BANK OF AMERICA CORP /DE/
Form 10-Q
July 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2017
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact name of registrant as specified in its charter:
Bank of America Corporation
State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (check one).

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

Emerging growth company
Yes No ü
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.
Yes No
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).
Yes No ü
On July 28, 2017, there were 9,850,580,344 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation and Subsidiaries
June 30, 2017
Form 10-Q
INDEX
Part I. Financial Information

Item 1. Financial Statements	Page
Consolidated Statement of Income	69
Consolidated Statement of Comprehensive Income	70
Consolidated Balance Sheet	71
Consolidated Statement of Changes in Shareholders' Equity	73
Consolidated Statement of Cash Flows	74
Notes to Consolidated Financial Statements	75
Note 1 – Summary of Significant Accounting Principles	75
Note 2 – Derivatives	76
Note 3 – Securities	84
Note 4 – Outstanding Loans and Leases	89
Note 5 – Allowance for Credit Losses	102
Note 6 – Securitizations and Other Variable Interest Entities	104
Note 7 – Representations and Warranties Obligations and Corporate Guarantees	108
Note 8 – Goodwill and Intangible Assets	110
Note 9 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings	111
Note 10 – Commitments and Contingencies	113
Note 11 – Shareholders' Equity	116
Note 12 – Accumulated Other Comprehensive Income (Loss)	117
Note 13 – Earnings Per Common Share	118
Note 14 – Fair Value Measurements	118
Note 15 – Fair Value Option	129
Note 16 – Fair Value of Financial Instruments	130
Note 17 – Business Segment Information	131
Glossary	133

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
Executive Summary	3
Recent Events	3
Financial Highlights	4
Supplemental Financial Data	11
Business Segment Operations	14
Consumer Banking	14
Global Wealth & Investment Management	18
Global Banking	21
Global Markets	24
All Other	26
Off-Balance Sheet Arrangements and Contractual Obligations	27
Managing Risk	28
Capital Management	28
Liquidity Risk	35
Credit Risk Management	39
	39

Consumer Portfolio Credit Risk Management	
Commercial Portfolio Credit Risk Management	48
Non-U.S. Portfolio	56
Provision for Credit Losses	57
Allowance for Credit Losses	57
Market Risk Management	60
Trading Risk Management	60
Interest Rate Risk Management for the Banking Book	63
Mortgage Banking Risk Management	66
Complex Accounting Estimates	66
Non-GAAP Reconciliations	67
Item 3. Quantitative and Qualitative Disclosures about Market Risk	68
Item 4. Controls and Procedures	68

Part II. Other Information	
Item 1. Legal Proceedings	136
Item 1A. Risk Factors	136
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	136
Item 6. Exhibits	137
Signature	138
Index to Exhibits	138

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,” “belie “continue" and other similar expressions or future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.” Forward-looking statements represent the Corporation's current expectations, plans or forecasts of its future results, revenues, expenses, efficiency ratio, capital measures, 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 2016 Annual Report on Form 10-K and in any of the Corporation’s subsequent Securities and Exchange Commission filings: potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings, or 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, other parties involved in securitizations, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation’s recorded liability and estimated range of possible loss for its representations and warranties exposures; the 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

and economic conditions; 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 impact on the Corporation’s business, financial condition and results of operations from a protracted period of lower oil prices or ongoing volatility with respect to oil prices; the Corporation's ability to achieve its expense targets or net interest income expectations or other projections or expectations; adverse changes to the Corporation’s credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation’s assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including the approval of our internal models methodology for calculating counterparty credit risk for derivatives; the potential impact of total loss-absorbing capacity requirements; potential adverse changes to our global systemically important bank (G-SIB) surcharge; the potential impact of Federal Reserve actions on the Corporation’s capital plans; the possible impact of the Corporation's failure to remediate shortcomings identified by banking regulators in the Corporation's Resolution Plan; 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 (FDIC) 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 cyberattacks; the impact on the Corporation's business, financial condition and results of operations from the planned exit of the United Kingdom (U.K.) from the European Union (EU); 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, 2017, the Corporation had approximately $2.3 trillion in assets and a headcount of approximately 211,000 employees. Headcount remained relatively unchanged since December 31, 2016. Beginning in the second quarter of 2017, we changed from reporting full-time equivalent employees to reporting headcount. Prior-period amounts have been reclassified.

As of June 30, 2017, 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 83 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,500 retail financial centers, approximately 16,000 ATMs, and leading digital banking platforms (www.bankofamerica.com) with approximately 34 million active users, including 23 million mobile active users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of approximately $2.6 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.

Second Quarter 2017 Economic and Business Environment

Macroeconomic trends in the U.S. in the second quarter were characterized by continued economic growth and low inflation, after GDP growth decelerated in the first quarter. Consumer and business attitudes on the economy have remained broadly unchanged from the high historical levels reached in the first quarter. The labor market remained healthy, with sustained strong non-farm payroll gains in the second quarter. Contrary to the Federal Open Market Committee projections, inflation fell during the quarter as year-over-year growth in headline CPI decreased by approximately half a percentage point. In June, the Federal Reserve raised its target federal funds rate corridor, in line with market
expectations. Financial markets also responded to several ongoing developments: first, in response to the June rate hike and the potential for additional hikes over 2017, the Treasury yield curve continued to flatten. Second, the equity markets continued to rally, albeit with weaker momentum, with the S&P 500 index gaining over 2.5 percent. The U.S. Dollar weakened, erasing all the gains that followed the November presidential election.

Abroad, after eurozone GDP grew in the first quarter at the fastest pace in two years, the recovery continued to gain momentum; although, political uncertainty remained elevated ahead of the French elections. The more robust economic momentum has failed to translate into stronger inflationary pressures, which remained depressed over the quarter. As a result, the European Central Bank remained cautious about the outlook for monetary policy and its quantitative easing program despite the improved growth outlook.

The U.K. gained center-stage on both the economic and political front. The impact of Brexit has started to materialize in the economy with the first quarter GDP growth coming close to stagnation and many indicators weakening further over the second quarter, albeit still pointing to positive growth. At the same time, inflation continued in an upward trend and reached the highest level since 2012, well above the Bank of England target, driven by the pass-through from the Sterling depreciation that followed the Brexit referendum.

In Japan, economic momentum remained intact in the second quarter, though business investment had slowed early in the year. The monetary policy stance remained unchanged while underlying inflation strengthened slightly over the quarter. In China, the service sector remained a key driver of economic growth. The Yuan had a volatile quarter

reaching a seven-month high in June which contributed to a softening of supply chain inflationary pressures over the quarter.

Recent Events

Capital Management

On June 28, 2017, following the Federal Reserve's non-objection to our 2017 Comprehensive Capital Analysis and Review (CCAR) capital plan, the Board of Directors (the Board) authorized the repurchase of $12.9 billion in common stock from July 1, 2017 through June 30, 2018, including approximately $900 million to offset the effect of equity-based compensation plans during the same period. The common stock repurchase authorization includes both common stock and warrants. Also in connection with the non-objection to our CCAR plan, on July 26, 2017, the Board declared a quarterly common stock dividend of $0.12 per share, payable on September 29, 2017 to shareholders of record as of September 1, 2017. For additional information, see the Corporation's Current Report on Form 8-K filed on June 28, 2017.

During the second quarter of 2017, we repurchased approximately $2.2 billion of common stock pursuant to the Board's repurchase authorizations announced on June 29, 2016 and January 13, 2017. These repurchase authorizations expired on June 30, 2017. For additional information, see Capital Management on page 28.

Sale of Non-U.S. Consumer Credit Card Business

On June 1, 2017, the Corporation completed the previously-announced sale of its non-U.S. consumer credit card business to a third party and recorded an after-tax gain of $103 million. As previously disclosed, the sale improved our transitional Basel 3 Common equity tier 1 capital ratio by 11 basis points (bps) under the Advanced approaches and 15 bps under the Standardized approach. This sale completes the transformation of our consumer credit card business from a multi-country, multi-brand business to a single-brand business serving core retail customers in the United States. For more information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Series T Preferred Stock

In connection with an investment in the Corporation's Series T preferred stock in 2011, the holder of the Series T 6% Non-cumulative Preferred Stock (Series T preferred stock) received warrants to purchase up to 700 million shares of the Corporation's common stock at an exercise price of $7.142857 per share. The holder of the Series T preferred stock publicly announced on June 30, 2017, consistent with similar statements made in its 2016 Annual Report to Shareholders, that it intends to exercise the warrants and acquire all 700 million shares of our common stock using the Series T preferred stock to satisfy the exercise price

given its expectation of an increase in our common stock dividend. Upon exercise of the warrants, common shares outstanding will increase; however, there will be no effect on diluted earnings per share as this conversion has been previously included in the Corporation's diluted earnings per share calculation.

Selected Financial Data

Table 1 provides selected consolidated financial data for the three and six months ended June 30, 2017 and 2016, and at June 30, 2017 and December 31, 2016.

Table 1 Selected Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information)	2017	2016	2017	2016
Income statement				
Revenue, net of interest expense	$22,829	$21,286	$45,077	$42,076
Net income	5,269	4,783	10,125	8,255
Diluted earnings per common share	0.46	0.41	0.87	0.68
Dividends paid per common share	0.075	0.05	0.15	0.10
Performance ratios				
Return on average assets	0.93 %	0.88 %	0.91 %	0.76 %
Return on average common shareholders' equity	8.00	7.40	7.64	6.26
Return on average tangible common shareholders' equity[(1)]	11.23	10.54	10.76	8.95
Efficiency ratio	60.13	63.38	63.39	67.28
			June 30 2017	December 31 2016
Balance sheet				
Total loans and leases			$916,666	$906,683
Total assets			2,254,529	2,187,702
Total deposits			1,262,980	1,260,934
Total common shareholders' equity			245,767	241,620
Total shareholders' equity			270,987	266,840

(1) Return on average tangible common shareholders' equity is a non-GAAP financial measure. For additional information and a corresponding reconciliation to accounting principles generally accepted in the United States of America (GAAP) financial measures, see Non-GAAP Reconciliations on page 67.

Financial Highlights

Net income was $5.3 billion and $10.1 billion, or $0.46 and $0.87 per diluted share for the three and six months ended June 30, 2017 compared to $4.8 billion and $8.3 billion, or $0.41 and $0.68 per diluted share for the same periods in

2016. The results for the three and six months ended June 30, 2017 compared to the same periods in 2016 were driven by higher revenue and lower provision for credit losses and an increase in noninterest expense.
Total assets increased $66.8 billion from December 31, 2016 to $2.3 trillion at June 30, 2017 due to higher trading account assets primarily driven by increased client financing activities in equities, growth in securities borrowed or purchased under agreements to resell primarily due to increased matched-book

activity, as well as higher cash and cash equivalents and loans and leases. These increases were partially offset by the impact of the sale of the non-U.S. consumer credit card business. Total liabilities increased $62.7 billion from December 31, 2016 to $2.0 trillion at June 30, 2017 primarily driven by higher securities loaned or sold under agreements to repurchase due to increased matched-book activity, an increase in trading account liabilities as well as an increase in short-term borrowings. Shareholders' equity increased $4.1 billion from December 31, 2016 primarily due to net income, partially offset by returns of capital to shareholders of $7.3 billion through common stock repurchases and common and preferred stock dividends.

