

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

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

(Mark One)

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

For the Quarterly Period Ended March 31, 2018

or

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

For the transition period from to

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State or other jurisdiction of incorporation or organization:

Delaware

IRS Employer Identification No.:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

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

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

Yes No ☐

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

Yes No ☐

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

Non-accelerated filer ☐

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

Emerging growth company ☐

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

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

Yes ☐ No ☒

On April 27, 2018, there were 10,139,354,414 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation and Subsidiaries

March 31, 2018

Form 10-Q

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

Bank of America Corporation (the "Corporation") and its management may make certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "hopes," "estimates," "intends," "plans," "goals," "believes," "continues" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." Forward-looking statements represent the Corporation's current expectations, plans or forecasts of its future results, revenues, expenses, efficiency ratio, capital measures, strategy and future business and economic conditions more generally, and other future matters. These statements are not guarantees of future results or performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed under Item 1A. Risk Factors of our 2017 Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions, including inquiries into our retail sales practices, and the possibility that amounts may be in excess of the Corporation's recorded liability and estimated range of possible loss for litigation exposures; the possibility that the Corporation could face increased servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, 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, economic conditions, trade policies and potential geopolitical instability; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior, adverse developments with respect to U.S. or global economic conditions and other uncertainties; the Corporation's ability to achieve its expense targets, net interest income expectations, or other projections; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities, which may change; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements; the potential impact of total loss-absorbing capacity requirements; potential adverse changes to our global systemically important bank surcharge; the potential impact of Federal Reserve actions on the Corporation's capital plans; the possible impact of the Corporation's failure to remediate a shortcoming identified by banking regulators in the Corporation's Resolution Plan; the effect of regulations, other guidance or additional information on our estimated impact of the Tax Cuts and Jobs Act; the impact of implementation and compliance with U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, Federal Deposit Insurance Corporation assessments, the Volcker Rule, fiduciary standards and derivatives regulations; a failure in or

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

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, “the Corporation” may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation’s subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through four business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At March 31, 2018, the Corporation had approximately \$2.3 trillion in assets and a headcount of approximately 208,000 employees. Headcount has remained relatively unchanged since December 31, 2017.

As of March 31, 2018, we served clients through operations across the United States, its territories and more than 35 countries. Our retail banking footprint covers approximately 85 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,400 retail financial centers, approximately 16,000 ATMs, and leading digital banking platforms (www.bankofamerica.com) with approximately 36 million active users, including approximately 25 million active mobile users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of over \$2.7 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.

First Quarter 2018 Economic and Business Environment

U.S. macroeconomic trends in the first quarter were characterized by moderate economic growth, low inflation and a strong labor market. Gross domestic product (GDP) growth for the first quarter of 2018 was moderate and lower than previously estimated, with actual GDP growth of 2.3 percent, well below the fourth quarter’s 2.9 percent annualized pace. Notably, retail sales slowed in the first quarter compared to the fourth quarter. Nevertheless, economic fundamentals point to a second-quarter pickup. Consumer confidence remains near cyclical highs, which along with the robust labor market, point to the likelihood of a household spending rebound in the second quarter. Business investment in equipment and software accelerated over 2017. Both manufacturing and non-manufacturing investments are near their highs of the current economic expansion.

Housing activity showed some signs of growth during the first quarter, with continued solid price appreciation when compared to the fourth quarter of 2017. Selling rates are near year-ago levels with continued persistent supply shortages.

Labor market conditions remain strong. Nonfarm payroll growth has been volatile month-to-month but solid on a trend basis. Initial jobless claims are near historic lows. The unemployment rate was 4.1 percent at the end of the quarter, unchanged for six consecutive months, as strong employment gains have been met with solid increases in labor force growth. Wage growth, however, has been relatively muted.

