

BANK OF AMERICA CORP /DE/  
Form 10-Q  
July 30, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

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

For the Quarterly Period Ended June 30, 2018

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State or other jurisdiction of incorporation or organization:

Delaware

IRS Employer Identification No.:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

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

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes  No

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

Non-accelerated filer

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes  No

On July 27, 2018, there were 9,988,249,714 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation and Subsidiaries

June 30, 2018

Form 10-Q

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## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Bank of America Corporation (the “Corporation”) and its management may make certain statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “anticipates,” “targets,” “expects,” “hopes,” “estimates,” “intends,” “plans,” “goals,” “believes,” “continues,” “anticipates,” “expects,” “plans,” “goals,” “believes,” “continues” and other similar expressions or future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.” Forward-looking statements represent the Corporation’s current expectations, plans or forecasts of its future results, revenues, expenses, efficiency ratio, capital measures, strategy 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 under Item 1A. Risk Factors of our 2017 Annual Report on Form 10-K and in any of the Corporation’s subsequent Securities and Exchange Commission filings: the Corporation’s potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions, including inquiries into our retail sales practices, and the possibility that amounts may be in excess of the Corporation’s recorded liability and estimated range of possible loss for litigation exposures; the possibility that the Corporation could face increased servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, monolines, private-label and other investors, or other parties involved in securitizations; 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 Corporation’s ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to avoid the statute of limitations for repurchase claims; 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, economic conditions, trade policies and potential geopolitical instability; the impact on the Corporation’s business, financial condition and results of operations of a potential higher interest rate environment; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior, adverse developments with respect to U.S. or global economic conditions and other uncertainties; the Corporation’s ability to achieve its expense targets, net interest income expectations, or other projections; 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, which may change; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements; the potential impact of total loss-absorbing capacity requirements; potential adverse changes to our global systemically important bank surcharge; the potential impact of Federal Reserve actions on the Corporation’s capital plans; the possible impact of the Corporation’s failure to remediate a shortcoming identified by banking regulators in the Corporation’s Resolution Plan; the effect of regulations, other guidance or additional information on our estimated impact of the Tax Cuts and Jobs Act; the impact of implementation and compliance with U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, Federal Deposit Insurance Corporation assessments, the Volcker Rule, fiduciary standards and derivatives regulations; a failure in or

breach of the Corporation's operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations from the planned exit of the United Kingdom from the European Union; and other similar matters.

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

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

## 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 four business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At June 30, 2018, the Corporation had approximately \$2.3 trillion in assets and a headcount of approximately 208,000 employees.

As of June 30, 2018, we served clients through operations across the United States, its territories and more than 35 countries. Our retail banking footprint covers approximately 85 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,400 retail financial centers, approximately 16,100 ATMs, and leading digital banking platforms ([www.bankofamerica.com](http://www.bankofamerica.com)) with approximately 36 million active users, including over 25 million active mobile users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of approximately \$2.8 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

## Recent Events

### Capital Management

Following completion of the Federal Reserve System’s (Federal Reserve) 2018 Comprehensive Capital Analysis and Review (CCAR), the Federal Reserve did not object to the Corporation’s capital plan, which is estimated to return approximately \$26 billion to common shareholders over the next four quarters through a quarterly common stock dividend increase and common stock repurchases. That estimate is based upon the Corporation’s current number of outstanding shares and share price.

As part of the capital plan, on July 26, 2018, the Corporation’s Board of Directors (the Board) declared a quarterly common stock dividend of \$0.15 per share, an increase of 25 percent, payable on September 28, 2018 to shareholders of record as of September 7, 2018.

Also, on June 28, 2018, the Board authorized the repurchase of approximately \$20.6 billion in common stock from July 1, 2018 through June 30, 2019, which includes approximately \$600 million in repurchases to offset shares awarded under equity-based compensation plans during the same period. The repurchase program covers both common stock and warrants. For additional information, see the Corporation’s Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on June 28, 2018.

During the second quarter of 2018, we repurchased \$5.0 billion of common stock pursuant to the Board’s repurchase authorizations announced on June 28, 2017 and December 5, 2017. These repurchase authorizations expired on June 30, 2018. For additional information, see Capital Management on page 22.

### Trust Preferred Securities Redemption

On April 30, 2018, the Corporation announced that it submitted redemption notices for 11 series of trust preferred securities, resulting in the redemption of such trust preferred securities along with the applicable trust common securities (held by the Corporation or its affiliates) on June 6, 2018. Upon redemption of the trust preferred securities and the extinguishment of the related junior subordinated notes issued by the Corporation, we recorded a charge to other income of \$729 million. For additional information, see Liquidity Risk on page 26 and the Corporation’s Current Report on Form 8-K filed with the SEC on April 30, 2018.

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## Financial Highlights

Table 1 Summary Income Statement and Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended		Six Months Ended June		
	June 30 2018	2017	30 2018	2017	
<b>Income statement</b>					
Net interest income	\$11,650	\$10,986	\$23,258	\$22,044	
Noninterest income	10,959	11,843	22,476	23,033	
Total revenue, net of interest expense	22,609	22,829	45,734	45,077	
Provision for credit losses	827	726	1,661	1,561	
Noninterest expense	13,284	13,982	27,181	28,075	
Income before income taxes	8,498	8,121	16,892	15,441	
Income tax expense	1,714	3,015	3,190	4,998	
Net income	6,784	5,106	13,702	10,443	
Preferred stock dividends	318	361	746	863	
Net income applicable to common shareholders	\$6,466	\$4,745	\$12,956	\$9,580	
<b>Per common share information</b>					
Earnings	\$0.64	\$0.47	\$1.26	\$0.95	
Diluted earnings	0.63	0.44	1.25	0.89	
Dividends paid	0.12	0.075	0.24	0.15	
<b>Performance ratios</b>					
Return on average assets	1.17	% 0.90	% 1.19	% 0.94	%
Return on average common shareholders' equity	10.75	7.75	10.80	7.91	
Return on average tangible common shareholders' equity <sup>(1)</sup>	15.15	10.87	15.21	11.15	
Efficiency ratio	58.76	61.25	59.43	62.28	
			June 30	December 31	
			2018	2017	
<b>Balance sheet</b>					
Total loans and leases			\$935,824	\$936,749	
Total assets			2,291,670	2,281,234	
Total deposits			1,309,691	1,309,545	
Total common shareholders' equity			241,035	244,823	
Total shareholders' equity			264,216	267,146	

Return on average tangible common shareholders' equity is a non-GAAP financial measure. For more information <sup>(1)</sup> and a corresponding reconciliation to accounting principles generally accepted in the United States of America (GAAP) financial measures, see Non-GAAP Reconciliations on page 53.

Net income was \$6.8 billion and \$13.7 billion, or \$0.63 and \$1.25 per diluted share for the three and six months ended June 30, 2018 compared to \$5.1 billion and \$10.4 billion, or \$0.44 and \$0.89 per diluted share for the same periods in 2017. The improvement in net income for the three and six months ended June 30, 2018 was driven by a decrease in income tax expense due to the impacts of the Tax Cuts and Jobs Act (the Tax Act), an increase in net interest income and a decline in noninterest expense, partially offset by a decline in noninterest income. Impacts from the Tax Act include a reduction in the federal tax rate to 21 percent from 35 percent.