Table 2 Summary Income Statement

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Net interest income	$10,986	$10,118	$22,044	$20,603
Noninterest income	11,843	11,168	23,033	21,473
Total revenue, net of interest expense	22,829	21,286	45,077	42,076
Provision for credit losses	726	976	1,561	1,973
Noninterest expense	13,726	13,493	28,574	28,309
Income before income taxes	8,377	6,817	14,942	11,794
Income tax expense	3,108	2,034	4,817	3,539
Net income	5,269	4,783	10,125	8,255
Preferred stock dividends	361	361	863	818
Net income applicable to common shareholders	$4,908	$4,422	$9,262	$7,437
Per common share information				
Earnings	$0.49	$0.43	$0.92	$0.72
Diluted earnings	0.46	0.41	0.87	0.68

Net Interest Income

Net interest income increased $868 million to $11.0 billion, and $1.4 billion to $22.0 billion for the three and six months ended June 30, 2017 compared to the same periods in 2016. The net interest yield increased 11 bps to 2.29 percent, and nine bps to 2.32 percent. These increases were primarily driven by a higher interest rate environment and loan growth. For more information regarding interest rate risk management, see Interest Rate Risk Management for the Banking Book on page 63.

Noninterest Income

Table 3 Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Card income	$1,469	$1,464	$2,918	$2,894
Service charges	1,977	1,871	3,895	3,708
Investment and brokerage services	3,317	3,201	6,579	6,383
Investment banking income	1,532	1,408	3,116	2,561
Trading account profits	1,956	2,018	4,287	3,680
Mortgage banking income	230	312	352	745
Gains on sales of debt securities	101	249	153	439
Other income	1,261	645	1,733	1,063
Total noninterest income	$11,843	$11,168	$23,033	$21,473

Noninterest income increased $675 million to $11.8 billion, and $1.6 billion to $23.0 billion for the three and six months ended June 30, 2017 compared to the same periods in 2016. The following highlights the more significant changes.

Service charges increased $106 million and $187 million primarily driven by the impact of pricing strategies and higher treasury services-related revenue.
Investment and brokerage services income increased $116 million and $196 million primarily driven by higher assets under management (AUM) flows and market valuations, partially offset by lower transactional revenue.
Investment banking income increased $124 million and $555 million primarily due to higher advisory fees, and for the six month period, higher debt and equity issuance fees.
Trading account profits decreased $62 million for the three-month period primarily due to weaker performance across fixed-income products, and increased $607 million for the six-month period primarily due to stronger performance across credit products led by mortgages, and increased client financing activity in equities.

Mortgage banking income decreased $82 million and $393 million primarily due to lower production income driven by lower volumes and net servicing income due to a smaller servicing portfolio.
Gains on sales of debt securities decreased $148 million and $286 million primarily driven by lower sales volume.
Other income increased $616 million and $670 million primarily due to the $793 million pre-tax gain recognized in connection with the sale of the non-U.S. consumer credit card business.

Provision for Credit Losses

The provision for credit losses decreased $250 million to $726 million, and $412 million to $1.6 billion for the three and six months ended June 30, 2017 compared to the same periods in 2016 primarily due to credit quality improvements in the consumer real estate portfolio and reductions in energy exposures in the commercial portfolio, partially offset by portfolio seasoning and loan growth in the U.S. credit card portfolio. For more information on the provision for credit losses, see Provision for Credit Losses on page 57.

Noninterest Expense

Table 4 Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Personnel	$7,712	$7,722	$16,870	$16,574
Occupancy	1,001	1,036	2,001	2,064
Equipment	427	451	865	914
Marketing	442	414	774	833
Professional fees	485	472	941	897
Amortization of intangibles	160	186	322	373
Data processing	773	717	1,567	1,555
Telecommunications	177	189	368	362
Other general operating	2,549	2,306	4,866	4,737
Total noninterest expense	$13,726	$13,493	$28,574	$28,309

Noninterest expense increased $233 million to $13.7 billion, and $265 million to $28.6 billion for the three and six months ended June 30, 2017 compared to the same periods in 2016. The increases were primarily due to higher other general operating expense which included a $295 million impairment charge related

to certain data centers in the process of being sold and higher FDIC expense, partially offset by lower litigation expense. The increase in the six-months period was also driven by an increase in personnel expense due in part to higher revenue-related incentive costs.

Income Tax Expense

Table 5 Income Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Income before income taxes	$8,377	$6,817	$14,942	$11,794
Income tax expense	3,108	2,034	4,817	3,539
Effective tax rate	37.1 %	29.8 %	32.2 %	30.0 %

The effective tax rates for both the three and six months ended June 30, 2017 were driven by the impact of our recurring tax preference benefits, offset by $690 million of tax expense recognized in connection with the sale of the non-U.S. consumer credit card business, which related to gains on derivatives used

to hedge the currency risk of the net investment. The six-month effective tax rate also included a tax benefit related to a new accounting standard on share-based compensation. The effective tax rates for the three and six months ended June 30, 2016 were driven by our recurring tax preference items.

Table 6 Selected Quarterly Financial Data

	2017 Quarters		2016 Quarters		
(Dollars in millions, except per share information)	Second	First	Fourth	Third	Second
Income statement					
Net interest income	$10,986	$11,058	$10,292	$10,201	$10,118
Noninterest income	11,843	11,190	9,698	11,434	11,168
Total revenue, net of interest expense	22,829	22,248	19,990	21,635	21,286
Provision for credit losses	726	835	774	850	976
Noninterest expense	13,726	14,848	13,161	13,481	13,493
Income before income taxes	8,377	6,565	6,055	7,304	6,817
Income tax expense	3,108	1,709	1,359	2,349	2,034
Net income	5,269	4,856	4,696	4,955	4,783
Net income applicable to common shareholders	4,908	4,354	4,335	4,452	4,422
Average common shares issued and outstanding	10,014	10,100	10,170	10,250	10,328
Average diluted common shares issued and outstanding	10,822	10,915	10,959	11,000	11,059
Performance ratios					
Return on average assets	0.93 %	0.88 %	0.85 %	0.90 %	0.88 %
Four quarter trailing return on average assets [1]	0.89	0.88	0.82	0.76	0.74
Return on average common shareholders' equity	8.00	7.27	7.04	7.27	7.40
Return on average tangible common shareholders' equity[2]	11.23	10.28	9.92	10.28	10.54
Return on average shareholders' equity	7.79	7.35	6.91	7.33	7.25
Return on average tangible shareholders' equity [2]	10.54	10.00	9.38	9.98	9.93
Total ending equity to total ending assets	12.02	11.93	12.20	12.30	12.23
Total average equity to total average assets	11.95	12.01	12.24	12.28	12.13
Dividend payout	15.25	17.37	17.68	17.32	11.73
Per common share data					
Earnings	$0.49	$0.43	$0.43	$0.43	$0.43
Diluted earnings	0.46	0.41	0.40	0.41	0.41
Dividends paid	0.075	0.075	0.075	0.075	0.05
Book value	24.88	24.36	24.04	24.19	23.71
Tangible book value [2]	17.78	17.23	16.95	17.14	16.71
Market price per share of common stock					
Closing	$24.26	$23.59	$22.10	$15.65	$13.27
High closing	24.32	25.50	23.16	16.19	15.11
Low closing	22.23	22.05	15.63	12.74	12.18
Market capitalization	$239,643	$235,291	$222,163	$158,438	$135,577

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

(2)

Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 67.

(3) For more information on the impact of the purchased credit-impaired (PCI) loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 39.

(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 47 and corresponding Table 33, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 52 and corresponding Table 40.

(6) Asset quality metrics include $242 million and $243 million of non-U.S. credit card allowance for loan and lease losses and $9.5 billion and $9.2 billion of non-U.S. credit card loans in the first quarter of 2017 and in the fourth quarter of 2016, which were included in assets of business held for sale on the Consolidated Balance Sheet at December 31, 2016. On June 1, 2017, the Corporation completed the sale of its non-U.S. consumer credit card business.

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

(8) Net charge-offs exclude $55 million, $33 million, $70 million, $83 million, and $82 million of write-offs in the PCI loan portfolio in the second and first quarters of 2017, and in the fourth, third and second quarters of 2016, respectively. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 45.

(9) Includes net charge-offs of $44 million and $41 million on non-U.S. credit card loans in the first quarter of 2017 and in the fourth quarter of 2016, which were included in assets of business held for sale on the Consolidated Balance Sheet at March 31, 2017 and December 31, 2016.

(10) Risk-based capital ratios are reported under Basel 3 Advanced - Transition. For additional information, see Capital Management on page 28.

Table 6 Selected Quarterly Financial Data (continued)

	2017 Quarters		2016 Quarters		
(Dollars in millions)	Second	First	Fourth	Third	Second
Average balance sheet					
Total loans and leases	$914,717	$914,144	$908,396	$900,594	$899,670
Total assets	2,269,153	2,231,420	2,208,039	2,189,490	2,188,241
Total deposits	1,256,838	1,256,632	1,250,948	1,227,186	1,213,291
Long-term debt	224,019	221,468	220,587	227,269	233,061
Common shareholders' equity	246,003	242,883	245,139	243,679	240,376
Total shareholders' equity	271,223	268,103	270,360	268,899	265,354
Asset quality [3]					
Allowance for credit losses [4]	$11,632	$11,869	$11,999	$12,459	$12,587
Nonperforming loans, leases and foreclosed properties [5]	7,127	7,637	8,084	8,737	8,799
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [5, 6]	1.20 %	1.25 %	1.26 %	1.30 %	1.32 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [5, 6]	160	156	149	140	142
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [5, 6]	154	150	144	135	135
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [7]	$3,782	$4,047	$3,951	$4,068	$4,087
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, 7]	104 %	100 %	98 %	91 %	93 %
Net charge-offs [8, 9]	$908	$934	$880	$888	$985
Annualized net charge-offs as a percentage of average loans and leases outstanding [5, 8]	0.40 %	0.42 %	0.39 %	0.40 %	0.44 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [5]	0.41	0.42	0.39	0.40	0.45
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [5]	0.43	0.43	0.42	0.43	0.48
Nonperforming loans and leases as a percentage of total loans and leases outstanding [5, 6]	0.75	0.80	0.85	0.93	0.94
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [5, 6]	0.78	0.84	0.89	0.97	0.98
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [6, 8]	2.99	3.00	3.28	3.31	2.99
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio [6]	2.88	2.88	3.16	3.18	2.85
	2.82	2.90	3.04	3.03	2.76

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs (6)										
Capital ratios at period end (10)										
Risk-based capital:										
Common equity tier 1 capital	11.6	%	11.0	%	11.0	%	11.0	%	10.6	%
Tier 1 capital	13.2		12.5		12.4		12.4		12.0	
Total capital	15.1		14.4		14.3		14.2		13.9	
Tier 1 leverage	8.9		8.8		8.9		9.1		8.9	
Tangible equity (2)	9.2		9.1		9.2		9.4		9.3	
Tangible common equity (2)	8.0		7.9		8.1		8.2		8.1	

For footnotes see page 7.