Inflation strengthened in the first quarter, led by gains in apparel, health care and energy. The core Consumer Price Index increased at a three-percent annualized rate, the fastest quarterly rise of the current business expansion, although the less volatile year-on-year rate remained at 2.1 percent.

Equity markets increased substantially through the end of 2017 and into early 2018, with anticipation and enactment of corporate tax reform being the main catalysts, as well as a synchronous global economic expansion. However, equity volatility increased sharply in early February and periodically in March. The S&P 500 finished the first quarter down 1.2 percent from the year end. The 10-year Treasury yield finished the first quarter at 2.76 percent, up from 2.41 percent at the end of 2017. Although the Treasury yield curve steepened during the equity sell-off, the curve subsequently flattened back to levels that prevailed at the end of 2017. The U.S. dollar index trended lower through most of the first quarter.

The Federal Reserve raised its target Federal funds rate corridor to 1.5 to 1.75 percent, the sixth 25-basis point (bp) rate increase of the current cycle. Current Federal Reserve baseline forecasts suggest gradual rate increases will

continue into 2018 against a backdrop of solid economic expansion and a tightening labor market. The Federal Open Market Committee also upgraded their economic forecasts, with somewhat faster GDP growth expected this year and in 2019, and a lower trough anticipated for the unemployment rate. Federal Reserve balance sheet normalization is continuing as initially scheduled.

International trade tensions escalated in the first quarter. The U.S. Administration announced plans for broad-based tariffs on steel and aluminum, although subsequently gave exemptions to various trading partners. The Administration also announced plans for tariffs on imports from China, and the Chinese government announced retaliatory measures. Full enactment of the tariffs remains subject to negotiation and further review by the Administration.

After posting its strongest annual GDP growth in 10 years in 2017, economic activity in the eurozone lost some momentum in the first quarter of the year. Despite the positive trend in growth, underlying inflationary pressures have remained dormant. In this context, the European Central Bank continued with the tapering of its quantitative easing program. The impact of the 2016 U.K. referendum vote in favor of leaving the European Union (EU) continues to weigh on the U.K. economy which, in line with the eurozone, has also showed some signs of slowing in the first three months of the year.

Supported by a very accommodative monetary policy stance and sustained growth in external demand, the Japanese economy has continued to expand with headline inflation reaching its highest level since 2015. Across emerging nations, economic activity was supported by China's continued transition towards a more consumption-based growth model.

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Recent Events

Capital Management

During the first quarter of 2018, we repurchased approximately \$4.9 billion of common stock pursuant to the Board of Directors' (the Board) June 2017 repurchase authorization under our 2017 Comprehensive Capital Analysis and Review (CCAR) capital plan, including repurchases to offset equity-based compensation awards, and an additional share repurchase authorization in December 2017. For more information, see Capital Management on page 18.

Trust Preferred Securities Redemption

On April 30, 2018, the Corporation announced that it has submitted redemption notices for 11 series of trust preferred securities, which will result in the redemption of such trust

preferred securities, along with the trust common securities (held by the Corporation or its affiliates), on June 6, 2018. The Corporation has received all necessary approvals for these redemptions. Upon the redemption of the trust preferred securities and the extinguishment of the related junior subordinated notes issued by the Corporation, expected to occur in the second quarter of 2018, the Corporation will record a charge to other income and pretax income estimated to be approximately \$800 million, subject to certain redemption price calculations at that time. For additional information, see the Corporation's Current Report on Form 8-K filed on April 30, 2018.

Selected Financial Data

Table 1 provides selected consolidated financial data for the three months ended March 31, 2018 and 2017, and at March 31, 2018 and December 31, 2017.