Total assets increased \$10.4 billion from December 31, 2017 to \$2.3 trillion at June 30, 2018 driven by higher cash and cash equivalents from liquidity management actions and an increase in securities borrowed or purchased under agreements to resell due to growth in Global Markets. These increases were partially offset by decreases in trading account assets due to reduced inventory levels in Global Markets and lower loans held-for-sale (LHFS).

Total liabilities increased \$13.4 billion from December 31, 2017 to \$2.0 trillion at June 30, 2018 primarily driven by higher short-term borrowings due to higher Federal Home Loan Bank (FHLB) advances and an increase in trading account liabilities

driven by activity in Global Markets. Shareholders' equity decreased \$2.9 billion from December 31, 2017 primarily due to returns of capital to shareholders through common stock repurchases and common and preferred stock dividends, market value declines in debt securities and the redemption of preferred stock, partially offset by net income and issuances of preferred stock.

#### Net Interest Income

Net interest income increased \$664 million to \$11.7 billion, and \$1.2 billion to \$23.3 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017. The net interest yield increased five basis points (bps) to 2.34 percent, and three bps to 2.35 percent for the same periods. These increases were primarily driven by higher interest rates and higher commercial loan balances funded by deposit growth, partially offset by the impact of the sale of the non-U.S. consumer credit card business in the second quarter of 2017 and, for the six months ended June 30, 2018, higher funding costs in Global Markets. For more information regarding interest rate risk management, see Interest Rate Risk Management for the Banking Book on page 50.

## Noninterest Income

Table 2 Noninterest Income

(Dollars in millions)	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2018	2017	2018	2017
Card income	\$1,542	\$1,469	\$2,999	\$2,918
Service charges	1,954	1,977	3,875	3,895
Investment and brokerage services	3,458	3,460	7,122	6,877
Investment banking income	1,422	1,532	2,775	3,116
Trading account profits	2,315	1,956	5,014	4,287
Other income	268	1,449	691	1,940
Total noninterest income	\$10,959	\$11,843	\$22,476	\$23,033

Noninterest income decreased \$884 million to \$11.0 billion, and \$557 million to \$22.5 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017. The following highlights the significant changes.

Investment and brokerage services income increased \$245 million for the six-month period primarily due to assets under management (AUM) flows and higher market valuations, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing.

Investment banking income decreased \$110 million and \$341 million primarily due to declines in advisory fees and debt issuances, partially offset by an increase in equity issuances.

Trading account profits increased \$359 million and \$727 million primarily driven by increased client activity in equity financing and derivatives, and strong trading performance in equity derivatives and macro-related products, partially offset by weakness in credit products.

Other income decreased \$1.2 billion in both periods primarily due to the impact of a \$793 million pretax gain recognized in

the second quarter of 2017 in connection with the sale of the non-U.S. consumer credit card business and, in the second quarter of 2018, a negative impact from a \$729 million charge related to the redemption of certain trust preferred securities, partially offset by a \$572 million gain from the sale of certain non-core mortgage loans.

## Provision for Credit Losses

The provision for credit losses increased \$101 million to \$827 million, and \$100 million to \$1.7 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily due to portfolio seasoning and loan growth in the U.S. credit card portfolio and a slower pace of improvement in the consumer real estate portfolio. The increases were partially offset by improvement in the commercial portfolio primarily driven by a reduction in energy exposures, and the impact of the sale of the non-U.S. consumer credit card business during the second quarter of 2017. For more information on the provision for credit losses, see Provision for Credit Losses on page 45.

## Noninterest Expense

Table 3 Noninterest Expense

(Dollars in millions)	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2018	2017	2018	2017
Personnel	\$7,944	\$8,040	\$16,424	\$16,515
Occupancy	1,022	1,001	2,036	2,001
Equipment	415	427	857	865
Marketing	395	442	740	774
Professional fees	399	485	780	941

Data processing	797	773	1,607	1,567
Telecommunications	166	177	349	368
Other general operating	2,146	2,637	4,388	5,044
Total noninterest expense	\$13,284	\$13,982	\$27,181	\$28,075

Noninterest expense decreased \$698 million to \$13.3 billion, and \$894 million to \$27.2 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily driven by lower other general operating expense. The decrease in other general operating expense resulted from a \$295 million impairment charge recognized in the second quarter of 2017 related to certain data centers as well as lower litigation expense in 2018. Most other expense categories also declined compared to the same periods in 2017 reflecting operating efficiencies.

#### Income Tax Expense

Table 4 Income Tax Expense

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30		
	2018	2017	2018	2017	
Income before income taxes	\$8,498	\$8,121	\$16,892	\$15,441	
Income tax expense	1,714	3,015	3,190	4,998	
Effective tax rate	20.2	% 37.1	% 18.9	% 32.4	%

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The effective tax rates for the three and six months ended June 30, 2018 reflect the 21 percent federal tax rate and the other provisions of the Tax Act, as well as the impact of our recurring tax preference benefits. The six-month effective rate also included tax benefits related to stock-based compensation.

The effective tax rates for the three and six months ended June 30, 2017 were driven by the impact of our recurring tax preference benefits partially offset by a tax charge related to the sale of the non-U.S. consumer credit card business during the second quarter of 2017. The six-month effective tax rate also included tax benefits related to stock-based compensation.

We expect the effective tax rate for the second half of 2018 to be approximately 21 percent, absent unusual items.

#### Supplemental Financial Data

In this Form 10-Q, we present certain non-GAAP financial measures. Non-GAAP financial measures exclude certain items or otherwise include components that differ from the most directly comparable measures calculated in accordance with GAAP. Non-GAAP financial measures are provided as additional useful information to assess our financial condition, results of operations (including period-to-period operating performance) or compliance with prospective regulatory requirements. These non-GAAP financial measures are not intended as a substitute for GAAP financial measures and may not be defined or calculated the same way as non-GAAP financial measures used by other companies.

We view net interest income and related ratios and analyses on a fully taxable-equivalent (FTE) basis, which when presented on a consolidated basis, are non-GAAP financial measures. 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 21 percent for 2018 (35 percent for all prior periods) and a representative state tax rate. In addition, 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 believe that presentation of these items on an FTE basis allows for comparison of amounts from both taxable and tax-exempt sources and is consistent with industry practices.

We may present certain key performance indicators and ratios excluding certain items (e.g., debit valuation adjustment (DVA) gains (losses)) which result in non-GAAP financial measures. We

believe that the presentation of measures that exclude these items is useful because such measures provide additional information to assess the underlying operational performance and trends of our businesses and to allow better comparison of period-to-period operating performance.

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 certain acquired 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 certain acquired 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 certain acquired 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.

We believe that the use of ratios that utilize tangible equity provides additional useful information because they present measures of those assets that can generate income. Tangible book value per share provides additional useful information about the level of tangible assets in relation to outstanding shares of common stock.