Table 7 Selected Year-to-Date Financial Data

	Six Months Ended June 30			
(In millions, except per share information)	2017		2016	
Income statement				
Net interest income	$22,044		$20,603	
Noninterest income	23,033		21,473	
Total revenue, net of interest expense	45,077		42,076	
Provision for credit losses	1,561		1,973	
Noninterest expense	28,574		28,309	
Income before income taxes	14,942		11,794	
Income tax expense	4,817		3,539	
Net income	10,125		8,255	
Net income applicable to common shareholders	9,262		7,437	
Average common shares issued and outstanding	10,056		10,308	
Average diluted common shares issued and outstanding	10,868		11,080	
Performance ratios				
Return on average assets	0.91	%	0.76	%
Return on average common shareholders’ equity	7.64		6.26	
Return on average tangible common shareholders’ equity[1]	10.76		8.95	
Return on average shareholder's equity	7.57		6.31	
Return on average tangible shareholders’ equity [1]	10.27		8.68	
Total ending equity to total ending assets	12.02		12.23	
Total average equity to total average assets	11.98		12.05	
Dividend payout	16.25		13.92	
Per common share data				
Earnings	$0.92		$0.72	
Diluted earnings	0.87		0.68	
Dividends paid	0.15		0.10	
Book value	24.88		23.71	
Tangible book value [1]	17.78		16.71	
Market price per share of common stock				
Closing	$24.26		$13.27	
High closing	25.50		16.43	
Low closing	22.05		11.16	
Market capitalization	$239,643		$135,577	

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 67.

(2) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 39.

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

(4)

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 47 and corresponding Table 33, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 52 and corresponding Table 40.

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

(6) Net charge-offs exclude $88 million and $187 million of write-offs in the PCI loan portfolio for the six months ended June 30, 2017 and 2016. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 45.

Table 7 Selected Year-to-Date Financial Data (continued)

(Dollars in millions)	Six Months Ended June 30 2017		Six Months Ended June 30 2016	
Average balance sheet				
Total loans and leases	$914,432		$896,327	
Total assets	2,250,391		2,181,082	
Total deposits	1,256,735		1,205,873	
Long-term debt	222,751		233,358	
Common shareholders' equity	244,452		238,803	
Total shareholders' equity	269,672		262,889	
Asset quality [2]				
Allowance for credit losses [3]	$11,632		$12,587	
Nonperforming loans, leases and foreclosed properties [4]	7,127		8,799	
Allowance for loan and lease losses as a percentage of total loans and	1.20	%	1.32	%

leases outstanding [4]				
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [4]	160		142	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [4]	154		135	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [5]	$3,782		$4,087	
Allowance for loan and	104	%	93	%

lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [4, 5]		
Net charge-offs [6]	$1,842	$2,053
Annualized net charge-offs as a percentage of average loans and leases outstanding [4, 6]	0.41 %	0.46 %
Annualized net charge-offs as a percentage of average loans and	0.42	0.47

leases outstanding, excluding the PCI loan portfolio (4)		
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (4)	0.43	0.51
Nonperforming loans and leases as a percentage of total loans and leases outstanding (4)	0.75	0.94
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (4)	0.78	0.98
Ratio of the allowance for loan and	2.99	2.99

lease losses at period end to annualized net charge-offs (6)		
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.88	2.85
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.82	2.76

For footnotes see page 9.

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 an 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 35 percent 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)) which result in non-GAAP financial measures. We believe that the presentation of measures that exclude these items are useful because they 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 6 and 7. Table 8 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 8 Supplemental Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Fully taxable-equivalent basis data				

Net interest income	$11,223	$10,341	$22,478	$21,041
Total revenue, net of interest expense	23,066	21,509	45,511	42,514
Net interest yield	2.34 %	2.23 %	2.37 %	2.28 %
Efficiency ratio	59.51	62.73	62.78	66.59

Table 9 Quarterly Average Balances and Interest Rates – FTE Basis

	Second Quarter 2017			Second Quarter 2016		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$129,201	$261	0.81%	$135,312	$157	0.47 %
Time deposits placed and other short-term investments	11,448	58	2.03	7,855	35	1.79
Federal funds sold and securities borrowed or purchased under agreements to resell	226,700	560	0.99	223,005	260	0.47
Trading account assets	135,931	1,199	3.54	127,189	1,109	3.50
Debt securities (1)	431,132	2,632	2.44	419,085	2,284	2.20
Loans and leases (2):						
Residential mortgage	195,935	1,697	3.46	186,752	1,626	3.48
Home equity	63,332	664	4.20	73,141	703	3.86

U.S. credit card	89,464	2,128	9.54	86,705	1,983	9.20
Non-U.S. credit card [1]	6,494	147	9.08	9,988	250	10.06
Direct/Indirect consumer [3]	93,146	643	2.77	91,643	563	2.47
Other consumer [4]	2,629	26	4.07	2,220	16	3.00
Total consumer	451,000	5,305	4.71	450,449	5,141	4.58
U.S. commercial	291,162	2,403	3.31	276,640	2,006	2.92
Commercial real estate [5]	58,198	514	3.54	57,772	434	3.02
Commercial lease financing	21,649	156	2.89	20,874	147	2.81
Non-U.S. commercial	92,708	615	2.66	93,935	564	2.42
Total commercial	463,717	3,688	3.19	449,221	3,151	2.82
Total loans and leases	914,717	8,993	3.94	899,670	8,292	3.70
Other earning assets	73,618	680	3.70	55,957	660	4.74
Total earning assets [6]	1,922,747	14,383	3.00	1,868,073	12,797	2.75
Cash and due from banks [1]	27,659			27,924		
Other assets, less allowance for loan and lease losses [1]	318,747			292,244		
Total assets	$2,269,153			$2,188,241		
Interest-bearing liabilities						

U.S. interest-bearing deposits:						
Savings	$54,494	$2	0.01%	$50,105	$1	0.01 %
NOW and money market deposit accounts	619,593	105	0.07	583,913	72	0.05
Consumer CDs and IRAs	45,682	30	0.27	48,450	33	0.28
Negotiable CDs, public funds and other deposits	36,041	68	0.75	32,879	35	0.42
Total U.S. interest-bearing deposits	755,810	205	0.11	715,347	141	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	3,058	6	0.77	4,235	10	0.98
Governments and official institutions	981	2	0.90	1,542	2	0.66
Time, savings and other	60,047	133	0.89	60,311	92	0.61
Total non-U.S. interest-bearing deposits	64,086	141	0.89	66,088	104	0.63
Total interest-bearing deposits	819,896	346	0.17	781,435	245	0.13
Federal funds purchased, securities	251,641	917	1.46	215,852	626	1.17

loaned or sold under agreements to repurchase and short-term borrowings							
Trading account liabilities	45,156	307	2.73	36,652	242	2.66	
Long-term debt	224,019	1,590	2.84	233,061	1,343	2.31	
Total interest-bearing liabilities [6]	1,340,712	3,160	0.94	1,267,000	2,456	0.78	
Noninterest-bearing sources:							
Noninterest-bearing deposits	436,942			431,856			
Other liabilities	220,276			224,031			
Shareholders' equity	271,223			265,354			
Total liabilities and shareholders' equity	$2,269,153			$2,188,241			
Net interest spread			2.06%			1.97	%
Impact of noninterest-bearing sources			0.28			0.26	
Net interest income/yield on earning assets		$11,223	2.34%		$10,341	2.23	%

(1) Includes assets of the Corporation's non-U.S. consumer credit card business, which were previously included in assets of business held for sale on the Consolidated Balance Sheet. On June 1, 2017, the Corporation completed the sale of its non-U.S. consumer credit card business.

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

(3) Includes non-U.S. consumer loans of $2.9 billion and $3.4 billion in the second quarter of 2017 and 2016.

(4)

Includes consumer finance loans of $431 million and $526 million; consumer leases of $2.0 billion and $1.5 billion, and consumer overdrafts of $167 million and $166 million in the second quarter of 2017 and 2016, respectively.

(5) Includes U.S. commercial real estate loans of $55.0 billion and $54.3 billion, and non-U.S. commercial real estate loans of $3.2 billion and $3.5 billion in the second quarter of 2017 and 2016, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $24 million and $56 million in the second quarter of 2017 and 2016. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $326 million and $610 million in the second quarter of 2017 and 2016. For additional information, see Interest Rate Risk Management for the Banking Book on page 63.

Table 10 Year-to-Date Average Balances and Interest Rates – FTE Basis

	Six Months Ended June 30					
	2017			2016		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$126,576	$463	0.74%	$136,943	$312	0.46 %
Time deposits placed and other short-term investments	11,472	105	1.84	8,506	67	1.59
Federal funds sold and securities borrowed or purchased under agreements to resell	221,579	999	0.91	216,094	536	0.50
Trading account assets	130,824	2,310	3.56	131,748	2,321	3.54
Debt securities [1]	430,685	5,205	2.41	409,531	4,821	2.38
Loans and leases [2]:						
Residential mortgage	194,787	3,358	3.45	186,866	3,255	3.48
Home equity	64,414	1,303	4.07	74,235	1,414	3.82
	89,545	4,239	9.55	86,934	4,004	9.26

U.S. credit card						
Non-U.S. credit card [1]	7,923	358	9.12	9,905	503	10.21
Direct/Indirect consumer [3]	93,218	1,251	2.71	90,493	1,113	2.47
Other consumer [4]	2,589	53	4.07	2,178	32	3.01
Total consumer	452,476	10,562	4.69	450,611	10,321	4.60
U.S. commercial	289,325	4,625	3.22	273,576	3,942	2.90
Commercial real estate [5]	57,982	993	3.45	57,521	868	3.03
Commercial lease financing	21,885	387	3.54	20,975	329	3.14
Non-U.S. commercial	92,764	1,210	2.63	93,644	1,149	2.47
Total commercial	461,956	7,215	3.15	445,716	6,288	2.84
Total loans and leases	914,432	17,777	3.91	896,327	16,609	3.72
Other earning assets	73,568	1,431	3.92	57,298	1,354	4.75
Total earning assets [6]	1,909,136	28,290	2.98	1,856,447	26,020	2.81
Cash and due from banks [1]	27,429			28,384		
Other assets, less allowance for loan and lease losses [1]	313,826			296,251		
Total assets	$2,250,391			$2,181,082		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$53,350	$3	0.01 %	$48,975	$2	0.01 %