Table 1 Selected Financial Data

	Three Months Ended March 31			
(Dollars in millions, except per share information)	2018		2017	
Income statement				
Revenue, net of interest expense	\$23,125		\$ 22,248	
Net income	6,918		5,337	
Diluted earnings per common share	0.62		0.45	
Dividends paid per common share	0.12		0.075	
Performance ratios				
Return on average assets	1.21	%	0.97	%
Return on average common shareholders' equity	10.85		8.09	
Return on average tangible common shareholders' equity ⁽¹⁾	15.26		11.44	
Efficiency ratio	60.09		63.34	
	March 31 2018		December 31 2017	
Balance sheet				
Total loans and leases	\$934,078		\$ 936,749	
Total assets	2,328,478		2,281,234	
Total deposits	1,328,664		1,309,545	
Total common shareholders' equity	241,552		244,823	
Total shareholders' equity	266,224		267,146	

Return on average tangible common shareholders' equity is a non-GAAP financial measure. For more information (1) and a corresponding reconciliation to accounting principles generally accepted in the United States of America (GAAP) financial measures, see Non-GAAP Reconciliations on page 48.

Financial Highlights

Table 2 Summary Income Statement

	Three Months Ended March 31	
(Dollars in 2018 2017 millions)		
Net interest income	\$11,608	\$11,058
Noninterest income	11,517	11,190
Total revenue, net of interest expense	23,125	22,248
Provision for credit losses	834	835
Noninterest expense	13,897	14,093
Income before taxes	8,394	7,320
Income tax expense	1,476	1,983
Net income	\$6,918	\$5,337
Preferred stock dividends	428	502
Net income applicable to common shareholders	\$6,490	\$4,835
Per common share information		
Earnings	\$0.63	\$0.48

Diluted
earnings 0.62 0.45

Net income was \$6.9 billion, or \$0.62 per diluted share for the three months ended March 31, 2018 compared to \$5.3 billion, or \$0.45 per diluted share for the same period in 2017. The results for the three months ended March 31, 2018 compared to the same period in 2017 were driven by an increase in net interest income and noninterest income, and a decline in noninterest expense as well as lower income tax expense due to the impacts of the Tax Cuts and Jobs Act (the Tax Act). These impacts include a reduction in the federal tax rate to 21 percent from 35 percent, an increase in U.S. taxes related to our non-U.S. operations and the elimination of tax deductions for Federal Deposit Insurance Corporation (FDIC) premiums. These changes resulted in a net reduction to our estimated annual effective tax rate of approximately nine percentage points.

Total assets increased \$47.2 billion from December 31, 2017 to \$2.3 trillion at March 31, 2018 driven by higher cash and cash equivalents from seasonally higher deposits and an increase in securities borrowed or purchased under agreements to resell to support Global Markets client activity. These increases were partially offset by a decrease in debt securities due to lower reinvestment-related purchases as well as market value declines.

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Total liabilities increased \$48.2 billion from December 31, 2017 to \$2.1 trillion at March 31, 2018 primarily driven by seasonally higher deposits and an increase in trading account liabilities from increased activity in Global Markets.

Shareholders' equity decreased \$922 million from December 31, 2017 primarily due to returns of capital to shareholders through common stock repurchases and common and preferred stock dividends, and market value declines on debt securities, largely offset by net income and issuances of preferred stock.

Net Interest Income

Net interest income increased \$550 million to \$11.6 billion for the three months ended March 31, 2018 compared to the same period in 2017, and the net interest yield increased one bp to 2.36 percent. These increases were primarily driven by the benefits from higher interest rates along with loan and deposit growth, partially offset by the sale of the non-U.S. consumer credit card business in the second quarter of 2017 and higher funding costs in Global Markets. For more information regarding interest rate risk management, see Interest Rate Risk Management for the Banking Book on page 45.

Noninterest Income

Table 3 Noninterest Income

	Three Months Ended March 31	
(Dollars in millions)	2018	2017
Card income	\$1,457	\$1,449
Service charges	1,921	1,918
Investment and brokerage services	3,664	3,417
Investment banking income	1,353	1,584
Trading account profits	2,699	2,331
Other income	423	491
Total noninterest income	\$11,517	\$11,190

Noninterest income increased \$327 million to \$11.5 billion for the three months ended March 31, 2018 compared to the same period in 2017. The following highlights the significant changes.

