and by certain tax benefits related to non-U.S. operations, partially offset by the $1.1 billion negative impact from the U.K. 2013 Finance Act, enacted in July 2013, which reduced the U.K. corporate income tax rate by three percent. The $1.1 billion charge resulted from remeasuring our U.K. net deferred tax assets, in the period of enactment, using the lower rates.

Balance Sheet Overview

Table 6 Selected Balance Sheet Data

	December 31			Average Balance		
(Dollars in millions)	2014	2013	% Change	2014	2013	% Change
Assets						
Cash and cash equivalents	$138,589	$131,322	6 %	$141,078	$109,014	29 %
Federal funds sold and securities borrowed or purchased under agreements to resell	191,823	190,328	1	222,483	224,331	(1)
Trading account assets	191,785	200,993	(5)	202,416	217,865	(7)
Debt securities	380,461	323,945	17	351,702	337,953	4
Loans and leases	881,391	928,233	(5)	903,901	918,641	(2)
Allowance for loan and lease losses	(14,419)	(17,428)	(17)	(15,973)	(21,188)	(25)
All other assets	334,904	344,880	(3)	339,983	376,897	(10)
Total assets	$2,104,534	$2,102,273	—	$2,145,590	$2,163,513	(1)
Liabilities						
Deposits	$1,118,936	$1,119,271	—	$1,124,207	$1,089,735	3
Federal funds purchased and securities loaned or sold under agreements to repurchase	201,277	198,106	2	215,792	257,600	(16)
Trading account liabilities	74,192	83,469	(11)	87,151	88,323	(1)
Short-term borrowings	31,172	45,999	(32)	41,886	43,816	(4)
Long-term debt	243,139	249,674	(3)	253,607	263,417	(4)
All other liabilities	192,347	173,069	11	184,471	186,675	(1)
Total liabilities	1,861,063	1,869,588	—	1,907,114	1,929,566	(1)
Shareholders’ equity	243,471	232,685	5	238,476	233,947	2
Total liabilities and shareholders’ equity	$2,104,534	$2,102,273	—	$2,145,590	$2,163,513	(1)

Year-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.

Balance Sheet Management Actions in 2014

The Corporation took certain actions during 2014 to further optimize its balance sheet. While the overall size of the balance sheet remained relatively unchanged compared to December 31, 2013, the composition has improved in terms of liquidity in response to the new Basel 3 Liquidity Coverage Ratio (LCR) requirements. We shifted the mix of certain discretionary assets out of less liquid loans to more liquid debt securities. This included the sale of $10.7 billion of residential mortgage loans with standby insurance agreements and purchase of agency securities, and the sale of $6.7 billion of nonperforming and other delinquent loans. Though the Global Markets balance sheet was relatively stable, there was a decrease of $11.8 billion in low-margin prime brokerage loans. Ending deposits remained relatively unchanged

as we took actions to optimize the LCR liquidity value of deposits while growing retail deposits. Additionally, from a capital standpoint, $6.0 billion of preferred stock was issued during the year and amendments to our outstanding

Series T preferred stock also improved Basel 3 Tier 1 regulatory capital.

Assets

Year-end total assets remained relatively unchanged from December 31, 2013, though the asset mix changed in connection with preparing for the new Basel 3 LCR requirements as discussed above. The key drivers were increased debt securities due to purchases of U.S. Treasury securities, and higher cash and cash equivalents from higher interest-bearing deposits with the Federal Reserve and non-U.S. central banks. These increases were largely offset by a decline in consumer loan balances due to paydowns, sales of residential loans with long-term standby agreements, nonperforming and delinquent loan sales and net charge-offs collectively outpacing new originations, and declines in all other assets and in trading account assets.

Cash and Cash Equivalents

Year-end and average cash and cash equivalents increased $7.3 billion from December 31, 2013 and $32.1 billion in 2014 driven by an increase in interest-bearing deposits with the Federal Reserve and non-U.S. central banks in connection with preparing for the Basel 3 LCR requirements. For more information, see Liquidity Risk – Basel 3 Liquidity Standards on page 67.

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed or purchased under agreements to resell are collateralized lending transactions utilized to accommodate customer transactions, earn interest rate spreads, and obtain securities for settlement and for collateral. Year-end federal funds sold and securities borrowed or purchased under agreements to resell increased $1.5 billion from December 31, 2013 driven by matched-book activity, partially offset by roll-off of supranational positions and a mix shift into securities. Average federal funds sold and securities borrowed or purchased under agreements to resell decreased $1.8 billion in 2014 compared to 2013 due to lower matched-book activity.

Trading Account Assets

Trading account assets consist primarily of long positions in equity and fixed-income securities including U.S. government and agency securities, corporate securities and non-U.S. sovereign debt. Year-end trading account assets decreased $9.2 billion primarily due to lower equity securities inventory as a result of a decrease in client hedging activity. Average trading account assets decreased $15.4 billion primarily due to a reduction in U.S. Treasury securities inventory.

Debt Securities

Debt securities primarily include U.S. Treasury and agency securities, MBS, principally agency MBS, foreign bonds, corporate bonds and municipal debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create economically attractive returns on these investments. Year-end and average debt securities increased $56.5 billion and $13.7 billion primarily due to net purchases of U.S. Treasury securities driven by the new LCR rules, and increases in the fair value of available-for-sale (AFS) debt securities resulting from the impact of lower interest rates. For more information on debt securities, see Note 3 – Securities to the Consolidated Financial Statements.

Loans and Leases

Year-end and average loans and leases decreased $46.8 billion and $14.7 billion. The decreases were primarily driven by a decline in consumer loan balances due to paydowns, loan sales and net charge-offs outpacing new originations, and a decline in commercial loan balances. For more information on the loan portfolio, see Credit Risk Management on page 70.

Allowance for Loan and Lease Losses

Year-end and average allowance for loan and lease losses decreased $3.0 billion and $5.2 billion primarily due to the impact of improvements in credit quality from the improving economy. For more information, see Allowance for Credit Losses on page 95.

All Other Assets

Year-end all other assets decreased $10.0 billion driven by other earning assets and time deposits placed, partially offset by an increase in derivative assets. Average all other assets decreased $36.9 billion primarily driven by lower customer and other receivables, time deposits placed, loans held-for-sale (LHFS) and derivative assets.

Liabilities

At December 31, 2014, total liabilities were approximately $1.9 trillion, down $8.5 billion from December 31, 2013, driven by planned reductions in short-term borrowings and long-term debt as well as a decrease in trading account liabilities, partially offset by increases in all other liabilities.

Deposits

Year-end deposits remained relatively unchanged from December 31, 2013 due to declines in Global Banking offset by an increase in retail deposits. Average deposits increased $34.5 billion primarily driven by customer and client shifts into more liquid products in the low rate environment.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned or sold under agreements to repurchase are collateralized borrowing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance assets on the balance sheet. Year-end federal funds purchased and securities loaned or sold under agreements to repurchase increased $3.2 billion primarily driven by matched-book activity. Average federal funds purchased and securities loaned or sold under agreements to repurchase decreased $41.8 billion

primarily due to targeted reductions in the balance sheet.
Trading Account Liabilities
Trading account liabilities consist primarily of short positions in equity and fixed-income securities including U.S. Treasury and agency securities, corporate securities, and non-U.S. sovereign debt. Year-end and average trading account liabilities decreased $9.3 billion and $1.2 billion primarily due to lower levels of short U.S. Treasury positions.
Short-term Borrowings
Short-term borrowings provide an additional funding source and primarily consist of Federal Home Loan Bank (FHLB) short-term borrowings, notes payable and various other borrowings that generally have maturities of one year or less. Year-end and average short-term borrowings decreased $14.8 billion and $1.9 billion due to planned reductions in FHLB borrowings. For more information on short-term borrowings, see Note 10 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings to the Consolidated Financial Statements.
Long-term Debt
Year-end and average long-term debt decreased $6.5 billion and $9.8 billion. The decreases were a result of maturities outpacing new issuances. For more information on long-term debt, see Note 11 – Long-term Debt to the Consolidated Financial Statements.
All Other Liabilities
Year-end all other liabilities increased $19.3 billion driven by increases in derivative liabilities and payables. Average all other liabilities decreased $2.2 billion driven by decreases in payables and derivative liabilities.