The aforementioned supplemental data and performance measures are presented in Tables 5 and 6. For more information on the reconciliation of these non-GAAP financial measures to GAAP financial measures, see Non-GAAP Reconciliations on page 53.

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Table 5 Selected Quarterly Financial Data

(In millions, except per share information)	2018 Quarters		2017 Quarters			
	Second	First	Fourth	Third	Second	
Income statement						
Net interest income	\$11,650	\$11,608	\$11,462	\$11,161	\$10,986	
Noninterest income <sup>(1)</sup>	10,959	11,517	8,974	10,678	11,843	
Total revenue, net of interest expense	22,609	23,125	20,436	21,839	22,829	
Provision for credit losses	827	834	1,001	834	726	
Noninterest expense	13,284	13,897	13,274	13,394	13,982	
Income before income taxes	8,498	8,394	6,161	7,611	8,121	
Income tax expense <sup>(1)</sup>	1,714	1,476	3,796	2,187	3,015	
Net income <sup>(1)</sup>	6,784	6,918	2,365	5,424	5,106	
Net income applicable to common shareholders	6,466	6,490	2,079	4,959	4,745	
Average common shares issued and outstanding	10,181.7	10,322.4	10,470.7	10,197.9	10,013.5	
Average diluted common shares issued and outstanding	10,309.4	10,472.7	10,621.8	10,746.7	10,834.8	
Performance ratios						
Return on average assets	1.17	% 1.21	% 0.41	% 0.95	% 0.90	%
Four quarter trailing return on average assets <sup>(2)</sup>	0.93	0.86	0.80	0.91	0.89	
Return on average common shareholders' equity	10.75	10.85	3.29	7.89	7.75	
Return on average tangible common shareholders' equity <sup>(3)</sup>	15.15	15.26	4.56	10.98	10.87	
Return on average shareholders' equity	10.26	10.57	3.43	7.88	7.56	
Return on average tangible shareholders' equity <sup>(3)</sup>	13.95	14.37	4.62	10.59	10.23	
Total ending equity to total ending assets	11.53	11.43	11.71	11.91	12.00	
Total average equity to total average assets	11.42	11.41	11.87	12.03	11.94	
Dividend payout	18.83	19.06	60.35	25.59	15.78	
Per common share data						
Earnings	\$0.64	\$0.63	\$0.20	\$0.49	\$0.47	
Diluted earnings	0.63	0.62	0.20	0.46	0.44	
Dividends paid	0.12	0.12	0.12	0.12	0.075	
Book value	24.07	23.74	23.80	23.87	24.85	
Tangible book value <sup>(3)</sup>	17.07	16.84	16.96	17.18	17.75	
Market price per share of common stock						
Closing	\$28.19	\$29.99	\$29.52	\$25.34	\$24.26	
High closing	31.22	32.84	29.88	25.45	24.32	
Low closing	28.19	29.17	25.45	22.89	22.23	
Market capitalization	\$282,259	\$305,176	\$303,681	\$264,992	\$239,643	
Average balance sheet						
Total loans and leases	\$934,818	\$931,915	\$927,790	\$918,129	\$914,717	
Total assets	2,322,678	2,325,878	2,301,687	2,271,104	2,269,293	
Total deposits	1,300,659	1,297,268	1,293,572	1,271,711	1,256,838	

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Long-term debt	229,037	229,603	227,644	227,309	224,019	
Common shareholders' equity	241,313	242,713	250,838	249,214	245,756	
Total shareholders' equity	265,181	265,480	273,162	273,238	270,977	
Asset quality						
Allowance for credit losses <sup>(4)</sup>	\$10,837	\$11,042	\$11,170	\$11,455	\$11,632	
Nonperforming loans, leases and foreclosed properties <sup>(5)</sup>	6,181	6,694	6,758	6,869	7,127	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding <sup>(5)</sup>	1.08	% 1.11	% 1.12	% 1.16	% 1.20	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases <sup>(5)</sup>	170	161	161	163	160	
Net charge-offs <sup>(6, 7)</sup>	\$996	\$911	\$1,237	\$900	\$908	
Annualized net charge-offs as a percentage of average loans and leases outstanding <sup>(5, 6, 7)</sup>	0.43	% 0.40	% 0.53	% 0.39	% 0.40	%
Capital ratios at period end <sup>(8)</sup>						
Common equity tier 1 capital	11.4	% 11.3	% 11.5	% 11.9	% 11.5	%
Tier 1 capital	13.0	13.0	13.0	13.4	13.2	
Total capital	14.8	14.8	14.8	15.1	15.0	
Tier 1 leverage	8.4	8.4	8.6	8.9	8.8	
Supplementary leverage ratio	6.7	6.8	n/a	n/a	n/a	
Tangible equity <sup>(3)</sup>	8.7	8.7	8.9	9.1	9.2	
Tangible common equity <sup>(3)</sup>	7.7	7.6	7.9	8.1	8.0	

(1) Net income for the fourth quarter of 2017 included an estimated charge of \$2.9 billion related to the Tax Act effects which consisted of \$946 million in noninterest income and \$1.9 billion in income tax expense.

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

Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios, see Supplemental Financial Data on page 6, and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 53.

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

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

(5) Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 37 and corresponding Table 28 and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 41 and corresponding Table 35.

Net charge-offs exclude \$36 million, \$35 million, \$46 million, \$73 million and \$55 million of write-offs in the purchased credit-impaired (PCI) loan portfolio in the second and first quarters of 2018, and in the fourth, third, and second quarters of 2017, respectively. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35.

(7) Includes net charge-offs of \$31 million on non-U.S. credit card loans in the second quarter of 2017. The Corporation sold its non-U.S. consumer credit card business in the second quarter of 2017.

Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis. For more information, including which approach is used to assess capital adequacy, see Capital Management on page 22.

n/a = not applicable





Table 6 Selected Year-to-Date Financial Data

(In millions, except per share information)	Six Months Ended June 30	
	2018	2017
Income statement		
Net interest income	\$23,258	\$22,044
Noninterest income	22,476	23,033
Total revenue, net of interest expense	45,734	45,077
Provision for credit losses	1,661	1,561
Noninterest expense	27,181	28,075
Income before income taxes	16,892	15,441
Income tax expense	3,190	4,998
Net income	13,702	10,443
Net income applicable to common shareholders	12,956	9,580
Average common shares issued and outstanding	10,251.7	10,056.1
Average diluted common shares issued and outstanding	10,389.9	10,876.7
Performance ratios		
Return on average assets	1.19	% 0.94 %
Return on average common shareholders' equity	10.80	7.91
Return on average tangible common shareholders' equity <sup>(1)</sup>	15.21	11.15
Return on average shareholders' equity	10.41	7.82
Return on average tangible shareholders' equity <sup>(1)</sup>	14.16	10.61
Total ending equity to total ending assets	11.53	12.00
Total average equity to total average assets	11.42	11.97
Dividend payout	18.94	15.71
Per common share data		
Earnings	\$1.26	\$0.95
Diluted earnings	1.25	0.89
Dividends paid	0.24	0.15
Book value	24.07	24.85
Tangible book value <sup>(1)</sup>	17.07	17.75
Market price per share of common stock		
Closing	\$28.19	\$24.26
High closing	32.84	25.50
Low closing	28.19	22.05
Market capitalization	\$282,259	\$239,643

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

<sup>(1)</sup> more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 53.