Investment and brokerage services income increased \$247 million primarily driven by higher market valuations and the impact of assets under management (AUM) flows, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing.

Investment banking income decreased \$231 million primarily due to declines in advisory fees and equity and debt issuance fees.

Trading account profits increased \$368 million primarily due to increased client activity and a strong trading performance in equity derivatives, partially offset by lower activity and less favorable markets in credit products.

Other income decreased \$68 million primarily due to lower equity investment gains.

Provision for Credit Losses

The provision for credit losses remained relatively unchanged for the three months ended March 31, 2018 compared to the same period in 2017 with continued improvement in the consumer real estate portfolio and the impact of the sale of the non-U.S. credit card business during the second quarter of 2017, largely offset by an increase in U.S. credit card due to portfolio seasoning and loan growth. For more information on the provision for credit losses, see Provision for Credit Losses on page 41.

Noninterest Expense

Table 4 Noninterest Expense

Three Months
Ended March 31

(Dollars in millions)	2018	2017
Personnel	\$8,480	\$8,475
Occupancy	1,014	1,000
Equipment	442	438
Marketing	345	332
Professional fees	381	456
Data processing	810	794
Telecommunications	183	191
Other general operating	2,242	2,407
Total noninterest expense	\$13,897	\$14,093

Noninterest expense decreased \$196 million to \$13.9 billion for the three months ended March 31, 2018 compared to the same period in 2017 driven by lower non-personnel costs, primarily litigation expense and professional fees.

Income Tax Expense

Table 5 Income Tax Expense

	Three Months Ended March 31			
(Dollars in millions)	2018	2017		
Income before income taxes	\$8,394	\$7,320		
Income tax expense	1,476	1,983		
Effective tax rate	17.6	%	27.1	%

The effective tax rate for 2018 reflects the new 21 percent federal tax rate and the other provisions of the Tax Act. Further, the effective tax rates for the three months ended March 31, 2018 and 2017 were lower than the applicable federal and state statutory rates due to our recurring tax preference benefits and tax benefits related to stock-based compensation. We expect the effective tax rate for 2018 to be approximately 20 percent, absent unusual items.

Table 6 Selected Quarterly Financial Data

	2018 Quarter Quarter	2017 Quarters				
	(In millions, except per share information) First	Fourth	Third	Second	First	
Income statement						
Net interest income	\$11,608	\$11,462	\$11,161	\$10,986	\$11,058	
Noninterest income ⁽¹⁾	11,517	8,974	10,678	11,843	11,190	
Total revenue, net of interest expense	23,125	20,436	21,839	22,829	22,248	
Provision for credit losses	834	1,001	834	726	835	
Noninterest expense	13,897	13,274	13,394	13,982	14,093	
Income before income taxes	8,394	6,161	7,611	8,121	7,320	
Income tax expense ⁽¹⁾	1,476	3,796	2,187	3,015	1,983	
Net income ⁽¹⁾	6,918	2,365	5,424	5,106	5,337	
Net income applicable to common shareholders	6,490	2,079	4,959	4,745	4,835	
Average common shares issued and outstanding	10,322.4	10,470.7	10,197.9	10,013.5	10,099.6	
Average diluted common shares issued and outstanding	10,472.7	10,621.8	10,746.7	10,834.8	10,919.7	
Performance ratios						
Return on average assets	1.21	% 0.41	% 0.95	% 0.90	% 0.97	%
Four quarter trailing return on average assets ⁽²⁾	0.86	0.80	0.91	0.89	0.88	
Return on average common shareholders' equity	10.85	3.29	7.89	7.75	8.09	
Return on average tangible common shareholders' equity ⁽³⁾	15.26	4.56	10.98	10.87	11.44	
Return on average shareholders' equity	10.57	3.43	7.88	7.56	8.09	
Return on average tangible shareholders' equity ⁽³⁾	14.37	4.62	10.59	10.23	11.01	
Total ending equity to total ending assets	11.43	11.71	11.91	12.00	11.92	
Total average equity to total average assets	11.41	11.87	12.03	11.94	12.00	
Dividend payout	19.06	60.35	25.59	15.78	15.64	
Per common share data						
Earnings	\$0.63	\$0.20	\$0.49	\$0.47	\$0.48	
Diluted earnings	0.62	0.20	0.46	0.44	0.45	
Dividends paid	0.12	0.12	0.12	0.075	0.075	
Book value	23.74	23.80	23.87	24.85	24.34	
Tangible book value ⁽³⁾	16.84	16.96	17.18	17.75	17.22	
Market price per share of common stock						
Closing	\$29.99	\$29.52	\$25.34	\$24.26	\$23.59	
High closing	32.84	29.88	25.45	24.32	25.50	
Low closing	29.17	25.45	22.89	22.23	22.05	
Market capitalization	\$305,176	\$303,681	\$264,992	\$239,643	\$235,291	
Average balance sheet						
Total loans and leases	\$931,915	\$927,790	\$918,129	\$914,717	\$914,144	