NOW and money market deposit accounts	618,676	179	0.06	580,846	143	0.05
Consumer CDs and IRAs	46,194	61	0.27	49,034	68	0.28
Negotiable CDs, public funds and other deposits	34,874	120	0.69	32,308	64	0.40
Total U.S. interest-bearing deposits	753,094	363	0.10	711,163	277	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,838	11	0.76	4,179	19	0.91
Governments and official institutions	997	4	0.85	1,507	4	0.60
Time, savings and other	59,237	250	0.85	58,627	170	0.58
Total non-U.S. interest-bearing deposits	63,072	265	0.85	64,313	193	0.60
Total interest-bearing deposits	816,166	628	0.16	775,476	470	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and	241,733	1,564	1.30	218,921	1,239	1.14

short-term borrowings							
Trading account liabilities	41,962	571	2.74	38,027	534	2.83	
Long-term debt	222,751	3,049	2.75	233,358	2,736	2.35	
Total interest-bearing liabilities (6)	1,322,612	5,812	0.88	1,265,782	4,979	0.79	
Noninterest-bearing sources:							
Noninterest-bearing deposits	440,569			430,397			
Other liabilities	217,538			222,014			
Shareholders' equity	269,672			262,889			
Total liabilities and shareholders' equity	$2,250,391			$2,181,082			
Net interest spread			2.10%			2.02	%
Impact of noninterest-bearing sources			0.27			0.26	
Net interest income/yield on earning assets		$22,478	2.37%		$21,041	2.28	%

(1) Includes assets of the Corporation's non-U.S. consumer credit card business, which were previously included in assets of business held for sale on the Consolidated Balance Sheet. On June 1, 2017, the Corporation completed the sale of its non-U.S. consumer credit card business.

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

(3) Includes non-U.S. consumer loans of $2.9 billion and $3.6 billion for the six months ended June 30, 2017 and 2016.

(4) Includes consumer finance loans of $442 million and $538 million; consumer leases of $2.0 billion and $1.5 billion, and consumer overdrafts of $168 million and $163 million for the six months ended June 30, 2017 and 2016, respectively.

(5) Includes U.S. commercial real estate loans of $54.8 billion and $54.1 billion, and non-U.S. commercial real estate loans of $3.2 billion and $3.5 billion for the six months ended June 30, 2017 and 2016, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $41 million and $91 million for the six months ended June 30, 2017 and 2016. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the

underlying liabilities by $750 million and $1.2 billion for the six months ended June 30, 2017 and 2016. For additional information, see Interest Rate Risk Management for the Banking Book on page 63.

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 28. 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

	Three Months Ended June 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2017	2016	2017	2016	2017	2016	% Change
Net interest income (FTE basis)	$3,302	$2,618	$2,658	$2,589	$5,960	$5,207	14 %
Noninterest income:							
Card income	2	2	1,247	1,214	1,249	1,216	3
Service charges	1,061	1,011	1	—	1,062	1,011	5
Mortgage banking income [1]	—	—	140	267	140	267	(48)
All other income (loss)	93	99	4	(5)	97	94	3
Total noninterest income	1,156	1,112	1,392	1,476	2,548	2,588	(2)
Total revenue, net of interest expense (FTE basis)	4,458	3,730	4,050	4,065	8,508	7,795	9
Provision for credit losses	45	41	789	685	834	726	15
Noninterest expense	2,558	2,380	1,851	2,038	4,409	4,418	<1
Income before income taxes (FTE basis)	1,855	1,309	1,410	1,342	3,265	2,651	23
Income tax expense (FTE	700	482	533	495	1,233	977	26

basis)							
Net income	$1,155	$827	$877	$847	$2,032	$1,674	21
Net interest yield (FTE basis)	2.03 %	1.77 %	4.15 %	4.34 %	3.48 %	3.34 %	
Return on average allocated capital	39	28	14	15	22	20	
Efficiency ratio (FTE basis)	57.38	63.77	45.72	50.16	51.83	56.67	

Balance Sheet

	Three Months Ended June 30						
Average	2017	2016	2017	2016	2017	2016	% Change
Total loans and leases	$5,016	$4,792	$256,521	$238,129	$261,537	$242,921	8 %
Total earning assets [2]	651,677	594,748	257,130	239,645	686,064	627,225	9
Total assets [2]	678,816	621,445	268,680	250,819	724,753	665,096	9
Total deposits	646,474	589,294	6,313	7,177	652,787	596,471	9
Allocated capital	12,000	12,000	25,000	22,000	37,000	34,000	9

(1) Total consolidated mortgage banking income of $230 million and $352 million for the three and six months ended June 30, 2017 was recorded primarily in Consumer Lending and All Other, compared to $312 million and $745 million for the same periods in 2016.

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

	Six Months Ended June 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2017	2016	2017	2016	2017	2016	% Change
Net interest income (FTE basis)	$6,365	$ 5,310	$5,376	$ 5,225	$11,741	$ 10,535	11 %
Noninterest income:							
Card income	4	5	2,469	2,422	2,473	2,427	2
Service charges	2,111	2,008	1	—	2,112	2,008	5
Mortgage banking income (1)	—	—	259	457	259	457	(43)
All other income	195	214	12	11	207	225	(8)
Total noninterest income	2,310	2,227	2,741	2,890	5,051	5,117	(1)
Total revenue, net of interest expense (FTE basis)	8,675	7,537	8,117	8,115	16,792	15,652	7
Provision for credit losses	100	89	1,572	1,168	1,672	1,257	33
Noninterest expense	5,084	4,837	3,734	4,122	8,818	8,959	(2)
Income before income taxes (FTE basis)	3,491	2,611	2,811	2,825	6,302	5,436	16
Income tax expense (FTE basis)	1,317	961	1,061	1,039	2,378	2,000	19
Net income	$2,174	$ 1,650	$1,750	$ 1,786	$3,924	$ 3,436	14
Net interest yield (FTE basis)	2.00 %	1.82 %	4.24 %	4.43 %	3.49 %	3.43 %	
Return on average allocated capital	37	28	14	16	21	20	
Efficiency ratio (FTE basis)	58.62	64.18	46.00	50.79	52.52	57.24	

Balance Sheet

	Six Months Ended June 30							
Average	2017	2016	2017	2016	2017	2016	% Change	
Total loans and leases	$4,998	$ 4,761	$254,753	$ 235,653	$259,751	$ 240,414	8	%
Total earning assets [2]	643,237	585,691	255,607	237,003	677,512	617,263	10	
Total assets [2]	670,340	612,437	267,239	248,800	716,247	655,806	9	
Total deposits	637,953	580,378	6,285	6,954	644,238	587,332	10	
Allocated capital	12,000	12,000	25,000	22,000	37,000	34,000	9	

Period end	June 30 2017	December 31 2016	June 30 2017	December 31 2016	June 30 2017	December 31 2016	% Change	
Total loans and leases	$5,039	$ 4,938	$260,899	$ 254,053	$265,938	$ 258,991	3	%
Total earning assets [2]	661,576	631,172	261,696	255,511	696,350	662,698	5	
Total assets [2]	688,800	658,316	273,298	268,002	735,176	702,333	5	
Total deposits	656,374	625,727	6,304	7,059	662,678	632,786	5	

See page 14 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. Our customers and clients have access to a coast to coast network including financial centers in 33 states and the District of Columbia. Our network includes approximately 4,500 financial centers, 16,000 ATMs, nationwide call centers, and online and mobile platforms.

Consumer Banking Results

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net income for Consumer Banking increased $358 million to $2.0 billion primarily driven by higher net interest income, partially offset by higher provision for credit losses. Net interest income increased $753 million to $6.0 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits and pricing discipline. Noninterest income decreased $40 million to $2.5 billion primarily driven by lower mortgage banking income, partially offset by higher service charges and card income.

The provision for credit losses increased $108 million to $834 million due to portfolio seasoning and loan growth in the U.S. credit
card portfolio. Noninterest expense of $4.4 billion remained relatively unchanged.

The return on average allocated capital was 22 percent, up from 20 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocations, see Business Segment Operations on page 14.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

Net income for Consumer Banking increased $488 million to $3.9 billion primarily driven by higher net interest income and lower noninterest expense, partially offset by higher provision for credit losses. Net interest income increased $1.2 billion to $11.7 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits and pricing discipline. Noninterest income decreased $66 million to $5.1 billion driven by the same factors as described in the three-month discussion.

The provision for credit losses increased $415 million to $1.7 billion due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $141 million to $8.8 billion driven by improved operating efficiencies, partially offset by higher FDIC expense.

The return on average allocated capital was 21 percent, up from 20 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocations, see Business Segment Operations on

page 14.

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. Net interest income is allocated to the deposit products using our funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Deposits generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at customers with less than $250,000 in investable assets. Merrill Edge provides investment advice and guidance, client brokerage asset services, a self-directed online investing platform and key banking capabilities including access to the Corporation's network of financial centers and ATMs.

Deposits includes the net impact of migrating customers and their related deposit and brokerage asset balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM – Net Migration Summary on page 20.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net income for Deposits increased $328 million to $1.2 billion driven by higher revenue, partially offset by higher noninterest expense. Net interest income increased $684 million to $3.3

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 $44 million to $1.2 billion primarily due to higher service charges. The provision for credit losses increased $4 million to $45 million. Noninterest expense increased $178 million to $2.6 billion primarily driven by investments in initiatives such as financial center renovations and builds, higher FDIC expense and increased personnel expense from higher levels of primary sales professionals.

Average deposits increased $57.2 billion to $646.5 billion driven by strong organic growth. Growth in checking, traditional savings and money market savings of $60.3 billion was partially offset by a decline in time deposits of $3.2 billion.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

Net income for Deposits increased $524 million to $2.2 billion. Net interest income increased $1.1 billion to $6.4 billion and noninterest income increased $83 million to $2.3 billion, both of which were primarily driven by the same factors as described in the three-month discussion. The prior-year period also included gains on certain divestitures. The provision for credit losses increased $11 million to $100 million. Noninterest expense increased $247 million to $5.1 billion primarily driven by the same factors as described in the three-month discussion.

Average deposits increased $57.6 billion to $638.0 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	
	2017	2016	2017	2016
Total deposit spreads (excludes noninterest costs) [1]	1.89%	1.66%	1.78 %	1.65 %
Period end				
Client brokerage assets (in millions)			$159,131	$131,698
Digital banking active users (units in thousands) [2]			33,971	32,187
Mobile banking active users (units in thousands)			22,898	20,227
Financial centers			4,542	4,681
ATMs			15,972	15,998

(1) Includes deposits held in Consumer Lending.