Shareholders' Equity

Year-end shareholders' equity increased $10.8 billion driven by issuances of preferred stock, an increase in accumulated other comprehensive income (OCI) due to a positive net change in the fair value of AFS debt securities, and earnings, partially offset by common stock repurchases and dividends. Average shareholders' equity increased $4.5 billion driven by earnings and accumulated OCI, partially offset by common stock repurchases and dividends.

Cash Flows Overview

The Corporation's operating assets and liabilities support our global markets and lending activities. We believe that cash flows from operations, available cash balances and our ability to generate cash through short- and long-term debt are sufficient to fund our operating liquidity needs. Our investing activities primarily include the debt securities portfolio and other short-term investments. Our financing activities reflect cash flows primarily related to increased customer deposits and net long-term debt reductions.

Cash and cash equivalents increased $7.3 billion during 2014 due to net cash provided by operating activities, partially offset by net cash used in financing and investing activities. This reflects actions taken in preparation for the Basel 3 LCR requirements. These changes were primarily due to higher interest-bearing deposits with the Federal Reserve and non-U.S. central banks as well as the sale of residential mortgage loans with standby insurance agreements and the purchase of agency securities, and the sale of nonperforming and other delinquent loans to further

optimize the balance sheet. Cash and cash equivalents increased $20.6 billion during 2013 due to net cash provided by operating and investing activities, partially offset by net cash used in financing activities.

During 2014, net cash provided by operating activities was $26.7 billion. The more significant drivers included net decreases in trading and derivative instruments, as well as a net increase in accrued expenses and other liabilities. During 2013, net cash provided by operating activities was $92.8 billion. The more significant drivers included net decreases in other assets, and trading and derivative instruments, as well as net proceeds from sales, securitizations and paydowns of LHFS.

During 2014, net cash used in investing activities was $4.2 billion, primarily driven by net purchases of debt securities, partially offset by net decreases in loans and leases. During 2013, net cash provided by investing activities was $25.1 billion, primarily driven by a decrease in federal funds sold and securities borrowed or purchased under agreements to resell and net sales of debt securities, partially offset by a net increase in loans and leases.

During 2014, net cash used in financing activities of $12.2 billion primarily reflected a reduction in short-term borrowings, partially offset by the issuance of preferred stock. During 2013, the net cash used in financing activities of $95.4 billion primarily reflected a decrease in federal funds purchased and securities loaned or sold under agreements to repurchase and net reductions in long-term debt, partially offset by growth in short-term borrowings and deposits.

Table 7 Five-year Summary of Selected Financial Data

(In millions, except per share information)	2014	2013	2012	2011	2010
Income statement					
Net interest income	$39,952	$42,265	$40,656	$44,616	$51,523
Noninterest income	44,295	46,677	42,678	48,838	58,697
Total revenue, net of interest expense	84,247	88,942	83,334	93,454	110,220
Provision for credit losses	2,275	3,556	8,169	13,410	28,435
Goodwill impairment	—	—	—	3,184	12,400
Merger and restructuring charges	—	—	—	638	1,820
All other noninterest expense	75,117	69,214	72,093	76,452	68,888
Income (loss) before income taxes	6,855	16,172	3,072	(230)	(1,323)
Income tax expense (benefit)	2,022	4,741	(1,116)	(1,676)	915
Net income (loss)	4,833	11,431	4,188	1,446	(2,238)
Net income (loss) applicable to common shareholders	3,789	10,082	2,760	85	(3,595)
Average common shares issued and outstanding	10,528	10,731	10,746	10,143	9,790
Average diluted common shares issued and outstanding (1)	10,585	11,491	10,841	10,255	9,790
Performance ratios					
Return on average assets	0.23 %	0.53 %	0.19 %	0.06 %	n/m
Return on average common shareholders' equity	1.70	4.62	1.27	0.04	n/m
Return on average tangible common shareholders' equity (2)	2.52	6.97	1.94	0.06	n/m
Return on average tangible shareholders' equity (2)	2.92	7.13	2.60	0.96	n/m
Total ending equity to total ending assets	11.57	11.07	10.72	10.81	10.08 %
Total average equity to total average assets	11.11	10.81	10.75	9.98	9.56
Dividend payout	33.31	4.25	15.86	n/m	n/m
Per common share data					
Earnings (loss)	$0.36	$0.94	$0.26	$0.01	$(0.37)
Diluted earnings (loss) (1)	0.36	0.90	0.25	0.01	(0.37)
Dividends paid	0.12	0.04	0.04	0.04	0.04
Book value	21.32	20.71	20.24	20.09	20.99
Tangible book value (2)	14.43	13.79	13.36	12.95	12.98
Market price per share of common stock					
Closing	$17.89	$15.57	$11.61	$5.56	$13.34
High closing	18.13	15.88	11.61	15.25	19.48
Low closing	14.51	11.03	5.80	4.99	10.95
Market capitalization	$188,141	$164,914	$125,136	$58,580	$134,536

(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 2010 because of the net loss applicable to common shareholders.

(2) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios, see Supplemental Financial Data on page 32, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XV on page 134.

(3) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 70.

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

(5) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 82 and corresponding Table 39, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 89 and corresponding Table 48.

(6) 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.

(7) Net charge-offs exclude $810 million, $2.3 billion and $2.8 billion of write-offs in the purchased credit-impaired loan portfolio for 2014, 2013 and 2012, 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 78.

(8) There were no write-offs of PCI loans in 2011 and 2010.

(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) at December 31, 2013. Basel 1 did not include the Basel 1 – 2013 Rules prior to 2013.

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

Table 7 Five-year Summary of Selected Financial Data (continued)

(Dollars in millions)	2014	2013	2012	2011	2010
Average balance sheet					
Total loans and leases	$903,901	$918,641	$898,768	$938,096	$958,331
Total assets	2,145,590	2,163,513	2,191,356	2,296,322	2,439,606
Total deposits	1,124,207	1,089,735	1,047,782	1,035,802	988,586
Long-term debt	253,607	263,417	316,393	421,229	490,497
Common shareholders' equity	223,066	218,468	216,996	211,709	212,686
Total shareholders' equity	238,476	233,947	235,677	229,095	233,235
Asset quality [3]					
Allowance for credit losses [4]	$14,947	$17,912	$24,692	$34,497	$43,073
Nonperforming loans, leases and foreclosed properties [5]	12,629	17,772	23,555	27,708	32,664
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [5]	1.65 %	1.90 %	2.69 %	3.68 %	4.47 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [5]	121	102	107	135	136
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [5]	107	87	82	101	116
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [6]	$5,944	$7,680	$12,021	$17,490	$22,908
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [5, 6]	71 %	57 %	54 %	65 %	62 %
Net charge-offs [7]	$4,383	$7,897	$14,908	$20,833	$34,334
Net charge-offs as a percentage of average loans and leases outstanding [5, 7]	0.49 %	0.87 %	1.67 %	2.24 %	3.60 %
Net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [5]	0.50	0.90	1.73	2.32	3.73
Net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [5, 8]	0.58	1.13	1.99	2.24	3.60
Nonperforming loans and leases as a percentage of total loans and leases outstanding [5]	1.37	1.87	2.52	2.74	3.27
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [5]	1.45	1.93	2.62	3.01	3.48
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [7]	3.29	2.21	1.62	1.62	1.22
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the PCI loan portfolio	2.91	1.89	1.25	1.22	1.04
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and PCI write-offs [8]	2.78	1.70	1.36	1.62	1.22

Capital ratios at year end [9]					
Risk-based capital:					
Common equity tier 1 capital	12.3 %	n/a	n/a	n/a	n/a
Tier 1 common capital	n/a	10.9 %	10.8 %	9.7 %	8.5 %
Tier 1 capital	13.4	12.2	12.7	12.2	11.1
Total capital	16.5	15.1	16.1	16.6	15.7
Tier 1 leverage	8.2	7.7	7.2	7.4	7.1
Tangible equity [2]	8.4	7.9	7.6	7.5	6.8
Tangible common equity [2]	7.5	7.2	6.7	6.6	6.0

For footnotes see page 30.