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Total assets	2,325,878	2,301,687	2,271,104	2,269,293	2,231,649	
Total deposits	1,297,268	1,293,572	1,271,711	1,256,838	1,256,632	
Long-term debt	229,603	227,644	227,309	224,019	221,468	
Common shareholders' equity	242,713	250,838	249,214	245,756	242,480	
Total shareholders' equity	265,480	273,162	273,238	270,977	267,700	
Asset quality						
Allowance for credit losses ⁽⁴⁾	\$ 11,042	\$ 11,170	\$ 11,455	\$ 11,632	\$ 11,869	
Nonperforming loans, leases and foreclosed properties ⁽⁵⁾	6,694	6,758	6,869	7,127	7,637	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding ^(6, 7)	1.11	% 1.12	% 1.16	% 1.20	% 1.25	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases ^(5, 6)	161	161	163	160	156	
Net charge-offs ^(7, 8)	\$911	\$1,237	\$900	\$908	\$934	
Annualized net charge-offs as a percentage of average loans and leases outstanding ^(6, 8)	0.40	% 0.53	% 0.39	% 0.40	% 0.42	%
Capital ratios at period end ⁽⁹⁾						
Common equity tier 1 capital	11.3	% 11.5	% 11.9	% 11.5	% 11.0	%
Tier 1 capital	13.0	13.0	13.4	13.2	12.6	
Total capital	14.8	14.8	15.1	15.0	14.3	
Tier 1 leverage	8.4	8.6	8.9	8.8	8.8	
Supplementary leverage ratio	6.8	n/a	n/a	n/a	n/a	
Tangible equity ⁽³⁾	8.7	8.9	9.1	9.2	9.1	
Tangible common equity ⁽³⁾	7.6	7.9	8.1	8.0	7.9	

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

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

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

(3) more information on these ratios, see Supplemental Financial Data on page 7, and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 48.

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

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

(5) Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 33 and corresponding Table 28, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 37 and corresponding Table 35.

(6) Asset quality metrics for the first quarter of 2017 include \$242 million of non-U.S. credit card allowance for loan and lease losses and \$9.5 billion of non-U.S. credit card loans, which were included in assets of business held for sale on the Consolidated Balance Sheet at March 31, 2017. The Corporation sold its non-U.S. consumer credit card business in the second quarter of 2017.

(7) Net charge-offs exclude \$35 million, \$46 million, \$73 million, \$55 million and \$33 million of write-offs in the purchased credit-impaired (PCI) loan portfolio in the first quarter of 2018, and in the fourth, third, second and first quarters of 2017, respectively. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 31.