Quarterly Average  
Table 7 Balances and Interest  
Rates - FTE Basis

	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
(Dollars in millions)						
	Second Quarter 2018			Second Quarter 2017		
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$144,983	\$487	1.35%	\$129,201	\$261	0.81%
Time deposits placed and other short-term investments	10,015	48	1.91	11,448	58	2.03
Federal funds sold and securities borrowed or purchased under agreements to resell (1)	251,880	709	1.13	226,700	435	0.77
Trading account assets	132,799	1,232	3.72	135,931	1,199	3.54
Debt securities	429,191	2,885	2.64	431,132	2,632	2.44
Loans and leases (2):						

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Residential mortgage	206,083	1,798	3.49	195,935	1,697	3.46
Home equity	54,863	640	4.68	63,332	664	4.20
U.S. credit card	93,531	2,298	9.86	89,464	2,128	9.54
Non-U.S. credit card <sup>(3)</sup>	—	—	—	6,494	147	9.08
Direct/Indirect and other consumer <sup>(4)</sup>	93,620	766	3.28	95,775	669	2.80
Total consumer	448,097	5,502	4.92	451,000	5,305	4.71
U.S. commercial	305,372	2,983	3.92	291,162	2,403	3.31
Non-U.S. commercial	99,255	816	3.30	92,708	615	2.66
Commercial real estate <sup>(5)</sup>	60,653	646	4.27	58,198	514	3.54
Commercial lease financing	21,441	168	3.14	21,649	156	2.89
Total commercial	486,721	4,613	3.80	463,717	3,688	3.19
Total loans and leases <sup>(3)</sup>	934,818	10,115	4.34	914,717	8,993	3.94
Other earning assets <sup>(1)</sup>	78,244	1,047	5.36	73,618	713	3.88
Total earning assets <sup>(1,6)</sup>	1,981,930	16,523	3.34	1,922,747	14,291	2.98
Cash and due from banks	25,329			27,659		
Other assets, less allowance for loan and lease losses	315,419			318,887		
	\$2,322,678			\$2,269,293		

Total assets						
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$55,734	\$2	0.01 %	\$54,494	\$2	0.01 %
NOW and money market deposit accounts	664,002	536	0.32	619,593	105	0.07
Consumer CDs and IRAs	39,953	36	0.36	45,682	30	0.27
Negotiable CDs, public funds and other deposits	44,539	197	1.78	36,041	68	0.75
Total U.S. interest-bearing deposits	804,228	771	0.38	755,810	205	0.11
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,329	11	1.89	3,058	6	0.77
Governments and official institutions	1,113	—	0.01	981	2	0.90
Time, savings and other deposits	65,326	161	0.99	60,047	133	0.89
Total non-U.S. interest-bearing deposits	68,768	172	1.00	64,086	141	0.89
Total interest-bearing deposits	872,996	943	0.43	819,896	346	0.17

Federal funds purchased, securities loaned or sold under agreements to repurchase, short-term borrowings and other interest-bearing liabilities (1)	272,777	1,462	2.15	288,726	825	1.14
Trading account liabilities	52,228	348	2.67	45,156	307	2.73
Long-term debt	229,037	1,966	3.44	224,019	1,590	2.84
Total interest-bearing liabilities (1.6)	553,038	4,719	1.33	1,377,797	3,068	0.89
Noninterest-bearing sources:						
Noninterest-bearing deposits	427,663			436,942		
Other liabilities (1)	202,796			183,577		
Shareholders' equity	265,181			270,977		
Total liabilities and shareholders' equity	\$2,322,678			\$2,269,293		
Net interest spread			2.01%			2.09%
Impact of noninterest-bearing sources			0.37			0.25
Net interest income/yield on earning		\$11,804	2.38%		\$11,223	2.34%

assets

- (1) Certain prior-period amounts have been reclassified to conform to current period presentation. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis. PCI loans are recorded at fair value upon acquisition and accrete interest income over the estimated life of the loan.
- (2) Includes assets of the Corporation's non-U.S. consumer credit card business, which was sold during the second quarter of 2017.
- (3) Includes non-U.S. consumer loans of \$2.9 billion in both the second quarter of 2018 and 2017.
- (4) Includes U.S. commercial real estate loans of \$56.4 billion and \$55.0 billion, and non-U.S. commercial real estate loans of \$4.2 billion and \$3.2 billion in the second quarter of 2018 and 2017, respectively. Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$49 million and \$24 million in the second quarter of 2018 and 2017. Interest expense
- (5) includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities by \$33 million and \$(326) million in the second quarter of 2018 and 2017. For more information, see Interest Rate Risk Management for the Banking Book on page 50.

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Table 8 Year-to-Date Average Balances and Interest Rates - FTE Basis

	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
	Six Months Ended June 30					
(Dollars in millions)	2018			2017		
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	\$142,628	\$909	1.29%	\$126,576	\$463	0.74%
Time deposits placed and other short-term investments	10,398	109	2.12	11,472	105	1.84
Federal funds sold and securities borrowed or purchased under agreements to resell (1)	250,110	1,331	1.07	221,579	791	0.72
Trading account assets	131,966	2,379	3.63	130,824	2,310	3.56
Debt securities	431,133	5,715	2.61	430,685	5,205	2.41
Loans and						



leases (2):						
Residential mortgage	205,460	3,580	3.49	194,787	3,358	3.45
Home equity	55,902	1,283	4.62	64,414	1,303	4.07
U.S. credit card	93,975	4,611	9.89	89,545	4,239	9.55
Non-U.S. credit card (3)	—	—	—	7,923	358	9.12
Direct/Indirect and other consumer (4)	94,451	1,494	3.19	95,807	1,304	2.74
Total consumer	449,788	10,968	4.90	452,476	10,562	4.69
U.S. commercial	302,626	5,700	3.80	289,325	4,625	3.22
Non-U.S. commercial	99,379	1,554	3.15	92,764	1,210	2.63
Commercial real estate (5)	59,946	1,233	4.15	57,982	993	3.45
Commercial lease financing	21,636	343	3.17	21,885	387	3.54
Total commercial	483,587	8,830	3.68	461,956	7,215	3.15
Total loans and leases (3)	933,375	19,798	4.27	914,432	17,777	3.91
Other earning assets (1)	81,277	2,031	5.03	73,568	1,473	4.03
Total earning assets (1,6)	1,980,887	32,272	3.28	1,909,136	28,124	2.97
Cash and due from banks	25,800			27,429		
Other assets, less allowance for loan and	317,582			314,010		

lease losses						
Total assets	\$2,324,269			\$2,250,575		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings NOW and money market deposit accounts	\$55,243	\$3	0.01 %	\$53,350	\$3	0.01 %
Consumer CDs and IRAs	40,629	69	0.34	46,194	61	0.27
Negotiable CDs, public funds and other deposits	42,600	354	1.68	34,874	120	0.69
Total U.S. interest-bearing deposits	800,003	1,368	0.34	753,094	363	0.10
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,287	20	1.79	2,838	11	0.76
Governments and official institutions	1,133	—	0.01	997	4	0.85
Time, savings and other	66,325	315	0.95	59,237	250	0.85
Total non-U.S. interest-bearing deposits	69,745	335	0.97	63,072	265	0.85
	869,748	1,703	0.39	816,166	628	0.16