Supplemental Financial Data

We view net interest income and related ratios and analyses on an FTE basis, which when presented on a consolidated basis, are non-GAAP financial measures. We believe managing the business with net interest income on an FTE basis provides a more accurate picture of the interest margin for comparative purposes. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 35 percent. This measure ensures comparability of net interest income arising from taxable and tax-exempt sources.

Certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on an FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds.

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Tangible equity represents an adjusted shareholders' equity or common shareholders' equity amount which has been reduced by goodwill and intangible assets (excluding mortgage servicing rights (MSRs)), net of related deferred tax liabilities. These measures are used to evaluate our use of equity. In addition, profitability, relationship and investment models use both return on average tangible common shareholders' equity and return on average tangible shareholders' equity as key measures to support our overall growth goals. These ratios are as follows:

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

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

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

The aforementioned supplemental data and performance measures are presented in Table 7 and Statistical Table XII. In addition, in Table 8, we have excluded the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures.

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

Statistical Tables XV, XVI and XVII on pages 134, 135 and 136 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 Five-year Supplemental Financial Data

(Dollars in millions, except per share information)	2014	2013	2012	2011	2010
Fully taxable-equivalent basis data					
Net interest income	$40,821	$43,124	$41,557	$45,588	$52,693
Total revenue, net of interest expense	85,116	89,801	84,235	94,426	111,390

Net interest yield (1)	2.25 %	2.37 %	2.24 %	2.38 %	2.59 %
Efficiency ratio	88.25	77.07	85.59	85.01	74.61
Performance ratios, excluding goodwill impairment charges (2)					
Per common share information					
Earnings				$0.32	$0.87
Diluted earnings				0.32	0.86
Efficiency ratio (FTE basis)				81.64 %	63.48 %
Return on average assets				0.20	0.42
Return on average common shareholders' equity				1.54	4.14
Return on average tangible common shareholders' equity				2.46	7.03
Return on average tangible shareholders' equity				3.08	7.11

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

(2) Performance ratios are calculated excluding the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010.

Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on an FTE basis and excluding the impact of trading-related activities. As discussed in Global Markets on page 46, we evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on an FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 9 provides additional clarity in assessing our results.

Table 9 Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	2014		2013	
Net interest income (FTE basis)				
As reported	$40,821		$43,124	
Impact of trading-related net interest income	(3,615	)	(3,852	)
Net interest income excluding trading-related net interest income [1]	$37,206		$39,272	
Average earning assets [2]				
As reported	$1,814,930		$1,819,548	
Impact of trading-related earning assets	(445,760	)	(468,999	)
Average earning assets excluding trading-related earning assets [1]	$1,369,170		$1,350,549	
Net interest yield contribution (FTE basis) [2]				
As reported	2.25	%	2.37	%
Impact of trading-related activities	0.47		0.54	
Net interest yield on earning assets excluding trading-related activities [1]	2.72	%	2.91	%

(1) Represents a non-GAAP financial measure.

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

Net interest income excluding trading-related net interest income decreased $2.1 billion to $37.2 billion for 2014 compared to 2013. The decline was primarily due to the impact of market-related premium amortization as lower long-term interest rates shortened the expected lives of the securities, lower loan yields and consumer loan balances, and lower net interest income from the ALM portfolio. Market-related premium amortization was an expense of $1.2 billion in 2014 compared to a benefit of $784 million in 2013. Partially offsetting the decline were reductions in funding yields, lower long-term debt balances and commercial loan growth. For more information on the impact of interest rates, see Interest Rate Risk Management for Non-trading Activities on page 105. For more information on market-related premium amortization, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Average earning assets excluding trading-related earning assets increased $18.6 billion to $1,369.2 billion for 2014 compared to 2013. The increase was primarily in interest-bearing deposits with the Federal Reserve and commercial loans, partially offset by declines in consumer loans and other earning assets.

Net interest yield on earning assets excluding trading-related activities decreased 19 bps to 2.72 percent for 2014 compared to 2013 due to the same factors as described above.

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. The primary activities, products or businesses of the business segments and All Other as of December 31, 2014 are shown below. For additional detailed information, see the business segment and All Other discussions which follow.

Effective January 1, 2015, to align the segments with how we manage the businesses in 2015, the Corporation changed its basis of segment presentation as follows: the Home Loans subsegment within CRES was moved to CBB, and Legacy Assets & Servicing became a separate segment. Also, a portion of the Business Banking business, based on the size of the client relationship, was moved from CBB to Global Banking. Prior periods will be restated to conform to the new segment alignment.

We prepare and evaluate segment results using certain non-GAAP measures. For additional information, see Supplemental Financial Data on page 32. Table 10 provides selected summary financial data for our business segments and All Other for 2014 and 2013.

Table 10 Business Segment Results

	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	$29,862	$29,864	$2,633	$3,107	$15,911	$16,260	$7,096	$6,647
Consumer Real Estate Services	4,848	7,715	160	(156)	23,226	15,815	(13,395)	(5,031)
Global Wealth & Investment Management	18,404	17,790	14	56	13,647	13,033	2,974	2,977
Global Banking	16,598	16,479	336	1,075	7,681	7,551	5,435	4,973
Global Markets	16,119	15,390	110	140	11,771	11,996	2,719	1,153
All Other	(715)	2,563	(978)	(666)	2,881	4,559	4	712
Total FTE basis	85,116	89,801	2,275	3,556	75,117	69,214	4,833	11,431
FTE adjustment	(869)	(859)	—	—	—	—	—	—
Total Consolidated	$84,247	$88,942	$2,275	$3,556	$75,117	$69,214	$4,833	$11,431

(1) Total revenue is net of interest expense and is on an FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 32, and for a corresponding reconciliation to a GAAP financial measure, see Statistical Table XV.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-based capital models. The Corporation's internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see Managing Risk on page 55. 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 2014, we made refinements to the amount of capital allocated to each of our businesses based on multiple considerations that included, but were not limited to, Basel 3 Standardized and Advanced risk-weighted assets, business segment exposures and risk profile, and strategic plans. As a result of this process, in 2014, we adjusted the amount of capital being allocated to our business segments. This change resulted in a reduction of unallocated capital, which is included in All Other, and an aggregate increase in the amount of capital being allocated to the business segments, primarily Global Banking and Global Markets.

For more information on the business segments and reconciliations to consolidated total revenue, net income and year-end total assets, see Note 24 – Business Segment Information to the Consolidated Financial Statements.

Consumer & Business Banking

	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2014	2013	2014	2013	2014	2013	% Change
Net interest income (FTE basis)	$10,259	$9,807	$9,426	$10,243	$19,685	$20,050	(2)%
Noninterest income:							
Card income	68	60	4,834	4,744	4,902	4,804	2
Service charges	4,364	4,206	1	1	4,365	4,207	4
All other income	552	509	358	294	910	803	13
Total noninterest income	4,984	4,775	5,193	5,039	10,177	9,814	4
Total revenue, net of interest expense (FTE basis)	15,243	14,582	14,619	15,282	29,862	29,864	—
Provision for credit losses	254	299	2,379	2,808	2,633	3,107	(15)
Noninterest expense	10,448	10,930	5,463	5,330	15,911	16,260	(2)
Income before income taxes (FTE basis)	4,541	3,353	6,777	7,144	11,318	10,497	8
Income tax expense (FTE basis)	1,694	1,230	2,528	2,620	4,222	3,850	10
Net income	$2,847	$2,123	$4,249	$4,524	$7,096	$6,647	7
Net interest yield (FTE basis)	1.87 %	1.88 %	6.77 %	7.18 %	3.48 %	3.72 %	
Return on average allocated capital	17	14	33	31	24	22	
Efficiency ratio (FTE basis)	68.54	74.95	37.38	34.88	53.28	54.44	
Balance Sheet							
Average							
Total loans and leases	$22,388	$22,445	$138,721	$142,129	$161,109	$164,574	(2)
Total earning assets [(1)]	548,096	522,938	139,145	142,721	565,700	539,241	5
Total assets [(1)]	580,857	555,687	148,579	151,434	607,895	580,703	5
Total deposits	542,589	518,407	n/m	n/m	543,441	518,904	5
Allocated capital	16,500	15,400	13,000	14,600	29,500	30,000	(2)
Year end							
Total loans and leases	$22,284	$22,578	$141,132	$142,516	$163,416	$165,094	(1)
Total earning assets [(1)]	560,130	535,061	141,216	143,917	579,283	550,698	5
Total assets [(1)]	593,485	567,918	150,956	153,376	622,378	593,014	5
Total deposits	555,539	530,860	n/m	n/m	556,568	531,608	5