(2) Digital users represents mobile and/or online users across consumer businesses; historical information has been reclassified primarily due to the sale of the Corporation's non-U.S. consumer credit card business.

Client brokerage assets increased $27.4 billion driven by strong client flows and market performance. Mobile banking active users increased 3 million reflecting continuing changes in our customers' banking preferences. The number of financial centers
declined 139 driven by 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

Consumer Lending offers products to consumers and small businesses across the U.S. The products offered include credit and debit cards, residential mortgages and home equity loans, and direct and indirect loans such as automotive, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions, late fees, cash advance fees, annual credit card fees,

mortgage banking fee income and other miscellaneous fees. Consumer Lending products are available to our customers through our retail network, direct telephone, and online and mobile channels. Consumer Lending results also include the impact of servicing residential mortgages and home equity loans in the core portfolio, including loans held on the balance sheet of Consumer Lending and loans serviced for others.

We classify consumer real estate loans as core or non-core based on loan and customer characteristics such as origination date, product type, loan-to-value (LTV), Fair Isaac Corporation (FICO) score and delinquency status. For more information on the core and non-core portfolios, see Consumer Portfolio Credit Risk Management on page 39.

At June 30, 2017, total owned loans in the core portfolio held in Consumer Lending were $108.2 billion, an increase of $12.8 billion from June 30, 2016, primarily driven

by higher residential mortgage balances, partially offset by a decline in home equity balances.
Consumer Lending includes the net impact of migrating customers and their related loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM – Net Migration Summary on page 20.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net income for Consumer Lending increased $30 million to $877 million driven by lower noninterest expense and higher net interest income, partially offset by higher provision for credit losses and lower noninterest income. Net interest income increased $69 million to $2.7 billion primarily driven by the impact of an increase in loan balances. Noninterest income decreased $84 million to $1.4 billion driven by lower mortgage banking income, partially offset by higher card income.
The provision for credit losses increased $104 million to $789 million due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $187 million to $1.9 billion primarily driven by improved operating efficiencies.

Average loans increased $18.4 billion to $256.5 billion primarily driven by increases in residential mortgages, as well as consumer vehicle and U.S. credit card loans, partially offset by lower home equity loan balances.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

Net income for Consumer Lending decreased $36 million to $1.8 billion driven by higher provision for credit losses and lower noninterest income, partially offset by lower noninterest expense and higher net interest income. Net interest income increased $151 million to $5.4 billion. Noninterest income decreased $149 million to $2.7 billion. Fluctuations were driven by the same factors as described in the three-month discussion.
The provision for credit losses increased $404 million to $1.6 billion due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $388 million to $3.7 billion primarily driven by the same factor as described in the three-month discussion.
Average loans increased $19.1 billion to $254.8 billion driven by the same factors as described in the three-month discussion.

Key Statistics – Consumer Lending

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Total U.S. credit card [1]				
Gross interest yield	9.54 %	9.20 %	9.55 %	9.26 %
Risk-adjusted margin	8.40	8.79	8.65	8.92
New accounts (in thousands)	1,302	1,313	2,486	2,521
Purchase volumes	$61,665	$56,667	$116,986	$107,821
Debit card purchase volumes	$75,349	$72,120	$145,960	$141,267

(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, 2017, the total U.S. credit card risk-adjusted margin decreased 39 bps and 27 bps compared to the same periods in 2016, primarily driven by increased net charge-offs and higher credit card rewards costs.
Total U.S. credit card purchase volumes increased $5.0 billion to $61.7 billion, and $9.2 billion to $117.0 billion, and debit card purchase volumes increased $3.2 billion to $75.3 billion, and $4.7 billion to $146.0 billion, reflecting higher levels of consumer spending.

Mortgage Banking Income

Mortgage banking income in Consumer Banking includes production income and net servicing income. Production income is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to

representations and warranties made in the sales transactions along with other obligations incurred in the sales of mortgage loans. Production income for the three and six months ended June 30, 2017 decreased $115 million to $67 million, and $199 million to $121 million compared

to the same periods in 2016 due to a decision to retain a higher percentage of residential mortgage production in Consumer Banking, as well as the impact of a higher interest rate environment driving lower refinances.

Net servicing income within Consumer Banking includes income earned in connection with servicing activities and MSR valuation adjustments for the core portfolio, net of results from risk management activities used to hedge certain market risks of the MSRs. Net servicing income for the three and six months ended June 30, 2017 decreased $12 million to $73 million, and remained relatively unchanged at $138 million compared to the same periods in 2016.

Mortgage Servicing Rights

At June 30, 2017, the core MSR portfolio, held within Consumer Lending, was $1.8 billion compared to $1.5 billion at June 30, 2016. The increase was primarily driven by changes in fair value, partially offset by the amortization of expected cash flows, which exceeded additions to the MSR portfolio. For more information on MSRs, see Note 14 – Fair Value Measurements to the Consolidated Financial Statements.

Key Statistics

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Loan production [(1)]:				
Total [(2)]:				
First mortgage	$13,251	$16,314	$24,693	$28,937
Home equity	4,685	4,303	8,738	8,108
Consumer Banking:				
First mortgage	$9,006	$11,541	$16,635	$20,619
Home equity	4,215	3,881	7,882	7,396

(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 $2.5 billion and $3.1 billion in the three months ended June 30, 2017 compared to the same period in 2016 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 $4.0 billion and $4.2 billion in the six months ended June 30, 2017 primarily driven by the same factor as described in the three-month discussion.

Home equity production in Consumer Banking and for the total Corporation increased $334 million and $382 million for the three months ended June 30, 2017 compared to the same period in 2016 due to a higher demand in the market based on improving housing trends. Home equity production in Consumer Banking and for the total Corporation increased $486 million and $630 million for the six months ended June 30, 2017 primarily driven by the same factor as described in the three-month discussion.

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	2017	2016	% Change	2017	2016	% Change
Net interest income (FTE basis)	$1,597	$1,403	14 %	$3,157	$2,916	8 %
Noninterest income:						
Investment and brokerage services	2,697	2,598	4	5,345	5,134	4
All other income	401	424	(5)	785	844	(7)
Total noninterest income	3,098	3,022	3	6,130	5,978	3
Total revenue, net of interest expense (FTE	4,695	4,425	6	9,287	8,894	4

basis)						
Provision for credit losses	11	14	(21)	34	39	(13)
Noninterest expense	3,392	3,285	3	6,722	6,555	3
Income before income taxes (FTE basis)	1,292	1,126	15	2,531	2,300	10
Income tax expense (FTE basis)	488	421	16	955	853	12
Net income	$804	$705	14	$1,576	$1,447	9
Net interest yield (FTE basis)	2.41 %	2.06 %		2.34 %	2.12 %	
Return on average allocated capital	23	22		23	22	
Efficiency ratio (FTE basis)	72.24	74.23		72.38	73.70	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2017	2016	% Change	2017	2016	% Change
Total loans and leases	$150,812	$141,180	7 %	$149,615	$140,139	7 %
Total earning assets	265,845	273,873	(3)	271,884	276,739	(2)
Total assets	281,167	289,645	(3)	287,266	292,678	(2)
Total deposits	245,329	254,804	(4)	251,324	257,643	(2)
Allocated capital	14,000	13,000	8	14,000	13,000	8

Period end	June 30 2017	December 31 2016	% Change
Total loans and leases	$153,468	$148,179	4 %
Total earning assets	258,744	283,151	(9)
Total assets	274,746	298,931	(8)
Total deposits	237,131	262,530	(10)

GWIM consists of two primary businesses: Merrill Lynch Global Wealth Management (MLGWM) and U.S. Trust, Bank of America Private Wealth Management (U.S. Trust).
MLGWM's advisory business provides a high-touch client experience through a network of financial advisors focused on clients with over $250,000 in total investable assets. MLGWM provides tailored solutions to meet our clients' needs through a full set of investment management, brokerage, banking and retirement products.
U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted to high net worth and ultra high net worth clients, as well as customized solutions to meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.
Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016
Net income for GWIM increased $99 million to $804 million due to higher revenue, partially offset by an increase in revenue-related expense. The operating margin was 28 percent compared to 25 percent a year ago.
Net interest income increased $194 million to $1.6 billion driven by the impact of higher short-term rates and growth in loan balances. Noninterest income, which primarily includes investment and brokerage services income, increased $76 million to $3.1 billion. This increase was driven by higher asset management fees primarily due to higher market valuations and AUM flows, partially offset by lower transactional revenue. Also, the prior-year period included a gain of approximately $60 million related to the sale of BofA Global Capital Management's AUM. Noninterest expense increased $107 million to $3.4 billion

primarily driven by higher revenue-related incentive costs and increased FDIC expense.
The return on average allocated capital was 23 percent, up from 22 percent, as higher net income was partially offset by an increased capital allocation.
MLGWM revenue of $3.9 billion increased eight percent due to higher net interest income and asset management fees driven by higher market valuations and AUM flows, partially offset by lower transactional revenue. U.S. Trust revenue of $819 million increased seven percent reflecting higher net interest income and asset management fees driven by higher market valuations.
Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016
Net income for GWIM increased $129 million to $1.6 billion due to higher revenue, partially offset by an increase in noninterest expense. The operating margin was 27 percent compared to 26 percent a year ago.
Net interest income increased $241 million to $3.2 billion. Noninterest income, which primarily includes investment and brokerage services income, increased $152 million to $6.1 billion. Noninterest expense increased $167 million to $6.7 billion. These increases were driven by the same factors as described in the three-month discussion.
The return on average allocated capital was 23 percent, up from 22 percent, as higher net income was partially offset by an increased capital allocation.
Revenue from MLGWM of $7.7 billion increased five percent, and U.S. Trust revenue of $1.6 billion increased six percent. These increases were due to the same factors as described in the three-month discussion.