Total interest-bearing deposits						
Federal funds purchased, securities loaned or sold under agreements to repurchase, short-term borrowings and other interest-bearing liabilities (1)	276,269	2,597	1.90	278,458	1,398	1.01
Trading account liabilities	53,787	705	2.64	41,962	571	2.74
Long-term debt	229,318	3,705	3.25	222,751	3,049	2.75
Total interest-bearing liabilities (1,6)	559,372	8,710	1.23	1,359,337	5,646	0.84
Noninterest-bearing sources:						
Noninterest-bearing deposits	429,225			440,569		
Other liabilities (1)	200,592			181,322		
Shareholders' equity	265,330			269,347		
Total liabilities and shareholders' equity	\$2,324,269			\$2,250,575		
Net interest spread			2.05 %			2.13 %
Impact of noninterest-bearing sources			0.33			0.24
Net interest	\$23,562	2.38 %		\$22,478	2.37 %	

income/yield  
on  
earning  
assets

- (1) Certain prior-period amounts have been reclassified to conform to current period presentation. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the estimated life of the loan.
- (2) The six months ended June 30, 2017 includes assets of the Corporation's non-U.S. consumer credit card business, which was sold during the second quarter of 2017.
- (3) Includes non-U.S. consumer loans of \$2.9 billion in both the six months ended June 30, 2018 and 2017.
- (4) Includes U.S. commercial real estate loans of \$55.9 billion and \$54.8 billion, and non-U.S. commercial real estate loans of \$4.1 billion and \$3.2 billion for the six months ended June 30, 2018 and 2017, respectively. Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$56 million and \$41 million for the six months ended June 30, 2018 and 2017. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$171 million and \$750 million for the six months ended June 30, 2018 and 2017. For additional information, see Interest Rate Risk Management for the Banking Book on page 50.
- (5)
- (6)

## Business Segment Operations

## Segment Description and Basis of Presentation

We report our results of operations through the following four business segments: Consumer Banking, GWIM, Global Banking and Global Markets, with the remaining operations recorded in All Other. We periodically review capital allocated to our businesses and allocate 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. Our 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 22. The capital allocated to the business segments is referred to as allocated capital. 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 more information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

For more information on the basis of presentation for business segments and reconciliations to consolidated total revenue, net income and period-end total assets, see Note 17 – Business Segment Information to the Consolidated Financial Statements.

## Consumer Banking

	Deposits		Consumer Lending		Total Consumer Banking		% Change	
	2018	2017	2018	2017	2018	2017		
(Dollars in millions)	Three Months Ended June 30							
Net interest income (FTE basis)	\$3,919	\$3,302	\$2,701	\$2,659	\$6,620	\$5,961	11	%
Noninterest income:								
Card income	3	1	1,339	1,247	1,342	1,248	8	
Service charges	1,071	1,061	1	—	1,072	1,061	1	
All other income	102	96	75	143	177	239	(26)	)
Total noninterest income	1,176	1,158	1,415	1,390	2,591	2,548	2	
Total revenue, net of interest expense (FTE basis)	5,095	4,460	4,116	4,049	9,211	8,509	8	
Provision for credit losses	46	45	898	789	944	834	13	
Noninterest expense	2,639	2,561	1,758	1,850	4,397	4,411	—	
Income before income taxes (FTE basis)	2,410	1,854	1,460	1,410	3,870	3,264	19	
Income tax expense (FTE)	615	700	372	533	987	1,233	(20)	)

basis)  
 Net income \$1,795 \$1,154 \$1,088 \$877 \$2,883 \$2,031 42

Effective tax rate (FTE basis) <sup>(1)</sup> 25.5 % 37.8 %

Net interest yield (FTE basis) 2.29 % 2.03 % 3.92 % 4.15 % 3.68 3.48

Return on average allocated capital 60 39 17 14 31 22

Efficiency ratio (FTE basis) 51.80 57.39 42.73 45.72 47.75 51.84

#### Balance Sheet

Average	Three Months Ended June 30						% Change
	2018	2017	2018	2017	2018	2017	
Total loans and leases	\$5,191	\$5,016	\$275,498	\$256,521	\$280,689	\$261,537	7 %
Total earning assets <sup>(2)</sup>	686,331	651,678	276,436	257,130	720,878	686,064	5
Total assets <sup>(2)</sup>	714,494	678,817	287,377	268,680	759,982	724,753	5
Total deposits	682,202	646,474	5,610	6,313	687,812	652,787	5
Allocated capital	12,000	12,000	25,000	25,000	37,000	37,000	—

<sup>(1)</sup> Estimated at the segment level only.

In segments and businesses where the total of liabilities and equity exceeds assets, we allocate assets from All

<sup>(2)</sup> Other to match the segments' and businesses' liabilities and allocated shareholders' equity. As a result, total earning assets and total assets of the businesses may not equal total Consumer Banking.

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(Dollars in millions)	Deposits Six Months Ended June 30		Consumer Lending		Total Consumer Banking		
	2018	2017	2018	2017	2018	2017	% Change
Net interest income (FTE basis)	\$7,660	\$ 6,365	\$5,470	\$ 5,376	\$13,130	\$ 11,741	12 %
Noninterest income:							
Card income	5	4	2,616	2,469	2,621	2,473	6
Service charges	2,115	2,111	1	1	2,116	2,112	—
All other income	210	195	166	271	376	466	(19 )
Total noninterest income	2,330	2,310	2,783	2,741	5,113	5,051	1
Total revenue, net of interest expense (FTE basis)	9,990	8,675	8,253	8,117	18,243	16,792	9
Provision for credit losses	87	100	1,792	1,572	1,879	1,672	12
Noninterest expense	5,290	5,086	3,587	3,734	8,877	8,820	1
Income before income taxes (FTE basis)	4,613	3,489	2,874	2,811	7,487	6,300	19
Income tax expense (FTE basis)	1,176	1,316	733	1,061	1,909	2,377	(20 )
Net income	\$3,437	\$ 2,173	\$2,141	\$ 1,750	\$5,578	\$ 3,923	42
Effective tax rate (FTE basis) <sup>(1)</sup>					25.5	%37.7	%
Net interest yield (FTE basis)	2.27	%2.00	% 4.00	%4.24	% 3.71	3.49	
Return on average allocated capital	58	37	17	14	30	21	
Efficiency ratio (FTE basis)	52.95	58.63	43.47	46.00	48.66	52.53	