(1) In segments and businesses where the total of liabilities and equity exceeds assets, we allocate assets from All Other to match the segments' and businesses' liabilities and allocated shareholders' equity. As a result, total earning assets and total assets of the businesses may not equal total 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 32 states and the District of Columbia. The franchise network includes

approximately 4,800 banking centers, 15,800 ATMs, nationwide call centers, and online and mobile platforms.
CBB Results
Net income for CBB increased $449 million to $7.1 billion in 2014 compared to 2013 primarily driven by lower provision for credit losses, higher noninterest income and lower noninterest expense, partially offset by lower net interest income. Net interest income decreased $365 million to $19.7 billion due to lower average loan balances and card yields, partially offset by the beneficial impact of an increase in investable assets as a result of higher deposit balances. Noninterest income increased $363 million to $10.2 billion primarily due to portfolio divestiture gains, higher service charges and higher card income, partially offset by lower revenue from consumer protection products. The provision for credit losses decreased $474 million to $2.6 billion in 2014 primarily as a result of improvements in credit

quality. Noninterest expense decreased $349 million to $15.9 billion primarily driven by lower operating, litigation and Federal Deposit Insurance Corporation (FDIC) expenses.
The return on average allocated capital was 24 percent, up from 22 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 34.
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 42.

Net income for Deposits increased $724 million to $2.8 billion in 2014 driven by higher revenue and a decrease in noninterest expense. Net interest income increased $452 million to $10.3 billion primarily driven by a combination of pricing discipline and the beneficial impact of an increase in investable assets as a result of higher deposit balances. Noninterest income increased $209 million to $5.0 billion primarily due to higher deposit service charges.

The provision for credit losses decreased $45 million to $254 million as a result of improvement in credit quality.

Noninterest expense decreased $482 million to $10.4 billion due to lower operating expenses, driven in part by a reduction in banking centers as customers migrate to self-service touchpoints, in addition to lower FDIC and litigation expense.

Average deposits increased $24.2 billion to $542.6 billion in 2014 driven by a continuing customer shift to more liquid products in the low rate environment. Growth in checking, traditional savings and money market savings of $34.7 billion was partially offset by a decline in time deposits of $10.5 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 five bps to six bps.

Key Statistics – Deposits

	2014		2013	
Total deposit spreads (excludes noninterest costs)	1.59	%	1.52	%
Year end				
Client brokerage assets (in millions)	$113,763		$96,048	
Online banking active accounts (units in thousands)	30,904		29,950	
Mobile banking active accounts (units in thousands)	16,539		14,395	
Banking centers	4,855		5,151	
ATMs	15,838		16,259	

Client brokerage assets increased $17.7 billion in 2014 driven by new accounts, increased account flows and higher market valuations. Mobile banking active accounts increased 2.1 million reflecting continuing changes in our customers' banking preferences. The number of banking centers declined 296 and ATMs declined 421 as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

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

Consumer Lending includes the net impact of migrating customers and their related credit card loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM on page 42.

Net income for Consumer Lending decreased $275 million to $4.2 billion in 2014 primarily due to lower net interest income and higher noninterest expense, partially offset by lower provision for credit losses and higher noninterest income. Net interest income decreased $817 million to $9.4 billion driven by the impact of lower average loan balances and card yields. Noninterest income increased $154 million to $5.2 billion driven by portfolio divestiture gains and higher card income, partially offset by lower revenue from consumer protection products.

The provision for credit losses decreased $429 million to $2.4 billion in 2014 as a result of continued improvement in credit quality, due in part to lower delinquencies. Noninterest expense increased $133 million to $5.5 billion driven by higher operating expenses, partially offset by lower litigation expense.

Average loans decreased $3.4 billion to $138.7 billion in 2014 primarily driven by the net migration of credit card loan balances to GWIM as described above, continued run-off of non-core portfolios and portfolio divestitures, partially offset by an increase in small business lending and consumer auto loans.

Key Statistics – Consumer Lending

(Dollars in millions)	2014		2013	
Total U.S. credit card [1]				
Gross interest yield	9.34	%	9.73	%
Risk-adjusted margin	9.44		8.68	
New accounts (in thousands)	4,541		3,911	
Purchase volumes	$212,088		$205,914	
Debit card purchase volumes	$272,576		$267,087	

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

During 2014, the total U.S. credit card risk-adjusted margin increased 76 bps due to an improvement in credit quality and portfolio divestiture gains. Total U.S. credit card purchase volumes increased $6.2 billion to $212.1 billion and debit card purchase volumes increased $5.5 billion to $272.6 billion, reflecting higher levels of consumer spending.

Consumer Real Estate Services

	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)	$1,315	$1,349	$1,516	$1,541	$2,831	$2,890	(2)%
Noninterest income:							
Mortgage banking income	813	1,916	1,053	2,669	1,866	4,585	(59)
All other income (loss)	40	(6)	111	246	151	240	(37)
Total noninterest income	853	1,910	1,164	2,915	2,017	4,825	(58)
Total revenue, net of interest expense (FTE basis)	2,168	3,259	2,680	4,456	4,848	7,715	(37)
Provision for credit losses	33	127	127	(283)	160	(156)	n/m
Noninterest expense	2,587	3,334	20,639	12,481	23,226	15,815	47
Loss before income taxes (FTE basis)	(452)	(202)	(18,086)	(7,742)	(18,538)	(7,944)	133
Income tax benefit (FTE basis)	(169)	(74)	(4,974)	(2,839)	(5,143)	(2,913)	77
Net loss	$(283)	$(128)	$(13,112)	$(4,903)	$(13,395)	$(5,031)	n/m
Net interest yield (FTE basis)	2.40 %	2.54 %	4.03 %	3.19 %	3.06 %	2.85 %	
Balance Sheet							
Average							
Total loans and leases	$52,336	$47,675	$35,941	$42,603	$88,277	$90,278	(2)
Total earning assets	54,778	53,148	37,593	48,272	92,371	101,420	(9)
Total assets	54,751	53,426	52,134	67,130	106,885	120,556	(11)
Allocated capital	6,000	6,000	17,000	18,000	23,000	24,000	(4)
Year end							
Total loans and leases	$54,917	$51,021	$33,055	$38,732	$87,972	$89,753	(2)
Total earning assets	57,881	54,071	33,922	43,092	91,803	97,163	(6)
Total assets	57,772	53,933	45,958	59,458	103,730	113,391	(9)

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 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 39. In addition, Legacy Assets & Servicing is responsible for managing legacy exposures related to CRES (e.g., litigation, representations and warranties). This alignment allows CRES management to lead the ongoing Home Loans business while also providing focus on legacy mortgage issues and servicing activities.

CRES, primarily through its Home Loans operations, generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. CRES products offered by Home Loans include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOCs) and home equity loans. First mortgage products are generally either sold into the secondary mortgage market to investors, while we retain MSRs (which are on the balance sheet of Legacy Assets & Servicing) and the Bank

of America customer relationships, or are held on the balance sheet in Home Loans or in All Other for ALM purposes. Home Loans is compensated for loans held for ALM purposes on a management accounting basis with the corresponding offset in All Other. Newly originated HELOCs and home equity loans are retained on the CRES balance sheet in Home Loans.

CRES includes the impact of migrating certain customers and their related loan balances from GWIM to CRES. For more information on the migration of customer balances to or from GWIM, see GWIM on page 42.

CRES Results

The net loss for CRES increased $8.4 billion to a net loss of $13.4 billion for 2014 compared to 2013 primarily driven by higher litigation expense, which is included in noninterest expense, as a result of the settlements with the DoJ and FHFA, a lower tax benefit rate resulting from the non-deductible treatment of a portion of the settlement with the DoJ, lower mortgage banking income and higher provision for credit losses.

Mortgage banking income decreased $2.7 billion due to both lower servicing income and core production revenue, partially offset by a lower representations and warranties provision. The provision for credit losses increased $316 million to $160 million driven by additional costs associated with the consumer relief portion of the settlement with the DoJ, partially offset by the continued improvement in portfolio trends including increased home prices.