(8) Includes net charge-offs of \$31 million and \$44 million on non-U.S. credit card loans in the second and first quarters of 2017, which were included in assets of business held for sale on the Consolidated Balance Sheet at March 31, 2017.

Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January
(9) 1, 2018. Prior periods are presented on a fully phased-in basis. For more information, see Capital Management on
page 18.

n/a = not applicable

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Supplemental Financial Data

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

We view net interest income and related ratios and analyses on a fully taxable-equivalent (FTE) basis, which when presented on a consolidated basis, are non-GAAP financial measures. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 21 percent for 2018 (35 percent for all prior periods) and a representative state tax rate. In addition, certain performance measures, including the efficiency ratio and net interest yield, utilize net interest income (and thus total revenue) on an FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds. We believe that presentation of these items on an FTE basis allows for comparison of amounts from both taxable and tax-exempt sources and is consistent with industry practices.

We may present certain key performance indicators and ratios excluding certain items (e.g., debit valuation adjustment (DVA) gains (losses)) which result in non-GAAP financial measures. We believe that the presentation of measures that exclude these items is useful because such measures provide additional information to assess the underlying operational performance and trends of our businesses and to allow better comparison of period-to-period operating performance.

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure.

Tangible

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

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

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

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

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

The aforementioned supplemental data and performance measures are presented in Table 6.

For more information on the reconciliation of these non-GAAP financial measures to GAAP financial measures, see Non-GAAP Reconciliations on page 48.

Quarterly Average
Table 7 Balances and Interest
Rates - FTE Basis

	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
(Dollars in millions)	First Quarter 2018			First Quarter 2017		
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S.	\$140,247	\$422	1.22 %	\$123,921	\$202	0.66 %
central banks and other banks						
Time deposits placed and	10,786	61	2.31	11,497	47	1.65
other short-term investments						
Federal funds sold and securities borrowed or	248,320	622	1.02	216,402	356	0.67
purchased under agreements to resell (1)						
Trading account	131,123	1,147	3.54	125,661	1,111	3.58
assets						
Debt securities	433,096	2,830	2.58	430,234	2,573	2.38
Loans and leases (2):						

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Residential mortgage	204,830	1,782	3.48	193,627	1,661	3.44
Home equity	56,952	643	4.56	65,508	639	3.94
U.S. credit card	94,423	2,313	9.93	89,628	2,111	9.55
Non-U.S. credit card ⁽³⁾	—	—	—	9,367	211	9.15
Direct/Indirect consumer ⁽⁴⁾	92,478	701	3.07	93,291	608	2.65
Other consumer ⁽⁵⁾	2,814	27	4.00	2,547	27	4.07
Total consumer	451,497	5,466	4.89	453,968	5,257	4.68
U.S. commercial	299,850	2,717	3.68	287,468	2,222	3.14
Non-U.S. commercial	99,504	738	3.01	92,821	595	2.60
Commercial real estate ⁽⁶⁾	59,231	587	4.02	57,764	479	3.36
Commercial lease financing	21,833	175	3.20	22,123	231	4.17
Total commercial	480,418	4,217	3.56	460,176	3,527	3.11
Total loans and leases ⁽³⁾	931,915	9,683	4.20	914,144	8,784	3.88
Other earning assets ⁽¹⁾	84,345	984	4.72	73,514	760	4.19
Total earning assets ^(1,7)	1,979,832	15,749	3.21	1,895,373	13,833	2.96
Cash and due from banks	26,275			27,196		
Other assets, less allowance for loan and lease losses	319,771			309,080		
	\$2,325,878			\$2,231,649		