## Balance Sheet

Average	Six Months Ended June 30						% Change
	2018	2017	2018	2017	2018	2017	
Total loans and leases	\$5,180	\$ 4,998	\$274,946	\$ 254,753	\$280,126	\$ 259,751	8 %
Total earning assets <sup>(2)</sup>	680,020	643,237	275,597	255,607	714,352	677,512	5
Total assets <sup>(2)</sup>	707,992	670,340	286,625	267,239	753,352	716,247	5
Total deposits	675,630	637,953	5,489	6,285	681,119	644,238	6
Allocated capital	12,000	12,000	25,000	25,000	37,000	37,000	—

Period end	June 30		December 31		June 30		December 31		% Change
	2018	2017	2018	2017	2018	2017	2017		
Total loans and leases	\$5,212	\$ 5,143	\$278,353	\$ 275,330	\$283,565	\$ 280,473	1	%	
Total earning assets <sup>(2)</sup>	693,709	675,485	279,399	275,742	729,036	709,832	3		
Total assets <sup>(2)</sup>	721,646	703,330	290,613	287,390	768,187	749,325	3		
Total deposits	689,258	670,802	6,272	5,728	695,530	676,530	3		

See page 11 for footnotes.

Consumer Banking, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses. Deposits and Consumer Lending include the net impact of migrating customers and their related deposit, brokerage asset and loan balances between Deposits, Consumer Lending and GWIM, as well as other client-managed business. For more information about Consumer Banking, including our Deposits and Consumer Lending businesses, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

## Consumer Banking Results

## Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Consumer Banking increased \$852 million to \$2.9 billion primarily driven by higher pretax income and lower tax expense from the impact of the reduction in the federal income tax rate. The increase in pretax income was driven by an increase in revenue, partially offset by higher provision for credit losses. Net interest income increased \$659 million to \$6.6 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits and interest rates, as well as pricing discipline and loan growth. Noninterest income increased \$43 million to \$2.6 billion as higher card income and service charges more than offset lower mortgage banking income.

The provision for credit losses increased \$110 million to \$944 million due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased \$14 million to \$4.4 billion driven by operating efficiencies. This was largely offset by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense.

The return on average allocated capital was 31 percent, up from 22 percent, driven by higher net income. For additional information on capital allocations, see Business Segment Operations on page 11.

## Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Consumer Banking increased \$1.7 billion to \$5.6 billion primarily driven by the same factors as described in the three-month discussion. The increase in pretax income was driven by an increase in revenue, partially offset by higher provision for credit losses and an increase in noninterest expense. Net interest income increased \$1.4 billion to \$13.1 billion, and noninterest income increased \$62 million to \$5.1 billion, both of which were primarily due to the same factors as described in the three-month discussion.



The provision for credit losses increased \$207 million to \$1.9 billion due to the same factors as described in the three-month discussion. Noninterest expense increased \$57 million to \$8.9

billion driven by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense. These increases were largely offset by operating efficiencies and lower litigation expense.

The return on average allocated capital was 30 percent, up from 21 percent, driven by higher net income. For additional information on capital allocations, see Business Segment Operations on page 11.

#### Deposits

##### Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Deposits increased \$641 million to \$1.8 billion driven by higher revenue and lower income taxes, partially offset by higher noninterest expense. Net interest income increased \$617 million to \$3.9 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, and pricing discipline.

Noninterest income increased \$18 million to \$1.2 billion driven by higher service charges.

The provision for credit losses remained relatively unchanged at \$46 million. Noninterest expense increased \$78 million to \$2.6 billion primarily driven by investments in digital capabilities and

business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense.

Average deposits increased \$35.7 billion to \$682.2 billion driven by strong organic growth. Growth in checking, money market savings and traditional savings of \$40.6 billion was partially offset by a decline in time deposits of \$5.0 billion.

##### Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Deposits increased \$1.3 billion to \$3.4 billion. Net interest income increased \$1.3 billion to \$7.7 billion and noninterest income increased \$20 million to \$2.3 billion. These increases were primarily driven by the same factors as described in the three-month discussion.

The provision for credit losses decreased \$13 million to \$87 million. Noninterest expense increased \$204 million to \$5.3 billion primarily driven by the same factors as described in the three-month discussion.

Average deposits increased \$37.7 billion to \$675.6 billion primarily driven by the same factor as described in the three-month discussion.

#### Key Statistics – Deposits

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Total deposit spreads (excludes noninterest costs) <sup>(1)</sup>	2.10%	1.89%	2.05%	1.78%

#### Period End

Client brokerage assets (in millions)	\$ 191,472	\$ 159,131
Active digital banking users (units in thousands) <sup>(2)</sup>	35,722	33,971
Active mobile banking users (units in thousands)	25,335	22,898
Financial centers	4,411	4,542
ATMs	16,050	15,972

<sup>(1)</sup> Includes deposits held in Consumer Lending.

<sup>(2)</sup> Digital users represents mobile and/or online users across consumer businesses.

Client brokerage assets increased \$32.3 billion driven by strong client flows and market performance. Active mobile banking users increased 2.4 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined by a net 131 reflecting changes in customer preferences to self-service options as we continue to optimize our consumer banking network and improve our cost-to-serve.

#### Consumer Lending

##### Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Consumer Lending increased \$211 million to \$1.1 billion driven by lower tax expense, lower noninterest expense and higher revenue, partially offset by higher provision for credit losses. Net interest income increased \$42 million to \$2.7 billion primarily driven by the impact of an increase in loan balances. Noninterest income increased \$25 million to \$1.4 billion driven by higher card income, partially offset by lower mortgage banking income.

The provision for credit losses increased \$109 million to \$898 million due to portfolio seasoning and loan growth in the U.S. credit

card portfolio. Noninterest expense decreased \$92 million to \$1.8 billion primarily driven by operating efficiencies. Average loans increased \$19.0 billion to \$275.5 billion driven by increases in residential mortgages and U.S credit card loans, partially offset by lower home equity loan balances.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Consumer Lending increased \$391 million to \$2.1 billion driven by the same factors as described in the three-month discussion. Net interest income increased \$94 million to \$5.5 billion and noninterest income increased \$42 million to \$2.8 billion, both of which were driven by the same factors as described in the three-month discussion. The provision for credit losses increased \$220 million to \$1.8 billion and noninterest expense decreased \$147 million to \$3.6 billion, both of which were primarily driven by the same factors as described in the three-month discussion. Average loans increased \$20.2 billion to \$274.9 billion driven by the same factors as described in the three-month discussion, as well as higher consumer vehicle loans.

At June 30, 2018, total owned loans in the core portfolio held in Consumer Lending were \$121.9 billion, an increase of \$13.7 billion from June 30, 2017, primarily driven by higher residential mortgage balances, based on a decision to retain certain loans on the balance sheet, partially offset by a decline in home equity balances. For more information on the core portfolio, see Consumer Portfolio Credit Risk Management on page 29.