Noninterest expense increased $7.4 billion primarily due to a $11.4 billion increase in litigation expense as a result of the settlements with the DoJ and FHFA. Excluding litigation, noninterest expense decreased $4.0 billion to $8.0 billion driven by a decline in default-related servicing expenses, including mortgage-related assessments, waivers and similar costs related to foreclosure delays in Legacy Assets & Servicing and a decline in personnel expense resulting from lower loan originations in Home Loans.

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 nearly 2,500 mortgage loan officers, including 1,500 banking center mortgage loan officers covering 2,600 banking centers, and a nearly 700-person centralized sales force based in five call centers.

The net loss for Home Loans increased $155 million to a net loss of $283 million driven by lower mortgage banking income, partially offset by lower noninterest expense and lower provision for credit losses. Mortgage banking income decreased $1.1 billion due to a decline in core production revenue as a result of lower first mortgage origination volumes, and to a lesser extent, industry-wide margin compression. The provision for credit losses decreased $94 million reflecting continued improvement in portfolio trends including increased home prices. Noninterest expense decreased $747 million primarily due to lower personnel expense resulting from lower loan originations.

Legacy Assets & Servicing

Legacy Assets & Servicing is responsible for all of our in-house servicing activities related to the residential mortgage and home equity loan portfolios, including owned loans and loans serviced for others (collectively, the mortgage serviced portfolio). A portion of this portfolio has been designated as the Legacy Serviced Portfolio, which represented 26 percent, 30 percent and 39 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at December 31, 2014, 2013 and 2012, respectively. In addition, Legacy Assets & Servicing is responsible for managing subservicing agreements.

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. Prior to foreclosure, Legacy Assets & Servicing evaluates various workout options in an effort to help our customers avoid foreclosure. For more information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 53.

The net loss for Legacy Assets & Servicing increased $8.2 billion to a net loss of $13.1 billion driven by higher litigation expense, which is included in noninterest expense, a lower tax benefit rate resulting from the non-deductible treatment of a portion of the settlement with the DoJ, lower mortgage banking income and higher provision for credit losses.

Mortgage banking income decreased $1.6 billion primarily driven by a decline in servicing income due to a smaller servicing portfolio combined with less favorable MSR net-of-hedge performance. The provision for credit losses increased $410 million primarily due to additional costs associated with the consumer relief portion of the settlement with the DoJ.

Noninterest expense increased $8.2 billion due to higher litigation expense as a result of the settlements with the DoJ and FHFA. Excluding litigation, noninterest expense decreased $3.3 billion to $5.4 billion driven by a decrease in default-related servicing expenses, including mortgage-related assessments, waivers and similar costs related to foreclosure delays. We expect that noninterest expense in Legacy Assets & Servicing, excluding litigation expense, will decline to approximately $800 million per quarter by the end of 2015.

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 $22.2 billion in 2014 to $89.9 billion at December 31, 2014, of which $33.1 billion were held on the Legacy Assets & Servicing balance sheet and the remainder was held on the balance sheet of All Other. The decrease was primarily related to paydowns, loan sales, PCI write-offs and charge-offs.

Legacy Serviced Portfolio

The Legacy Serviced Portfolio includes loans serviced by Legacy Assets & Servicing in both the Legacy Owned Portfolio and those loans serviced for outside investors that met the criteria as described above. The table below summarizes the balances of the residential mortgage loans included in the Legacy Serviced Portfolio (the Legacy Residential Mortgage Serviced Portfolio) representing 24 percent, 28 percent and 38 percent of the total residential mortgage serviced portfolio of $609 billion, $719 billion and $1.2 trillion, as measured by unpaid principal balance, at December 31, 2014, 2013 and 2012, respectively. 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]

	December 31		
(Dollars in billions)	2014	2013	2012
Unpaid principal balance			
Residential mortgage loans			
Total	$148	$203	$467
60 days or more past due	25	49	137
Number of loans serviced (in thousands)			
Residential mortgage loans			
Total	794	1,083	2,542
60 days or more past due	135	258	649

(1) Excludes $34 billion, $39 billion and $52 billion of home equity loans and HELOCs at December 31, 2014, 2013 and 2012, respectively.

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 76 percent, 72 percent and 62 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at December 31, 2014, 2013 and 2012, respectively. 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]

	December 31		
(Dollars in billions)	2014	2013	2012
Unpaid principal balance			
Residential mortgage loans			
Total	$461	$516	$755
60 days or more past due	9	12	22
Number of loans serviced (in thousands)			
Residential mortgage loans			
Total	2,951	3,267	4,764
60 days or more past due	54	67	124

(1) Excludes $50 billion, $52 billion and $58 billion of home equity loans and HELOCs at December 31, 2014, 2013 and 2012, respectively.

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 and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

Servicing income includes income earned in connection with servicing activities and MSR valuation adjustments, net of results from risk management activities used to hedge certain market risks of the MSRs. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	2014	2013
Production income:		
Core production revenue	$1,181	$2,543
Representations and warranties provision	(683)	(840)
Total production income	498	1,703
Servicing income:		
Servicing fees	1,884	3,030
Amortization of expected cash flows [1]	(818)	(1,043)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	294	867
Other servicing-related revenue	8	28
Total net servicing income	1,368	2,882
Total CRES mortgage banking income	1,866	4,585
Eliminations [3]	(303)	(711)
Total consolidated mortgage banking income	$1,563	$3,874

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

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

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

Core production revenue decreased $1.4 billion to $1.2 billion in 2014 due to lower first mortgage origination volumes as described below, and to a lesser extent, industry-wide margin compression. The representations and warranties provision decreased $157 million to $683 million and was primarily related to non-government-sponsored enterprises exposures, partially offset by lower exposure to mortgage insurance companies as a result of settlements in 2014.

Net servicing income decreased $1.5 billion to $1.4 billion driven by lower servicing fees due to a smaller servicing portfolio and less favorable MSR net-of-hedge performance, partially offset by lower amortization of expected cash flows. The decline in the size of our servicing portfolio was driven by strategic sales of MSRs during 2014 and 2013 as well as loan prepayment activity, which exceeded new originations primarily due to our exit from non-retail channels.

Key Statistics

(Dollars in millions, except as noted)	2014		2013	
Loan production [1]				
Total [2]:				
First mortgage	$43,290		$83,421	
Home equity	11,233		6,361	
CRES:				
First mortgage	$32,340		$66,913	
Home equity	10,286		5,498	
Year end				
Mortgage serviced portfolio (in billions) [1, 3]	$693		$810	
Mortgage loans serviced for investors (in billions) [1]	474		550	
Mortgage servicing rights:				
Balance [4]	3,271		5,042	
Capitalized mortgage servicing rights (% of loans serviced for investors)	69	bps	92	bps

(1) The above loan production and year-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 by Legacy Assets & Servicing.

(4) At December 31, 2014, excludes $259 million of certain non-U.S. residential mortgage MSR balances that are recorded in Global Markets.

First mortgage loan originations in CRES and for the total Corporation declined in 2014 compared to 2013 reflecting a decline in the overall mortgage market as higher interest rates throughout most of 2014 drove a decrease in refinances. During 2014, 60 percent of the total Corporation first mortgage production volume was for refinance originations and 40 percent was for purchase originations compared to 82 percent and 18

percent in 2013. Home Affordable Refinance Program (HARP) refinance originations were six percent of all refinance originations compared to 23 percent in 2013. Making Home Affordable non-HARP refinance originations were 17 percent of all refinance originations compared to 19 percent in 2013. The remaining 77 percent of refinance originations was conventional refinances compared to 58 percent in 2013.