Total assets						
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	\$54,747	\$1	0.01 %	\$52,193	\$1	0.01 %
NOW and money market deposit accounts	659,033	406	0.25	617,749	74	0.05
Consumer CDs and IRAs	41,313	33	0.33	46,711	31	0.27
Negotiable CDs, public funds and other deposits	40,639	157	1.56	33,695	52	0.63
Total U.S. interest-bearing deposits	795,732	597	0.30	750,348	158	0.09
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,243	9	1.67	2,616	5	0.76
Governments and official institutions	1,154	—	0.02	1,013	2	0.81
Time, savings and other	67,334	154	0.92	58,418	117	0.81
Total non-U.S. interest-bearing deposits	70,731	163	0.93	62,047	124	0.81
Total interest-bearing deposits	866,463	760	0.36	812,395	282	0.14

Federal funds purchased, securities loaned or sold under agreements to	278,931	1,135	1.65	266,837	573	0.87
repurchase, short-term borrowings and other interest-bearing liabilities (1)						
Trading account	55,362	357	2.62	38,731	264	2.76
liabilities						
Long-term debt	229,603	1,739	3.06	221,468	1,459	2.65
Total interest-bearing liabilities (1,7)	430,359	3,991	1.13	1,339,431	2,578	0.78
Noninterest-bearing sources:						
Noninterest-bearing deposits	430,805			444,237		
Other liabilities (1)	99,234			180,281		
Shareholders' equity	265,480			267,700		
Total liabilities and shareholders' equity	\$2,325,878			\$2,231,649		
Net interest spread			2.08 %			2.18 %
Impact of noninterest-bearing sources			0.31			0.21
Net interest income/yield on earning		\$11,758	2.39 %		\$11,255	2.39 %

assets

- (1) Certain prior-period amounts have been reclassified to conform to current period presentation. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is
- (2) generally recognized on a cost recovery basis. PCI loans are recorded at fair value upon acquisition and accrete interest income over the estimated life of the loan.
- (3) Includes assets of the Corporation's non-U.S. consumer credit card business, which was sold during the second quarter of 2017.
- (4) Includes non-U.S. consumer loans of \$2.9 billion in both the first quarter of 2018 and 2017.
- (5) Includes consumer finance loans of \$0 and \$454 million; consumer leases of \$2.6 billion and \$1.9 billion, and consumer overdrafts of \$167 million and \$170 million in the first quarter of 2018 and 2017, respectively.
- (6) Includes U.S. commercial real estate loans of \$55.3 billion and \$54.7 billion, and non-U.S. commercial real estate loans of \$3.9 billion and \$3.1 billion in the first quarter of 2018 and 2017, respectively. Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by \$7 million and \$17 million in the first quarter of 2018 and 2017. Interest expense includes
- (7) the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by \$204 million and \$424 million in the first quarter of 2018 and 2017. For more information, see Interest Rate Risk Management for the Banking Book on page 45.

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 17. The capital allocated to the business segments is referred to as allocated capital. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For more information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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

Consumer Banking

	Deposits Three Months Ended March 31		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2018	2017	2018	2017	2018	2017	% Change
Net interest income (FTE basis)	\$3,741	\$ 3,063	\$2,769	\$ 2,718	\$6,510	\$ 5,781	13 %
Noninterest income:							
Card income	2	2	1,277	1,222	1,279	1,224	4
Service charges	1,044	1,050	—	—	1,044	1,050	(1)
All other income	108	102	91	127	199	229	(13)
Total noninterest income	1,154	1,154	1,368	1,349	2,522	2,503	1
Total revenue, net of interest expense (FTE basis)	4,895	4,217	4,137	4,067	9,032	8,284	9
Provision for credit losses	41	55	894	783	935	838	12
Noninterest expense	2,651	2,527	1,829	1,883	4,480	4,410	2
Income before income taxes (FTE basis)	2,203	1,635	1,414	1,401	3,617	3,036	19
Income tax expense (FTE basis)	561	616	361	528	922	1,144	(19)