Key Indicators and Metrics

(Dollars in millions, except as noted)	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Revenue by Business				
Merrill Lynch Global Wealth Management	$3,874	$3,602	$7,656	$7,269
U.S. Trust	819	762	1,628	1,539
Other [1]	2	61	3	86
Total revenue, net of interest expense (FTE basis)	$4,695	$4,425	$9,287	$8,894
Client Balances by Business, at period end				
Merrill Lynch Global Wealth Management			$2,196,238	$2,026,392
U.S. Trust			421,180	393,089
Total client balances			$2,617,418	$2,419,481
Client Balances by Type, at period end				
Assets under management			$990,709	$832,394
Brokerage assets			1,104,775	1,070,014
Assets in custody			128,538	120,505
Deposits			237,131	250,976
Loans and leases [2]			156,265	145,592
Total client balances			$2,617,418	$2,419,481
Assets Under Management Rollforward				
Assets under management, beginning of period	$946,778	$890,663	$886,148	$900,863
Net client flows [3]	27,516	5,885	56,730	1,466
Market valuation/other [1]	16,415	(64,154)	47,831	(69,935)
Total assets under management, end of period	$990,709	$832,394	$990,709	$832,394
Associates, at period end [4, 5]				
Number of financial advisors			17,017	16,824
Total wealth advisors, including financial advisors			18,881	18,668
Total primary sales professionals, including financial advisors and wealth advisors			19,863	19,506
Merrill Lynch Global Wealth Management Metric [5]				
Financial advisor productivity [6] (in thousands)	$1,040	$978	$1,016	$978
U.S. Trust Metric, at period end [5]				
Primary sales professionals			1,665	1,648

(1) Includes the results of BofA Global Capital Management, the cash management division of Bank of America, and certain administrative items. Also reflects the sale to a third party of approximately $80 billion of BofA Global Capital Management's AUM during the three months ended June 30, 2016.

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

(3) For the three and six months ended June 30, 2016, net AUM flows includes $4.2 billion and $8.0 billion of net outflows related to BofA Global Capital Management's AUM that were sold during the three months ended June 30, 2016.

(4) Includes financial advisors in the Consumer Banking segment of 2,206 and 2,244 at June 30, 2017 and 2016.

(5) Associate computation is based on headcount.

(6) 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 managed under advisory and/or discretion of GWIM are AUM and are typically held in diversified portfolios. Fees earned on AUM are calculated as a percentage of clients' AUM balances. The asset management fees charged to clients per year depend on various factors, but are commonly driven by the breadth of the client’s relationship and generally range from 50 to 150 bps on their total AUM. The net client AUM flows represent the net change in clients’ AUM balances over a specified period of time, excluding market appreciation/depreciation and other adjustments.

Client balances increased $197.9 billion, or eight percent, to $2.6 trillion at June 30, 2017 compared to June 30, 2016. The increase in client balances was primarily due to AUM growth which increased $158.3 billion, or 19 percent, due to higher market valuations and positive net flows.

Net Migration Summary

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

Net Migration Summary [1]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Total deposits, net – from GWIM	$(187)	$(666)	$(284)	$(1,057)
Total loans, net – to (from) GWIM	(4)	5	(130)	15
Total brokerage, net – to (from) GWIM	(70)	(326)	24	(566)

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

Global Banking

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2017	2016	% Change	2017	2016	% Change
Net interest income (FTE basis)	$2,711	$2,425	12 %	$5,486	$4,969	10 %
Noninterest income:						
Service charges	810	759	7	1,575	1,504	5
Investment banking fees	930	799	16	1,855	1,435	29
All other income	588	713	(18)	1,078	1,242	(13)
Total noninterest income	2,328	2,271	3	4,508	4,181	8
Total revenue, net of interest expense (FTE basis)	5,039	4,696	7	9,994	9,150	9
Provision for credit losses	15	199	(92)	32	752	(96)
Noninterest expense	2,154	2,125	1	4,317	4,299	<1
Income before income taxes (FTE basis)	2,870	2,372	21	5,645	4,099	38
Income tax expense (FTE basis)	1,084	874	24	2,130	1,509	41
Net income	$1,786	$1,498	19	$3,515	$2,590	36
Net interest yield (FTE basis)	2.99 %	2.81 %		3.03 %	2.90 %	
Return on average allocated capital	18	16		18	14	
Efficiency ratio (FTE basis)	42.72	45.24		43.19	46.98	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2017	2016	% Change	2017	2016	% Change
Total loans and leases	$345,063	$334,396	3 %	$343,966	$331,519	4 %
Total earning assets	363,844	347,347	5	364,804	344,367	6
Total assets	413,950	396,008	5	414,924	393,891	5
Total deposits	300,483	299,037	<1	302,827	298,086	2
Allocated capital	40,000	37,000	8	40,000	37,000	8

Period end	June 30 2017	December 31 2016	% Change
Total loans and leases	$344,457	$339,271	2 %
Total earning assets	360,108	356,241	1
Total assets	410,580	408,330	1
Total deposits	303,205	307,630	(1)

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. Our lending products and services include commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Our treasury solutions business includes treasury management, foreign exchange and short-term investing options. We also provide investment banking products to our clients such as debt and equity underwriting and distribution, and merger-related and other advisory services. Underwriting debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through our global broker-dealer affiliates which are our primary dealers in several countries. Within Global Banking, Global Commercial Banking clients generally include middle-market companies, commercial real estate firms and not-for-profit companies. Global Corporate Banking clients generally include large global corporations, financial institutions and leasing clients. Business Banking clients include mid-sized U.S.-based businesses requiring customized and integrated financial advice and solutions.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net income for Global Banking increased $288 million to $1.8 billion driven by higher revenue and lower provision for credit losses.

Revenue increased $343 million to $5.0 billion driven by higher net interest income and noninterest income. Net interest income increased $286 million to $2.7 billion primarily driven by a stable deposit base and the impact of higher short-term rates, as well as loans and leasing-related growth, partially offset by modest margin compression. Noninterest income increased $57 million to $2.3 billion largely due to higher investment banking fees, partially offset by results from loans and related hedging activity in the fair value option portfolio.

The provision for credit losses decreased $184 million to $15 million driven by improvement across most of the portfolio, particularly energy. Noninterest expense increased $29 million to $2.2 billion driven by additional investments in technology and higher FDIC expense, partially offset by lower operating costs.

The return on average allocated capital was 18 percent, up from 16 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 14.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016
Net income for Global Banking increased $925 million to $3.5 billion driven by higher revenue and lower provision for credit losses.
Revenue increased $844 million to $10.0 billion driven by higher net interest income and noninterest income. Net interest income increased $517 million to $5.5 billion driven by loans and leasing-related growth, an increased deposit base driven by higher short-term rates and the impact of the allocation of ALM activities, partially offset by margin compression. Noninterest income increased $327 million to $4.5 billion largely due to higher investment banking fees and treasury fees, partially offset by lower revenues related to leasing activity.
The provision for credit losses decreased $720 million to $32 million primarily driven by the same factors as described in the three-month discussion. Noninterest expense increased $18 million to $4.3 billion primarily driven by higher revenue-related incentives and FDIC expense, partially offset by lower personnel and operating expense.

The return on average allocated capital was 18 percent, up from 14 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 14.
Global Corporate, Global Commercial and Business Banking
Global Corporate, Global Commercial and Business Banking each include Business Lending and Global Transaction Services activities. Business Lending includes various lending-related products and services, and related hedging activities, including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Global Transaction Services includes deposits, treasury management, credit card, foreign exchange and short-term investment products.
The table below and following discussion presents a summary of the results, which exclude certain investment banking activities in Global Banking.

Global Corporate, Global Commercial and Business Banking

	Three Months Ended June 30							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Business Lending	$1,093	$1,102	$1,052	$1,051	$99	$92	$2,244	$2,245
Global Transaction Services	833	717	752	663	211	180	1,796	1,560
Total revenue, net of interest expense	$1,926	$1,819	$1,804	$1,714	$310	$272	$4,040	$3,805
Balance Sheet								
Average								
Total loans and leases	$156,614	$154,141	$170,589	$162,683	$17,844	$17,523	$345,047	$334,347
Total deposits	143,844	140,076	120,921	124,529	35,720	34,433	300,485	299,038

Six Months Ended June 30							
Global Corporate Banking		Global Commercial Banking		Business Banking		Total	

	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Business Lending	$2,195	$2,155	$2,096	$2,059	$200	$190	$4,491	$4,404
Global Transaction Services	1,630	1,433	1,459	1,365	408	367	3,497	3,165
Total revenue, net of interest expense	$3,825	$3,588	$3,555	$3,424	$608	$557	$7,988	$7,569
Balance Sheet								
Average								
Total loans and leases	$155,989	$152,531	$170,161	$161,580	$17,815	$17,370	$343,965	$331,481
Total deposits	145,134	138,856	121,907	124,925	35,790	34,307	302,831	298,088
Period end								
Total loans and leases	$155,513	$153,603	$171,204	$163,623	$17,737	$17,580	$344,454	$334,806
Total deposits	145,707	142,357	121,644	127,996	35,853	34,787	303,204	305,140

Business Lending revenue remained flat for the three months ended June 30, 2017 and increased $87 million for the six months ended June 30, 2017 compared to the same periods in 2016. The increase in the six months ended period was driven by the impact of growth in loans and leases, partially offset by credit spread compression.
Global Transaction Services revenue increased $236 million and $332 million for the three and six months ended June 30, 2017 compared to the same periods in 2016 driven by an

increased deposit base driven by higher short-term rates, as well as higher treasury-related revenue.
Average loans and leases increased three percent and four percent for the three and six months ended June 30, 2017 compared to the same periods in 2016 driven by growth in the commercial and industrial, and leasing portfolios.
Average deposits remained relatively unchanged for the three months ended June 30, 2017 and increased two percent for the six months ended June 30, 2017 compared to the same periods in 2016. The

increase in the six months ended period was due to growth with new and existing clients.

Global Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of certain

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

Investment Banking Fees

	Three Months Ended June 30				Six Months Ended June 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Products								
Advisory	$465	$313	$483	$333	$855	$618	$888	$679
Debt issuance	362	390	901	889	774	655	1,827	1,558
Equity issuance	103	96	231	232	226	162	543	420
Gross investment banking fees	930	799	1,615	1,454	1,855	1,435	3,258	2,657
Self-led deals	(47)	(14)	(83)	(46)	(71)	(25)	(142)	(96)
Total investment banking fees	$883	$785	$1,532	$1,408	$1,784	$1,410	$3,116	$2,561

Total Corporation investment banking fees of $1.5 billion and $3.1 billion, excluding self-led deals, included primarily within Global Banking and Global Markets, increased nine percent and 22 percent for the three and six months ended June 30, 2017 compared to the same periods in 2016.

The increase was driven by higher advisory fees and higher debt and equity issuance fees driven by an increase in overall client activity and market fee pools.