Home equity production for the total Corporation was $11.2 billion for 2014 compared to $6.4 billion for 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 December 31, 2014, the balance of consumer MSRs managed within CRES, which excludes $259 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was $3.3 billion, which represented 69 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 $1.8 billion during 2014 primarily driven by a decrease in value due to lower mortgage rates at December 31, 2014 compared to December 31, 2013, which resulted in higher forecasted prepayment speeds, and the recognition of modeled cash flows, partially offset by additions to the portfolio. For more information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 53. For more information on MSRs, see Note 23 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Global Wealth & Investment Management

(Dollars in millions)	2014	2013	% Change
Net interest income (FTE basis)	$5,836	$6,064	(4)%
Noninterest income:			
Investment and brokerage services	10,722	9,709	10
All other income	1,846	2,017	(8)
Total noninterest income	12,568	11,726	7
Total revenue, net of interest expense (FTE basis)	18,404	17,790	3
Provision for credit losses	14	56	(75)
Noninterest expense	13,647	13,033	5
Income before income taxes (FTE basis)	4,743	4,701	1
Income tax expense (FTE basis)	1,769	1,724	3
Net income	$2,974	$2,977	—
Net interest yield (FTE basis)	2.33 %	2.41 %	
Return on average allocated capital	25	30	
Efficiency ratio (FTE basis)	74.15	73.26	
Balance Sheet			
Average			
Total loans and leases	$119,775	$111,023	8
Total earning assets	250,747	251,395	—
Total assets	269,279	270,789	(1)
Total deposits	240,242	242,161	(1)
Allocated capital	12,000	10,000	20
Year end			
Total loans and leases	$125,431	$115,846	8
Total earning assets	258,219	254,031	2
Total assets	276,587	274,113	1
Total deposits	245,391	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 remained relatively unchanged in 2014 compared to 2013 as an increase in noninterest income and lower credit costs were offset by lower net interest income and higher noninterest expense.

Net interest income decreased $228 million to $5.8 billion as a result of the low rate environment, partially offset by the impact of loan growth. Noninterest income, primarily investment and brokerage services, increased $842 million to $12.6 billion driven by increased asset management fees due to the impact of long-term AUM flows and higher market levels, partially offset by lower transactional revenue. Noninterest expense increased $614 million to $13.6

billion primarily due to higher revenue-related incentive compensation and support expenses, partially offset by lower other expenses.

Return on average allocated capital was 25 percent, down from 30 percent due to an increase in capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 34.

Revenue by Business

The table below summarizes revenue for MLGWM, U.S. Trust and other GWIM businesses.

Revenue by Business

(Dollars in millions)	2014	2013
Merrill Lynch Global Wealth Management	$15,256	$14,771
U.S. Trust	3,084	2,953
Other [1]	64	66
Total revenue, net of interest expense (FTE basis)	$18,404	$17,790

(1) Other includes the results of BofA Global Capital Management and other administrative items.

In 2014, revenue from MLGWM was $15.3 billion, up three percent, driven by increased asset management fees due to the impact of long-term AUM flows and higher market levels, partially offset by the impact of the low rate environment on net interest income and lower transactional revenue. In 2014, revenue from U.S. Trust was $3.1 billion, up four percent, driven by increased asset management fees due to the impact of higher market levels and long-term AUM flows.

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

	December 31	
(Dollars in millions)	2014	2013
Assets under management	$902,872	$821,449
Brokerage assets	1,081,434	1,045,122
Assets in custody	139,555	136,190
Deposits	245,391	244,901
Loans and leases [1]	128,745	118,776
Total client balances	$2,497,997	$2,366,438

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

The increase of $131.6 billion, or six percent, in client balances was driven by higher market levels and long-term AUM flows.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their corresponding deposit, loan and brokerage balances to or from CBB, Global Banking and CRES, as presented in the table below. Migrations result from the movement of clients between business segments to better align with client needs. In addition to business-as-usual migration during 2013, GWIM identified and transferred a client population with deposit balances of $23.3 billion to CBB and home equity loan balances of $4.5 billion to CRES, while CBB transferred credit card loan balances of $3.2 billion to GWIM.

Net Migration Summary

(Dollars in millions)	2014	2013
Total deposits, net – GWIM from (to) CBB and Global Banking	$1,350	$(20,974)
Total loans, net – GWIM from (to) CBB and CRES	(61)	(1,356)
Total brokerage, net – GWIM from (to) CBB and Global Banking	(2,710)	(1,251)

Global Banking

(Dollars in millions)	2014	2013	% Change
Net interest income (FTE basis)	$8,999	$8,914	1 %
Noninterest income:			
Service charges	2,717	2,787	(3)
Investment banking fees	3,213	3,234	(1)
All other income	1,669	1,544	8
Total noninterest income	7,599	7,565	—
Total revenue, net of interest expense (FTE basis)	16,598	16,479	1
Provision for credit losses	336	1,075	(69)
Noninterest expense	7,681	7,551	2
Income before income taxes (FTE basis)	8,581	7,853	9
Income tax expense (FTE basis)	3,146	2,880	9
Net income	$5,435	$4,973	9
Net interest yield (FTE basis)	2.57 %	2.97 %	
Return on average allocated capital	18	22	
Efficiency ratio (FTE basis)	46.28	45.82	
Balance Sheet			
Average			
Total loans and leases	$270,164	$257,249	5
Total earning assets	350,668	300,511	17
Total assets	393,721	342,772	15
Total deposits	261,312	236,765	10
Allocated capital	31,000	23,000	35
Year end			
Total loans and leases	$272,572	$269,469	1
Total earning assets	336,776	336,606	—
Total assets	379,513	378,659	—
Total deposits	251,344	265,171	(5)

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 provide investment banking products to our clients such as debt and equity underwriting and distribution, and merger-related and other advisory services. Underwriting debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through our global broker-dealer affiliates which are our primary dealers in several countries. Within Global Banking, Global Commercial Banking clients generally include middle-market companies, commercial real estate firms, auto dealerships and not-for-profit companies. Global Corporate Banking includes large global corporations, financial institutions and leasing clients.

Net income for Global Banking increased $462 million to $5.4 billion in 2014 compared to 2013 primarily driven by a reduction in the provision for credit losses and, to a lesser degree, an increase in revenue, partially offset by higher noninterest expense. Revenue increased $119 million to $16.6 billion in 2014 primarily from higher net interest income.

The provision for credit losses decreased $739 million to $336 million in 2014 driven by improved credit quality in the current year, and the prior year included increased reserves from loan growth. Noninterest expense increased $130 million to $7.7 billion in 2014 primarily from additional client-facing personnel expense and higher litigation expense. Return on average allocated capital was 18 percent in 2014, down from 22 percent in 2013 as growth in earnings was more than offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 34.

Global Corporate and Global Commercial Banking

Global Corporate and Global Commercial Banking each include Business Lending and Global Transaction Services (formerly Global Treasury Services) activities. Business Lending includes various lending-related products and services and related hedging activities including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based

lending. Global Transaction Services includes deposits, treasury management, credit card, foreign exchange, and short-term investment and custody solutions to corporate and commercial banking clients.

The table below presents a summary of Global Corporate and Global Commercial Banking results, which exclude certain capital markets activity in Global Banking.

Global Corporate and Global Commercial Banking

	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	2014	2013	2014	2013	2014	2013
Revenue						
Business Lending	$3,421	$3,432	$3,936	$3,967	$7,357	$7,399
Global Transaction Services	3,027	2,804	2,893	2,939	5,920	5,743
Total revenue, net of interest expense	$6,448	$6,236	$6,829	$6,906	$13,277	$13,142
Balance Sheet						
Average						
Total loans and leases	$129,610	$126,630	$140,539	$130,606	$270,149	$257,236
Total deposits	143,649	128,198	117,664	108,532	261,313	236,730
Year end						
Total loans and leases	$131,019	$130,066	$141,555	$139,401	$272,574	$269,467
Total deposits	130,557	144,312	120,787	120,860	251,344	265,172

Business Lending revenue in Global Corporate Banking and Global Commercial Banking remained relatively unchanged in 2014 compared to 2013 as the impact of growth in average loan balances was offset by spread compression.

Global Transaction Services revenue in Global Corporate Banking increased $223 million in 2014 driven by the impact of growth in U.S. and non-U.S. deposit balances. Global Transaction Services revenue in Global Commercial Banking remained relatively unchanged as the impact of higher deposit balances was more than offset by spread compression.

Average loans and leases in Global Corporate and Global Commercial Banking increased five percent in 2014 driven by growth in the commercial and industrial and commercial real estate portfolios. Average deposits in Global Corporate and Global Commercial Banking increased 10 percent in 2014 due to client liquidity and international growth.

Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of most investment banking and underwriting activities are shared primarily between Global Banking and Global Markets based on the activities performed by each segment. To provide a complete discussion of

our consolidated investment banking fees, the table below presents total Corporation investment banking fees including the portion attributable to Global Banking.

Investment Banking Fees

	Global Banking		Total Corporation	
(Dollars in millions)	2014	2013	2014	2013
Products				
Advisory	$1,098	$1,019	$1,207	$1,125
Debt issuance	1,532	1,620	3,583	3,804
Equity issuance	583	595	1,490	1,472
Gross investment banking fees	3,213	3,234	6,280	6,401
Self-led deals	(91)	(92)	(215)	(275)
Total investment banking fees	$3,122	$3,142	$6,065	$6,126

Total Corporation investment banking fees of $6.1 billion, excluding self-led deals, included within Global Banking and Global Markets, remained relatively unchanged in 2014 compared to 2013 as strong investment-grade underwriting and advisory fees were offset by lower underwriting fees for other debt products.

Global Markets

(Dollars in millions)	2014	2013	% Change
Net interest income (FTE basis)	$3,986	$4,224	(6)%
Noninterest income:			
Investment and brokerage services	2,163	2,046	6
Investment banking fees	2,743	2,724	1
Trading account profits	5,997	6,734	(11)
All other income (loss)	1,230	(338)	n/m
Total noninterest income	12,133	11,166	9
Total revenue, net of interest expense (FTE basis)	16,119	15,390	5
Provision for credit losses	110	140	(21)
Noninterest expense	11,771	11,996	(2)
Income before income taxes (FTE basis)	4,238	3,254	30
Income tax expense (FTE basis)	1,519	2,101	(28)
Net income	$2,719	$1,153	136
Return on average allocated capital	8 %	4 %	
Efficiency ratio (FTE basis)	73.03	77.94	
Balance Sheet			
Average			
Total trading-related assets [1]	$449,814	$468,934	(4)
Total loans and leases	62,064	60,057	3
Total earning assets [1]	461,179	481,433	(4)
Total assets	607,538	632,681	(4)
Allocated capital	34,000	30,000	13
Year end			
Total trading-related assets [1]	$418,860	$411,080	2
Total loans and leases	59,388	67,381	(12)
Total earning assets [1]	421,799	432,807	(3)
Total assets	579,514	575,472	1

(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, 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 45.

Net income for Global Markets increased $1.6 billion to $2.7 billion in 2014 compared to 2013. In 2014, we adopted a funding valuation adjustment into our valuation estimates primarily to include funding costs on uncollateralized derivatives and derivatives where we are not permitted to use the collateral we receive. This change in estimate resulted in a net FVA pretax charge of $497 million. Excluding net DVA/FVA and charges in 2013 related to the U.K. corporate income tax rate reduction, net income decreased $140 million to $2.9 billion primarily driven by lower trading account profits and net interest income, partially offset by a decrease in noninterest expense, a $240 million gain in 2014 related to the initial public offering (IPO) of an equity investment and higher investment and brokerage services income. Results for 2013 included a $450 million write-down of a monoline receivable due to the settlement of a legacy matter. Net DVA/FVA losses were $240 million compared to losses of $1.2 billion in 2013. Noninterest expense decreased $225 million to $11.8 billion due to lower litigation expense and revenue-related incentives, partially offset by higher technology costs and investments in infrastructure.

Average earning assets decreased $20.3 billion to $461.2 billion in 2014 largely driven by a decrease in trading assets to further optimize the balance sheet.

Year-end loans and leases decreased $8.0 billion in 2014 due to a decrease in low-margin prime brokerage loans. The return on average allocated capital was eight percent, up from four percent, largely driven by higher net income, partially offset by an increase in allocated capital. Excluding net DVA/FVA and charges in 2013 related to the U.K. corporate income tax rate reduction, the return on average allocated capital was eight percent, a decrease from 10 percent, driven by lower net income, excluding net DVA/FVA and the tax change, and an increase in allocated capital.

Sales and Trading Revenue

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

Sales and Trading Revenue [1, 2]

(Dollars in millions)	2014	2013
Sales and trading revenue		
Fixed income, currencies and commodities	$8,706	$8,231
Equities	4,215	4,180
Total sales and trading revenue	$12,921	$12,411
Sales and trading revenue, excluding net DVA/FVA [3]		
Fixed income, currencies and commodities	$9,013	$9,345
Equities	4,148	4,224
Total sales and trading revenue, excluding net DVA/FVA	$13,161	$13,569

(1) Includes FTE adjustments of $181 million and $180 million for 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 $382 million and $385 million for 2014 and 2013.

(3) FICC and Equities sales and trading revenue, excluding the impact of net DVA and FVA, is a non-GAAP financial measure. FICC net DVA/FVA losses were $307 million for 2014 compared to net DVA losses of $1.1 billion in 2013. Equities net DVA/FVA gains were $67 million for 2014 compared to net DVA losses of $44 million in 2013.

Fixed-income, currency and commodities (FICC) revenue, excluding net DVA/FVA, decreased $332 million to $9.0 billion driven by declines in the rates and credit-related businesses due to both lower market volumes and volatility, partially offset by improvement in the commodities business. The prior year included a $450 million write-down of a monoline receivable related to the settlement of a legacy matter. Equities revenue, excluding net DVA/FVA, decreased $76 million to $4.1 billion due to financing additional liquid asset buffers, pursuant to current regulatory requirements, primarily in our broker-dealer entities, which also negatively impacted FICC results.

All Other

(Dollars in millions)	2014	2013	% Change
Net interest income (FTE basis)	$(516)	$982	n/m
Noninterest income:			
Card income	356	328	9 %
Equity investment income	601	2,610	(77)
Gains on sales of debt securities	1,311	1,230	7
All other loss	(2,467)	(2,587)	(5)
Total noninterest income	(199)	1,581	n/m
Total revenue, net of interest expense (FTE basis)	(715)	2,563	n/m
Provision (benefit) for credit losses	(978)	(666)	47
Noninterest expense	2,881	4,559	(37)
Loss before income taxes (FTE basis)	(2,618)	(1,330)	97
Income tax benefit (FTE basis)	(2,622)	(2,042)	28
Net income	$4	$712	(99)
Balance Sheet			
Average			
Loans and leases:			
Residential mortgage	$180,249	$208,535	(14)
Non-U.S. credit card	11,511	10,861	6
Other	10,752	16,064	(33)
Total loans and leases	202,512	235,460	(14)
Total assets [(1)]	160,272	216,012	(26)
Total deposits	30,255	34,919	(13)
Year end			
Loans and leases:			
Residential mortgage	$155,595	$197,061	(21)
Non-U.S. credit card	10,465	11,541	(9)
Other	6,552	12,088	(46)
Total loans and leases	172,612	220,690	(22)
Total assets [(1)]	142,812	167,624	(15)
Total deposits	18,898	27,912	(32)

(1) In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were $595.2 billion and $538.8 billion for 2014 and 2013, and $589.9 billion and $569.8 billion at December 31, 2014 and 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. Additionally, certain residential mortgage loans that are managed by Legacy Assets & Servicing are held in All Other. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Interest Rate Risk Management for Non-trading Activities on page 105. Equity investments include GPI which is comprised of a portfolio of equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. In connection with our strategy to focus on our core businesses and to conform with the Volcker Rule, the GPI portfolio has been actively winding down over the last several years through a series of portfolio and individual asset sale transactions.

Net income for All Other decreased $708 million to $4 million in 2014 primarily due to the negative impact on net interest income of market-related premium amortization expense on debt securities of $1.2 billion compared to a benefit of $784 million in 2013 as lower long-term interest rates shortened the expected lives of the securities, a decrease of $2.0 billion in equity investment income and a $363 million increase in U.K. PPI costs. Partially offsetting these decreases were gains related to the sales of residential mortgage loans, a $312 million improvement in the provision (benefit) for credit losses and a decrease of $1.7 billion in noninterest expense. The provision (benefit) for credit losses improved $312 million to a benefit of $978 million in 2014 primarily driven by the impact of recoveries related to nonperforming and delinquent loan sales, partially offset by a slower pace of credit quality improvement related to the residential mortgage portfolio. Noninterest expense decreased $1.7 billion to $2.9 billion primarily due to a decline in litigation expense, lower net occupancy expense and a decline in professional fees. Also offsetting the decrease was a $580 million increase in the income tax benefit. For more information on the U.K. PPI costs, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

The income tax benefit was $2.6 billion in 2014 compared to a benefit of $2.0 billion in 2013 with the increase driven by the increase in the pretax loss in All Other and the resolution of several tax examinations, partially offset by a decrease in benefits from non-U.S. restructurings.