Key Statistics – Consumer Lending

(Dollars in millions)	Three Months Ended		Six Months Ended June	
	June 30		30	
	2018	2017	2018	2017
Total U.S. credit card <sup>(1)</sup>				
Gross interest yield	9.86	% 9.54	% 9.90	% 9.55
Risk-adjusted margin	8.07	8.40	8.19	8.65
New accounts (in thousands)	1,186	1,302	2,380	2,486
Purchase volumes	\$66,821	\$61,665	\$128,168	\$116,986
Debit card purchase volumes	\$80,697	\$75,349	\$156,749	\$145,960

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

During the three and six months ended June 30, 2018, the total U.S. credit card risk-adjusted margin decreased 33 bps and 46 bps compared to the same periods in 2017, primarily driven by increased net charge-offs and higher credit card rewards costs.

Total U.S. credit card purchase volumes increased \$5.2 billion to \$66.8 billion, and \$11.2 billion to \$128.2 billion, and debit card purchase volumes increased \$5.3 billion to \$80.7 billion, and \$10.8 billion to \$156.7 billion, reflecting higher levels of consumer spending.

Key Statistics – Loan Production<sup>(1)</sup>

(Dollars in millions)	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2018	2017	2018	2017
Total <sup>(2)</sup> :				
First mortgage	\$11,672	\$13,251	\$21,096	\$24,693
Home equity	4,081	4,685	7,830	8,738
Consumer Banking:				
First mortgage	\$7,881	\$9,006	\$13,845	\$16,635
Home equity	3,644	4,215	6,989	7,882

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

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

First mortgage loan originations in Consumer Banking and for the total Corporation decreased \$1.1 billion and \$1.6 billion in the three months ended June 30, 2018 compared to the same period in 2017 primarily driven by a higher interest rate environment driving lower first-lien mortgage refinances. First mortgage loan originations in Consumer Banking and for the total Corporation decreased \$2.8 billion and \$3.6 billion in the six months ended June 30, 2018 primarily driven by the same factor as described in the three-month discussion.

Home equity production in Consumer Banking and for the total Corporation decreased \$571 million and \$604 million for the three months ended June 30, 2018 compared to the same period in 2017 driven by a smaller market. Home equity production in Consumer Banking and for the total Corporation decreased \$893 million and \$908 million for the

six months ended June 30, 2018 primarily driven by the same factor as described in the three-month discussion.

## Global Wealth &amp; Investment Management

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
Net interest income (FTE basis)	\$1,543	\$1,597	(3 %)	\$3,137	\$3,157	(1 %)
Noninterest income:						
Investment and brokerage services	2,937	2,829	4	5,977	5,620	6
All other income	229	269	(15 %)	451	510	(12 %)
Total noninterest income	3,166	3,098	2	6,428	6,130	5
Total revenue, net of interest expense (FTE basis)	4,709	4,695	—	9,565	9,287	3
Provision for credit losses	12	11	9	50	34	47
Noninterest expense	3,399	3,392	—	6,827	6,721	2
Income before income taxes (FTE basis)	1,298	1,292	—	2,688	2,532	6
Income tax expense (FTE basis)	330	488	(32 %)	685	955	(28 %)
Net income	\$968	\$804	20	\$2,003	\$1,577	27
Effective tax rate (FTE basis)	25.4 %	37.8 %	%	25.5 %	37.7 %	%
Net interest yield (FTE basis)	2.43	2.41		2.44	2.34	
Return on average allocated capital	27	23		28	23	
Efficiency ratio (FTE basis)	72.17	72.24		71.37	72.37	

## Balance Sheet

Average	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
Total loans and leases	\$ 160,833	\$ 150,812	7 %	\$ 159,969	\$ 149,615	7 %
Total earning assets	255,145	265,845	(4 )	258,939	271,884	(5 )
Total assets	272,317	281,167	(3 )	275,996	287,266	(4 )
Total deposits	236,214	245,329	(4 )	239,627	251,324	(5 )
Allocated capital	14,500	14,000	4	14,500	14,000	4

Period end	June 30 2018	December 31 2017	% Change
Total loans and leases	\$ 162,034	\$ 159,378	2 %
Total earning assets	253,910	267,026	(5 )
Total assets	270,913	284,321	(5 )
Total deposits	233,925	246,994	(5 )

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). For more information about GWIM, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

## Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for GWIM increased \$164 million to \$1.0 billion primarily due to lower tax expense from the impact of the reduction in the federal income tax rate. The operating margin was 28 percent for both periods.

Net interest income decreased \$54 million to \$1.5 billion primarily due to lower average deposit balances and loan spreads, partially offset by higher loan balances. Noninterest income, which primarily includes investment and brokerage services income, increased \$68 million to \$3.2 billion. The increase was driven by the impact of AUM flows and higher market valuations, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing. Noninterest expense of \$3.4 billion increased modestly, as higher revenue-related incentive expense and investment in sales professionals was largely offset by continued expense discipline.

Return on average allocated capital was 27 percent, up from 23 percent, primarily due to higher net income, somewhat offset by an increase in allocated capital.

MLGWM revenue of \$3.9 billion remained relatively unchanged. U.S. Trust revenue of \$848 million increased four percent reflecting higher net interest income and asset management fees driven by higher market valuations and positive net flows.

## Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for GWIM increased \$426 million to \$2.0 billion due to higher revenue and lower tax expense, partially offset by an increase in noninterest expense. The decrease in tax expense was driven by the impact of the reduction in the federal tax rate. The operating margin was 28 percent compared to 27 percent.

Net interest income decreased \$20 million to \$3.1 billion due to the same factors as described in the three-month discussion. Noninterest income, which primarily includes investment and brokerage services income, increased \$298 million to \$6.4 billion due to the same factors as described in the three-month discussion. Noninterest expense increased \$106 million to \$6.8 billion primarily due to higher revenue-related incentive expense and investment in sales professionals, partially offset by expense discipline.

15 Bank of America

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The return on average allocated capital was 28 percent, up from 23 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 11.

Revenue from MLGWM of \$7.9 billion increased three percent due to higher asset management fees driven by higher AUM flows and market valuations, partially offset by lower AUM pricing, transactional revenue and net interest income. U.S. Trust revenue of \$1.7 billion increased five percent due to the same factors as described in the three-month discussion.