Global Markets

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2017	2016	% Change	2017	2016	% Change
Net interest income (FTE basis)	$864	$1,088	(21)%	$1,913	$2,272	(16)%
Noninterest income:						
Investment and brokerage services	521	525	(1)	1,052	1,093	(4)
Investment banking fees	589	603	(2)	1,255	1,097	14
Trading account profits	1,743	1,872	(7)	3,920	3,467	13
All other income	229	221	4	514	330	56
Total noninterest income	3,082	3,221	(4)	6,741	5,987	13
Total revenue, net of interest expense (FTE basis)	3,946	4,309	(8)	8,654	8,259	5
Provision for credit losses	25	(5)	n/m	8	4	100
Noninterest expense	2,649	2,583	3	5,406	5,032	7
Income before income taxes (FTE basis)	1,272	1,731	(27)	3,240	3,223	1
Income tax expense (FTE basis)	442	618	(28)	1,113	1,138	(2)
Net income	$830	$1,113	(25)	$2,127	$2,085	2
Return on average allocated capital	10 %	12 %		12 %	11 %	
Efficiency ratio (FTE basis)	67.12	59.95		62.46	60.93	

Balance Sheet

Average	Three Months Ended June 30 2017	2016	% Change	Six Months Ended June 30 2017	2016	% Change
Trading-related assets:						
Trading account securities	$221,569	$178,047	24 %	$212,767	$182,989	16 %
Reverse repurchases	101,551	92,805	9	99,206	89,108	11
Securities borrowed	88,041	89,779	(2)	84,695	85,293	(1)
Derivative assets	41,402	50,654	(18)	40,877	52,083	(22)
Total trading-related assets [(1)]	452,563	411,285	10	437,545	409,473	7
Total loans and leases	69,638	69,620	<1	69,850	69,452	1
Total earning assets [(1)]	456,589	422,815	8	443,321	420,506	5
Total assets	645,228	580,701	11	626,225	580,963	8
Total deposits	31,919	34,518	(8)	32,535	35,202	(8)
Allocated capital	35,000	37,000	(5)	35,000	37,000	(5)

Period end	June 30 2017	December 31 2016	% Change
Total trading-related assets [(1)]	$436,193	$380,562	15 %
Total loans and leases	73,973	72,743	2
Total earning assets [(1)]	448,613	397,023	13
Total assets	633,193	566,060	12
Total deposits	33,363	34,927	(4)

(1) Trading-related assets include derivative assets, which are considered non-earning assets.

n/m = not meaningful

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

arrangement. Global Banking originates certain deal-related transactions with our corporate and

commercial clients that are executed and distributed by Global Markets. For more information on investment banking fees on a consolidated basis, see page 23.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net income for Global Markets decreased $283 million to $830 million driven by lower sales and trading revenue, investment banking fees and increased noninterest expense. Net DVA losses were $159 million compared to losses of $164 million. Sales and trading revenue, excluding net DVA, decreased $332 million primarily due to weaker performance in fixed-income, currencies and commodities (FICC) macro products and emerging markets. Noninterest expense increased $66 million to $2.6 billion as additional investments in technology were partially offset by lower operating costs.

Average earning assets increased $33.8 billion to $456.6 billion primarily driven by targeted growth in client financing activities in the global equities business.

The return on average allocated capital was 10 percent, down from 12 percent as lower net income was partially offset by a decreased capital allocation.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016
Net income for Global Markets increased $42 million to $2.1 billion. Net DVA losses were $289 million compared to losses of $10 million. Excluding net DVA, net income increased $215 million to $2.3 billion primarily driven by higher sales and trading revenue and investment banking fees, partially offset by higher noninterest expense. Sales and trading revenue, excluding net DVA, increased $409 million primarily due to a stronger performance across credit and mortgage products. Noninterest expense increased $374 million to $5.4 billion primarily due to litigation expense in the six months ended June 30, 2017 compared to a litigation recovery in the same period in 2016 and higher revenue-related expenses.
Average earning assets increased $22.8 billion to $443.3 billion and period-end trading-related assets increased $55.6 billion to $436.2 billion both primarily driven by targeted growth in client financing activities in the global equities business.
The return on average allocated capital was 12 percent, up from 11 percent, reflecting higher net income and a decreased capital allocation.

Sales and Trading Revenue
Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Sales and trading revenue is segregated into fixed-income (government debt obligations, investment and non-investment grade corporate debt obligations, commercial MBS, residential mortgage-backed securities (RMBS), collateralized loan obligations (CLOs), interest rate and credit derivative contracts), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equities (equity-linked derivatives and cash equity activity). The 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, which is a non-GAAP financial measure. We believe the use of this non-GAAP financial measure provides additional useful information to assess the underlying performance of these businesses and to allow better comparison of period-to-period operating performance.

Sales and Trading Revenue [1, 2]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2017	2016	2017	2016
Sales and trading revenue				
Fixed-income, currencies and commodities	$2,106	$2,456	$4,916	$4,861
Equities	1,104	1,081	2,193	2,118
Total sales and trading revenue	$3,210	$3,537	$7,109	$6,979
Sales and trading revenue, excluding net DVA [3]				
Fixed-income, currencies and commodities	$2,254	$2,615	$5,184	$4,880
Equities	1,115	1,086	2,214	2,109
Total sales and trading revenue, excluding net DVA	$3,369	$3,701	$7,398	$6,989

(1) Includes FTE adjustments of $52 million and $99 million for the three and six months ended June 30, 2017 compared to $44 million and $87 million for the same periods in 2016. 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 $56 million and $114 million for the three and six months ended June 30, 2017 compared to $120 million and $280 million for the same periods in 2016.

(3) FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net DVA losses were $148 million and $268 million for the three and six months ended June 30, 2017 compared to net DVA losses of $159 million and $19 million for the same periods in 2016. Equities net DVA losses were $11 million and $21 million for the three and six months ended June 30, 2017 compared to net DVA losses of $5

million and gains of $9 million for the same periods in 2016.

The explanations for period-over-period changes in sales and trading, FICC and Equities revenue, as set forth below, would be the same if net DVA was included.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

FICC revenue, excluding net DVA, decreased $361 million due to weaker performance in rates and emerging markets relative to an especially strong quarter in the prior year. Equities revenue,

excluding net DVA, increased $29 million primarily due to growth in client financing activities offset by slower secondary markets.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

FICC revenue, excluding net DVA, increased $304 million due to strength in credit and mortgage products. Equities revenue, excluding net DVA, increased $105 million primarily due to growth in client financing activities.

All Other

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2017	2016	% Change	2017	2016	% Change
Net interest income (FTE basis)	$91	$218	(58)%	$181	$ 349	(48)%
Noninterest income:						
Card income	28	54	(48)	70	99	(29)
Mortgage banking income	89	44	102	91	286	(68)
Gains on sales of debt securities	101	249	(59)	153	439	(65)
All other income (loss)	569	(281)	n/m	289	(614)	(147)
Total noninterest income	787	66	n/m	603	210	n/m
Total revenue, net of interest expense (FTE basis)	878	284	n/m	784	559	40
Provision for credit losses	(159)	42	n/m	(185)	(79)	134
Noninterest expense	1,122	1,082	4	3,311	3,464	(4)
Loss before income taxes (FTE basis)	(85)	(840)	(90)	(2,342)	(2,826)	(17)
Income tax expense (benefit) (FTE basis)	98	(633)	(115)	(1,325)	(1,523)	(13)
Net loss	$(183)	$(207)	(12)	$(1,017)	$ (1,303)	(22)

Balance Sheet [1]

	Three Months Ended June 30			Six Months Ended June 30		
Average	2017	2016	% Change	2017	2016	% Change
Total loans and leases	$87,667	$111,553	(21)%	$91,250	$ 114,803	(21)%
Total deposits	26,320	28,461	(8)	25,811	27,610	(7)
Period end				June 30 2017	December 31 2016	% Change
Total loans and leases [2]				$78,830	$ 96,713	(18)%

Total deposits	26,603	23,061	15

(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 $521.8 billion and $521.9 billion for the three and six months ended June 30, 2017 compared to $499.5 billion and $496.5 billion for the same periods in 2016, and $517.7 billion and $518.7 billion at June 30, 2017 and December 31, 2016.

(2) Included $9.2 billion of non-U.S. credit card loans, which were included in assets of business held for sale on the Consolidated Balance Sheet at December 31, 2016. On June 1, 2017, the Corporation completed the sale of its non-U.S. consumer credit card business.

n/m = not meaningful

All Other consists of ALM activities, equity investments, non-core mortgage loans and servicing activities, the net impact of periodic revisions to the MSR valuation model for both core and non-core MSRs and the related economic hedge results and ineffectiveness, other liquidating businesses, residual expense allocations and other. ALM activities encompass certain residential mortgages, debt securities, interest rate and foreign currency risk management activities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Note 17 – Business Segment Information to the Consolidated Financial Statements. Equity investments include our merchant services joint venture as well as Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other alternative investments. For more information on our merchant services joint venture, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

On June 1, 2017, we completed the sale of our non-U.S. consumer credit card business, resulting in a $103 million after-tax gain associated with the sale. For more information on the sale of our non-U.S. consumer credit card business, see Recent Events on page 3 and Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

The Corporation classifies consumer real estate loans as core or non-core based on loan and customer characteristics such as origination date, product type, LTV, FICO score and delinquency status. For more information on the core and non-core portfolios, see Consumer Portfolio Credit Risk Management on page 39. Residential mortgage loans that are held for ALM purposes,

including interest rate or liquidity risk management, are classified as core and are presented on the balance sheet of All Other. For more information on our interest rate and liquidity risk management activities, see Liquidity Risk on page 35 and Interest Rate Risk Management for the Banking Book on page 63. During the six months ended June 30, 2017, residential mortgage loans held for ALM activities decreased $3.3 billion to $31.4 billion at June 30, 2017 primarily as a result of payoffs and paydowns outpacing new originations. Non-core residential mortgage and home equity loans, which are principally run-off portfolios, including certain loans accounted for under the fair value option and MSRs pertaining to non-core loans serviced for others, are also held in All Other. During the six months ended June 30, 2017, total non-core loans decreased $5.9 billion to $47.2 billion at June 30, 2017 due primarily to payoffs and paydowns, as well as loan sales.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

The net loss for All Other decreased $24 million to $183 million due to a $793 million pre-tax gain recognized in connection with the sale of the non-U.S. consumer credit card business, a benefit in the provision for credit losses and higher mortgage banking income, offset by higher income tax expense, lower gains on sales of debt securities, lower net interest income and higher noninterest expense.