Equity Investment Activity

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

Equity Investments

	December 31	
(Dollars in millions)	2014	2013
Global Principal Investments	$912	$1,604
Strategic and other investments	858	822
Total equity investments included in All Other	$1,770	$2,426

Equity investments included in All Other decreased $656 million to $1.8 billion during 2014, with the decrease primarily due to sales resulting from the continued wind down of the GPI portfolio. GPI had unfunded equity commitments of $31 million and $127 million at December 31, 2014 and 2013.

Equity Investment Income

(Dollars in millions)	2014	2013
Global Principal Investments	$(46)	$379
Strategic and other investments	647	2,231
Total equity investment income included in All Other	601	2,610
Total equity investment income included in the business segments	529	291
Total consolidated equity investment income	$1,130	$2,901

Equity investment income decreased $1.8 billion primarily due to a $753 million gain related to the sale of our remaining investment in China Construction Bank Corporation (CCB) in 2013, lower gains on sales of portions of an equity investment compared to 2013, and lower GPI results. These declines were partially offset by a gain in 2014 related to the IPO of an equity investment.

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. Purchase obligations are defined as obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity at a fixed, minimum or variable price over a specified period of time. Included in purchase obligations are vendor contracts, the most significant of which include communication services, processing services and software contracts. Other long-term liabilities include our contractual funding obligations related to the Qualified Pension Plans, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans (collectively, the Plans). Obligations to the Plans are based on the current and projected obligations of the Plans, performance of the Plans' assets and any participant contributions, if applicable.

During 2014 and 2013, we contributed $234 million and $290 million to the Plans, and we expect to make $244 million of contributions during 2015. The Plans are more fully discussed in Note 17 – Employee Benefit Plans to the Consolidated Financial Statements.

Debt, lease, equity and other obligations are more fully discussed in Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

We enter into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of our customers. For a summary of the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date, see Credit Extension Commitments in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Table 11 includes certain contractual obligations at December 31, 2014.

Table 11 Contractual Obligations

(Dollars in millions)	December 31, 2014 Due in One Year or Less	Due After One Year Through Three Years	Due After Three Years Through Five Years	Due After Five Years	Total
Long-term debt	$30,724	$80,753	$49,136	$82,526	$243,139
Operating lease obligations	2,553	4,157	2,725	4,971	14,406
Purchase obligations	2,077	2,864	361	242	5,544
Time deposits	75,604	5,865	1,640	1,734	84,843
Other long-term liabilities	1,470	928	698	1,136	4,232
Estimated interest expense on long-term debt and time deposits [1]	5,036	10,511	7,665	12,323	35,535
Total contractual obligations	$117,464	$105,078	$62,225	$102,932	$387,699

(1) Represents forecasted net interest expense on long-term debt and time deposits. Forecasts are based on the contractual maturity dates of each liability, and are net of derivative hedges, where applicable.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of RMBS guaranteed by the government-sponsored enterprises (GSEs) or by the Government National Mortgage Association (GNMA) in the case of Federal Housing Administration (FHA)-insured, U.S. Department of Veterans Affairs (VA)-guaranteed and Rural Housing Service-guaranteed mortgage loans, and sell pools of first-lien residential mortgage loans in the form of whole loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monoline insurers or other financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties have resulted in and may continue to result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, U.S. Department of Housing and Urban Development (HUD) with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, subsequent to repurchasing the loan, we would be exposed to any credit loss on the repurchased mortgage loans, after

accounting for any mortgage insurance (MI) or mortgage guarantee payments that we may receive.

We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached settlements, certain of which have been for significant amounts, in lieu of a loan-by-loan review process, including with the GSEs, four monoline insurers and Bank of New York Mellon (BNY Mellon), as trustee. The settlement with BNY Mellon (BNY Mellon Settlement) remains subject to final court approval and certain other conditions. It is not currently possible to predict the ultimate outcome or timing of the court approval process, which includes appeals and could take a substantial period of time. If final court approval is not obtained, or if we and Countrywide Financial Corporation (Countrywide) withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different from existing accruals and the estimated range of possible loss over existing accruals.

For more information on accounting for representations and warranties, repurchase claims and exposures, including a summary of the larger bulk settlements, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 12 – Commitments and Contingencies to the

Consolidated Financial Statements and Item 1A. Risk Factors of this Annual Report on Form 10-K.

Unresolved Repurchase Claims

Unresolved representations and warranties repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, MI or mortgage guarantee payments. Claims received from a counterparty remain outstanding until the underlying loan is repurchased, the claim is rescinded by the counterparty or the representations and warranties claims with respect to the applicable trust are settled, and fully and finally released. When a claim is denied and the Corporation does not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution.

At December 31, 2014, we had $22.4 billion of unresolved repurchase claims, net of duplicate claims, compared to $18.7 billion at December 31, 2013. These repurchase claims relate primarily to private-label securitizations and include claims in the amount of $4.7 billion, net of duplicate claims, where we believe the statute of limitations has expired under current law. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

The continued increase in the notional amount of unresolved repurchase claims during 2014 is primarily due to: (1) continued submission of claims by private-label securitization trustees, (2) the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claims resolution, (3) the lack of an established process to resolve disputes related to these claims, (4) the submission of claims where we believe the statute of limitations has expired under current law and (5) the submission of duplicate claims, often in multiple submissions, on the same loan. For example, claims submitted without individual file reviews generally lack the level of detail and analysis of individual loans found in other claims that is necessary to support a claim. Absent any settlements, the Corporation expects 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 unresolved repurchase claims, we have received notifications pertaining to loans for which we have not received a repurchase request from sponsors of third-party securitizations with whom we engaged in whole-loan transactions and that we may owe indemnity obligations. These notifications totaled $2.0 billion and $737 million at December 31, 2014 and 2013.

We also from time to time receive correspondence purporting to raise representations and warranties breach issues from entities that do not have contractual standing or ability to bring such claims. We believe such communications to be procedurally and/or substantively invalid, and generally do not respond to such correspondence.

The presence of repurchase claims on a given trust, receipt of notices of indemnification obligations and other communication, as discussed above, are all factors that inform our estimated liability for obligations under representations and warranties and the corresponding estimated range of possible loss.

Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income in the Consolidated Statement of Income. For more information on the representations and warranties liability and the corresponding estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Estimated Range of Possible Loss on page 53.

At December 31, 2014 and 2013, the liability for representations and warranties was $12.1 billion and $13.3 billion. For 2014, the representations and warranties provision was $683 million compared to $840 million for 2013.

Our estimated liability at December 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, or where the applicable statute of limitations has expired under current law, 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 Fannie Mae (FNMA) and Freddie Mac (FHLMC) through June 30, 2012 and December 31, 2009, respectively. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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 to investors other than GSEs (although the GSEs are investors in certain private-label securitizations). Such loans originated from 2004 through 2008 had an original principal balance of $970 billion, including $786 billion sold to private-label and whole-loan investors without monoline insurance and $185 billion with monoline insurance. Of the $970 billion, $574 billion in principal has been paid, $201 billion in principal has defaulted, $44 billion in principal was severely delinquent, and $151 billion in principal was current or less than 180 days past due at December 31, 2014 as summarized in Table 12. Of the original principal balance of $716 billion for Countrywide, $409 billion is included in the BNY Mellon Settlement and, of this amount, $109 billion was defaulted or severely delinquent at December 31, 2014.

Table 12 Overview of Non-Agency Securitization and Whole-loan Balances from 2004 to 2008

	Principal Balance		Defaulted or Severely Delinquent						
(Dollars in billions) By Entity	Original Principal Balance	Outstanding Principal Balance December 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
Bank of America	$100	$ 15	$3	$7	$ 10	$1	$2	$2	$5
Countrywide	716	153	35	150	185	24	44	44	73
Merrill Lynch	72	13	3	18	21	3	4	3	11
First Franklin	82	14	3	26	29	5	6	5	