### Key Indicators and Metrics

	Three Months Ended		Six Months Ended June	
	June 30		30	June
(Dollars in millions, except as noted)	2018	2017	2018	2017
Revenue by Business				
Merrill Lynch Global Wealth Management	\$3,860	\$3,874	\$7,856	\$7,656
U.S. Trust	848	819	1,708	1,628
Other	1	2	1	3
Total revenue, net of interest expense (FTE basis)	\$4,709	\$4,695	\$9,565	\$9,287
Client Balances by Business, at period end				
Merrill Lynch Global Wealth Management			\$2,311,598	\$2,196,238
U.S. Trust			442,608	421,180
Total client balances			\$2,754,206	\$2,617,418
Client Balances by Type, at period end				
Assets under management			\$1,101,001	\$990,709
Brokerage and other assets			1,254,135	1,233,313
Deposits			233,925	237,131
Loans and leases <sup>(1)</sup>			165,145	156,265
Total client balances			\$2,754,206	\$2,617,418
Assets Under Management Rollforward				
Assets under management, beginning of period	\$1,084,717	\$946,778	\$1,080,747	\$886,148
Net client flows	10,775	27,516	35,015	56,730
Market valuation/other	5,509	16,415	(14,761)	47,831
Total assets under management, end of period	\$1,101,001	\$990,709	\$1,101,001	\$990,709
Associates, at period end <sup>(2)</sup>				
Number of financial advisors			17,442	17,017
Total wealth advisors, including financial advisors			19,350	18,881
Total primary sales professionals, including financial advisors and wealth advisors			20,447	19,863
Merrill Lynch Global Wealth Management Metric				
Financial advisor productivity <sup>(3)</sup> (in thousands)	\$1,017	\$1,040	\$1,027	\$1,016
U.S. Trust Metric, at period end				
Primary sales professionals			1,722	1,665

(1)

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

- (2) Includes financial advisors in the Consumer Banking segment of 2,622 and 2,206 at June 30, 2018 and 2017.
- (3) Financial advisor productivity is defined as annualized MLGWM total revenue, excluding the allocation of certain asset and liability management (ALM) activities, divided by the total average number of financial advisors (excluding financial advisors in the Consumer Banking segment).

#### Client Balances

Client balances increased \$136.8 billion, or five percent, to \$2.8 trillion at June 30, 2018 compared to June 30, 2017.

The increase in client balances was due to higher market valuations and positive net flows. Positive net client flows in AUM decreased from the same period a year ago due to a smaller shift from brokerage assets to AUM.

## Global Banking

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
Net interest income (FTE basis)	\$2,711	\$2,541	7 %	\$5,351	\$5,143	4 %
Noninterest income:						
Service charges	769	809	(5 )	1,532	1,575	(3 )
Investment banking fees	743	929	(20 )	1,487	1,855	(20 )
All other income	699	760	(8 )	1,486	1,421	5
Total noninterest income	2,211	2,498	(11 )	4,505	4,851	(7 )
Total revenue, net of interest expense (FTE basis)	4,922	5,039	(2 )	9,856	9,994	(1 )
Provision for credit losses	(23 )	15	n/m	(7 )	32	n/m
Noninterest expense	2,154	2,154	—	4,349	4,317	1
Income before income taxes (FTE basis)	2,791	2,870	(3 )	5,514	5,645	(2 )
Income tax expense (FTE basis)	727	1,084	(33 )	1,434	2,130	(33 )
Net income	\$2,064	\$1,786	16	\$4,080	\$3,515	16
Effective tax rate (FTE basis)	26.0 %	37.8 %	%	26.0 %	37.7 %	%
Net interest yield (FTE basis)	2.98	2.85		2.97	2.89	
Return on average allocated capital	20	18		20	18	
Efficiency ratio (FTE)	43.78	42.72		44.13	43.19	

basis)

## Balance Sheet

Average	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
Total loans and leases	\$355,088	\$345,063	3 %	\$353,398	\$343,966	3 %
Total earning assets	364,587	357,407	2	363,212	358,500	1
Total assets	423,256	413,950	2	421,933	414,924	2
Total deposits	323,215	300,483	8	323,807	302,827	7
Allocated capital	41,000	40,000	3	41,000	40,000	3

Period end	June 30 2018	December 31 2017	% Change
Total loans and leases	\$355,473	\$350,668	1 %
Total earning assets	364,428	365,560	—
Total assets	424,971	424,533	—
Total deposits	326,029	329,273	(1 )

n/m = not meaningful

Global Banking, which includes Global Corporate Banking, Global Commercial Banking, Business Banking and Global Investment Banking, provides a wide range of lending-related products and services, integrated working capital management and treasury solutions, and underwriting and advisory services through our network of offices and client relationship teams. For more information about Global Banking, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Global Banking increased \$278 million to \$2.1 billion primarily driven by lower tax expense from the impact of the reduction in the federal income tax rate, partially offset by modestly lower pretax income as discussed below.

Pretax results were driven by lower revenue and lower provision for credit losses with noninterest expense remaining flat. Revenue decreased \$117 million to \$4.9 billion driven by lower noninterest income, partially offset by higher net interest income. Net interest income increased \$170 million to \$2.7 billion primarily due to the impact of higher interest rates, as well as deposit and loan growth. Noninterest income decreased \$287 million to \$2.2 billion primarily due to lower investment banking fees and the impact of tax reform on certain tax-advantaged investments, partially offset by higher leasing-related revenues.

Noninterest expense was unchanged at \$2.2 billion as slightly lower personnel expense was offset by higher operating expense.

The return on average allocated capital was 20 percent, up from 18 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 11.



Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Global Banking increased \$565 million to \$4.1 billion primarily driven by lower tax expense from the impact of the reduction in the federal income tax rate, partially offset by lower pretax income.

Pretax results were driven by lower revenue, higher noninterest expense and lower provision for credit losses.

Revenue decreased \$138 million to \$9.9 billion driven by lower noninterest income, partially offset by higher net interest income. Net interest income increased \$208 million to \$5.4 billion primarily due to the impact of higher interest rates on increased deposits. Noninterest income decreased \$346 million to \$4.5 billion primarily due to lower investment banking fees and the impact of tax reform on certain tax-advantaged investments, partially offset by higher leasing-related revenues.

Noninterest expense increased \$32 million to \$4.3 billion primarily due to higher personnel and operating expense. The return on average allocated capital was 20 percent, up from 18 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 11.

Global Corporate, Global Commercial and Business Banking

The table below and following discussion present a summary of the results, which exclude certain investment banking activities in Global Banking.

Global Corporate, Global Commercial and Business Banking

(Dollars in millions)	Global Corporate Banking		Global Commercial Banking		Business Banking Total			
	Three Months Ended June 30							
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue (FTE basis)								
Business Lending	\$1,093	\$1,093	\$974	\$1,052	\$99	\$99	\$2,166	\$2,244
Global Transaction Services	912	833	811	752	237	211	1,960	1,796
Total revenue, net of interest expense	\$2,005	\$1,926	\$1,785	\$1,804	\$336	\$310	\$4,126	\$4,040

Balance Sheet

Average

Total loans and leases	\$163,632	\$156,614	\$174,666	\$170,589	\$16,785	\$17,844	\$355,083	\$345,047
Total deposits	157,224	143,844	129,480	120,921	36,539	35,720	323,243	300,485

Revenue (FTE basis)	Global Corporate Banking		Global Commercial Banking		Business Banking Total			
	Six Months Ended June 30							
	2018	2017	2018	2017	2018	2017	2018	2017
	\$2,143	\$2,195	\$1,949	\$2,096	\$198	\$200	\$4,290	\$4,491

Business  
Lending  
Global

Transaction Services	1,794	1,630	1,627	1,459	469	408	3,890	3,497
Total revenue, net of interest expense	\$3,937	\$3,825	\$3,576	\$3,555	\$667	\$608	\$8,180	\$7,988

Balance Sheet

Average

Total loans and leases	\$162,857	\$155,989	\$173,520
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