The provision for credit losses improved $201 million to a benefit of $159 million driven by reserve releases associated with the continued improvement in non-core consumer real estate loans as well as continued run-off of the portfolio. Noninterest expense increased $40 million to $1.1 billion driven by a $295 million

impairment charge related to certain data centers in the process of being sold and an increase in severance costs, offset by lower operating and non-core mortgage costs.
Income tax expense was $98 million compared to a benefit of $633 million driven by tax expense of $690 million recognized in connection with the sale of the non-U.S. consumer credit card business, which related to gains on derivatives used to hedge the currency risk of the net investment. Both periods included income tax benefit adjustments to eliminate the FTE treatment of certain tax credits recorded in Global Banking.
Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016
The net loss for All Other decreased $286 million to $1.0 billion due to a $793 million pre-tax gain related to the sale of the non-U.S. consumer credit card business, a decrease in noninterest expense and a benefit in the provision for credit losses, offset by lower gains on sales of debt securities, a decrease in the income tax benefit, lower net interest income and lower mortgage banking income.
Mortgage banking income in All Other decreased $195 million primarily driven by lower MSR results, net of the related hedge performance, and lower servicing fees driven by a smaller servicing portfolio. Gains on sales of loans, including nonperforming and other delinquent loans, and re-performing loans were $44 million compared to gains of $178 million in the same period in 2016.
The benefit in the provision for credit losses increased $106 million to a benefit of $185 million driven by the same factors as described in the three-month discussion. Noninterest expense decreased $153 million to $3.3 billion driven by lower litigation expense and a decline in non-core mortgage servicing costs, partially offset by the factors as described in the three-month discussion.
The income tax benefit was $1.3 billion compared to a benefit of $1.5 billion. The decrease was driven by a $690 million tax expense as described in the three-month discussion, partially offset by a tax benefit related to a new accounting standard on share-based compensation. Both periods included income tax benefit adjustments to eliminate the FTE treatment of certain tax credits recorded in Global Banking.
Off-Balance Sheet Arrangements and Contractual Obligations
We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For more information on obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A of the Corporation's 2016 Annual Report on Form 10-K, as well as Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2016 Annual Report on Form 10-K.
Representations and Warranties
For more information on representations and warranties, the liability for representations and warranties exposures and the corresponding estimated range of possible loss, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the

Corporation's 2016 Annual Report on Form 10-K and, for more information related to the sensitivity of the assumptions used to estimate our liability for representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability in the MD&A of the Corporation's 2016 Annual Report on Form 10-K.
At June 30, 2017 and December 31, 2016, we had $17.6 billion and $18.3 billion of unresolved repurchase claims, predominately related to subprime and pay option first-lien loans and home equity loans. Outstanding repurchase claims remain unresolved primarily due to (1) the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claim resolution and (2) the lack of an established process to resolve disputes related to these claims.
In addition to unresolved repurchase claims, we have received notifications from sponsors of third-party securitizations with whom we engaged in whole-loan transactions indicating that we may have indemnity obligations with respect to loans for which we have not received a repurchase request. These outstanding notifications totaled $1.3 billion at both June 30, 2017 and December 31, 2016. There were no new notifications received during the six months ended June 30, 2017.

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. At June 30, 2017 and December 31, 2016, the liability for representations and warranties was $2.2 billion and $2.3 billion. For the three and six months ended June 30, 2017, the representations and warranties provision was a benefit of $2 million and $5 million compared to a provision of $17 million and $59 million for the same periods in 2016.

In addition, we currently estimate that the range of possible loss for representations and warranties exposures could be up to $2 billion over existing accruals at June 30, 2017. The estimated range of possible loss represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

Future provisions and/or ranges of possible loss associated with obligations under representations and warranties may be significantly impacted if future experiences are different from historical experience or our understandings, interpretations or assumptions. Adverse developments, with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss, such as counterparties successfully challenging or avoiding the application of the relevant statute of limitations, could result in significant increases to future provisions and/or the estimated range of possible loss.

Other Mortgage-related Matters

We continue to be subject to additional mortgage-related litigation and disputes, as well as governmental and regulatory scrutiny and investigations, related to our past and current origination, servicing, transfer of servicing and servicing rights, servicing compliance obligations, foreclosure activities, indemnification obligations, and mortgage insurance and captive reinsurance practices with mortgage insurers. The ongoing environment of additional regulation, increased regulatory compliance obligations, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory

environment, has resulted in increased operational and compliance costs and may limit our ability to continue providing certain products and services. For more information on management's estimate of the aggregate range of possible loss for certain litigation matters and on regulatory investigations, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

Managing Risk

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

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

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

For more information on our risk management activities, including our Risk Framework, and the key types of risk faced by the Corporation, see Managing Risk through Reputational Risk sections in the MD&A of the Corporation's 2016 Annual Report on Form 10-K.

Capital Management

The Corporation manages its capital position so its capital is more than adequate to support its business activities and to maintain

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

We periodically review capital allocated to our businesses and allocate capital annually during the strategic and capital planning processes. For additional information, see Business Segment Operations on page 14.

CCAR and Capital Planning

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

On June 28, 2017, following the Federal Reserve's non-objection to our 2017 CCAR capital plan, the Board authorized the repurchase of $12.9 billion in common stock from July 1, 2017 through June 30, 2018, including approximately $900 million to offset the effect of equity-based compensation plans during the same period. The common stock repurchase authorization includes both common stock and warrants.

The timing and amount of common stock repurchases will be subject to various factors, including the Corporation's capital position, liquidity, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The common stock repurchases may be effected through open market purchases or privately negotiated transactions, including repurchase plans that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. As a "well-capitalized" BHC, we may notify the Federal Reserve of our intention to make additional capital distributions not to exceed 0.25 percent of Tier 1 capital, and which were not contemplated in our capital plan, subject to the Federal Reserve's non-objection.

During the 12 months ended June 30, 2017, we had repurchased $7.7 billion of common stock, pursuant to the Board's repurchase authorizations announced on June 29, 2016 and January 13, 2017. These repurchase authorizations expired on June 30, 2017.

Regulatory Capital

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

Basel 3 Overview

Basel 3 updated the composition of capital and established a Common equity tier 1 capital ratio. Common equity tier 1 capital primarily includes common stock, retained earnings and accumulated other comprehensive income (OCI), net of deductions and adjustments primarily related to goodwill, deferred tax assets, intangibles, MSRs and defined benefit pension assets. Under the Basel 3 regulatory capital transition provisions, certain deductions and adjustments to Common equity tier 1 capital are phased in through January 1, 2018. As of January 1, 2017, under the transition provisions, 80 percent of these deductions and adjustments was recognized. Basel 3 also revised minimum capital ratios and buffer requirements, added a supplementary leverage ratio (SLR), and addressed the adequately capitalized minimum requirements under the Prompt Corrective Action (PCA) framework. Finally, Basel 3 established two methods of calculating risk-weighted assets, the Standardized approach and the Advanced approaches. The Standardized approach relies primarily on supervisory risk weights based on exposure type, and the Advanced approaches determine risk weights based on internal models.

As an Advanced approaches institution, we are required to report regulatory risk-based capital ratios and risk-weighted assets under both the Standardized and Advanced approaches. The approach that yields the lower ratio is used to assess capital adequacy including under the PCA framework.

Minimum Capital Requirements

Minimum capital requirements and related buffers are being phased in from January 1, 2014 through January 1, 2019. The PCA framework establishes categories of capitalization including “well capitalized,” based on the Basel 3 regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for “well-capitalized” banking organizations, which included BANA at June 30, 2017.

We are subject to a capital conservation buffer, a countercyclical capital buffer and a global systemically important

bank (G-SIB) surcharge that are being phased in over a three-year period ending January 1, 2019. Once fully phased in, the Corporation’s risk-based capital ratio requirements will include a capital conservation buffer greater than 2.5 percent, plus any applicable countercyclical capital buffer and a G-SIB surcharge in order to avoid restrictions on capital distributions and discretionary bonus payments. The buffers and surcharge must be comprised solely of Common equity tier 1 capital. Under the phase-in provisions, we were required to maintain a capital conservation buffer greater than 1.25 percent plus a G-SIB surcharge of 1.5 percent at June 30, 2017. The countercyclical capital buffer is currently set at zero. We estimate that our fully phased-in G-SIB surcharge will be 2.5 percent. The G-SIB surcharge may differ from this estimate over time. For more information on the Corporation's transition and fully phased-in capital ratios and regulatory requirements, see Table 11.

Supplementary Leverage Ratio

Basel 3 requires Advanced approaches institutions to disclose an SLR. The numerator of the SLR is quarter-end Basel 3 Tier 1 capital. The denominator is total leverage exposure based on the daily average of the sum of on-balance sheet exposures less permitted Tier 1 deductions, as well as the simple average of certain off-balance sheet exposures, as of the end of each month in a quarter. Effective January 1, 2018, the Corporation will be required to maintain a minimum SLR of 3.0 percent, plus a leverage buffer of 2.0 percent in order to avoid certain restrictions on capital distributions and discretionary bonus payments. Insured depository institution subsidiaries of BHCs will be required to maintain a minimum 6.0 percent SLR to be considered "well capitalized" under the PCA framework.

Capital Composition and Ratios

Table 11 presents Bank of America Corporation’s transition and fully phased-in capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at June 30, 2017 and December 31, 2016. Fully phased-in estimates are non-GAAP financial measures that the Corporation considers to be useful measures in evaluating compliance with new regulatory capital requirements that are not yet effective. For reconciliations to GAAP financial measures, see Table 14. As of June 30, 2017 and December 31, 2016, the

Corporation met the definition of “well capitalized” under current regulatory requirements.

Table 11 Bank of America Corporation Regulatory Capital under Basel 3 [1]

	June 30, 2017											
	Transition						Fully Phased-in					
(Dollars in millions)	Standardized Approach		Advanced Approaches		Regulatory Minimum [2]		Standardized Approach		Advanced Approaches [3]		Regulatory Minimum [4]	
Risk-based capital metrics:												
Common equity tier 1 capital	$171,431		$171,431				$168,704		$168,704			
Tier 1 capital	194,822		194,822				193,576		193,576			
Total capital [5]	231,696		222,671				228,536		219,511			
Risk-weighted assets (in billions)	1,390		1,478				1,405		1,464			
Common equity tier 1 capital ratio	12.3	%	11.6	%	7.25	%	12.0	%	11.5	%	9.5	%
Tier 1 capital ratio	14.0		13.2		8.75		13.8		13.2		11.0	
Total capital ratio	16.7		15.1		10.75		16.3		15.0		13.0	
Leverage-based metrics:												
Adjusted quarterly average assets (in billions) [6]	$2,192		$2,192				$2,192		$2,192			
Tier 1 leverage ratio	8.9	%	8.9	%	4.0		8.8	%	8.8	%	4.0	
SLR leverage exposure									$2,755			

(in billions)						
SLR					7.0 %	5.0
	December 31, 2016					
Risk-based capital metrics:						
Common equity tier 1 capital	$168,866	$168,866		$162,729	$162,729	
Tier 1 capital	190,315	190,315		187,559	187,559	
Total capital [5]	228,187	218,981		223,130	213,924	
Risk-weighted assets (in billions)	1,399	1,530		1,417	1,512	
Common equity tier 1 capital ratio	12.1 %	11.0 %	5.875 %	11.5 %	10.8 %	9.5 %
Tier 1 capital ratio	13.6	12.4	7.375	13.2	12.4	11.0
Total capital ratio	16.3	14.3	9.375	15.8	14.2	13.0
Leverage-based metrics:						
Adjusted quarterly average assets (in billions) [6]	$2,131	$2,131		$2,131	$2,131	
Tier 1 leverage ratio	8.9 %	8.9 %	4.0	8.8 %	8.8 %	4.0
SLR leverage exposure (in billions)					$	