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Net income	\$1,642	\$ 1,019	\$1,053	\$ 873	\$2,695	\$ 1,892	42
Effective tax rate ⁽¹⁾					25.5	% 37.7	%
Net interest yield (FTE basis)	2.25	% 1.96	% 4.09	% 4.34	% 3.73	3.50	
Return on average allocated capital	55	34	17	14	30	21	
Efficiency ratio (FTE basis)	54.15	59.94	44.21	46.29	49.60	53.24	

Balance Sheet

Three Months Ended March 31							
Average	2018	2017	2018	2017	2018	2017	% Change
Total loans and leases	\$5,170	\$ 4,979	\$274,387	\$252,966	\$279,557	\$257,945	8 %
Total earning assets ⁽²⁾	673,641	634,704	274,748	254,066	707,754	668,865	6
Total assets ⁽²⁾	701,418	661,769	285,864	265,783	746,647	707,647	6
Total deposits	668,983	629,337	5,368	6,257	674,351	635,594	6
Allocated capital	12,000	12,000	25,000	25,000	37,000	37,000	—

Period end	March 31 2018	December 31 2017	March 31 2018	December 31 2017	March 31 2018	December 31 2017	% Change
Total loans and leases	\$5,111	\$ 5,143	\$273,944	\$275,330	\$279,055	\$280,473	(1) %
Total earning assets ⁽²⁾	700,420	675,485	274,977	275,742	735,247	709,832	4
Total assets ⁽²⁾	728,063	703,330	286,343	287,390	774,256	749,325	3
Total deposits	695,514	670,802	5,974	5,728	701,488	676,530	4

⁽¹⁾ Estimated at the segment level only.

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

⁽²⁾ 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.

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. For more information about Consumer Banking, including our Deposits and Consumer Lending businesses, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Consumer Banking Results

Net income for Consumer Banking increased \$803 million to \$2.7 billion for the three months ended March 31, 2018 compared to the same period in 2017 primarily driven by higher pretax income, and lower tax expense. The impact of the reduction in the federal tax rate was somewhat offset by the elimination of tax deductions for FDIC premiums under the Tax Act. The increase in pretax income

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was driven by an increase in revenue partially offset by higher provision for credit losses and an increase in noninterest expense. Net interest income increased \$729 million to \$6.5 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits and higher interest rates, as well as pricing discipline and loan growth. Noninterest income increased \$19 million to \$2.5 billion driven by higher card income, partially offset by lower mortgage banking income.

The provision for credit losses increased \$97 million to \$935 million due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense increased \$70 million to \$4.5 billion driven by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense. These increases were largely offset by improved operating efficiencies and lower litigation expense.

The return on average allocated capital was 30 percent, up from 21 percent, driven by higher net income. For additional information on capital allocations, see Business Segment Operations on page 9.

Deposits and Consumer Lending include the net impact of migrating customers and their related deposit, brokerage asset and loan balances between Deposits, Consumer Lending and GWIM, as well as other client-managed business. For more information on the migration of customer balances to or from GWIM, see GWIM – Net Migration Summary on page 12.

Deposits

Net income for Deposits increased \$623 million to \$1.6 billion for the three months ended March 31, 2018 compared to the same period in 2017 driven by higher net interest income and lower income taxes, partially offset by higher noninterest expense. Net interest income increased \$678 million to \$3.7 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, and pricing discipline. Noninterest income of \$1.2 billion remained unchanged.

The provision for credit losses decreased \$14 million to \$41 million. Noninterest expense increased \$124 million to \$2.7 billion primarily driven by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense.

Average deposits increased \$39.6 billion to \$669.0 billion driven by strong organic growth. Growth in checking, money market savings and traditional savings of \$44.0 billion was partially offset by a decline in time deposits of \$4.6 billion.

Key Statistics – Deposits

	Three Months Ended		
	March 31		
	2018	2017	%
Total deposit spreads (excludes noninterest costs) ⁽¹⁾	2.00	1.67	%
Period End			
Client brokerage assets (in millions)	\$ 182,110	\$ 153,786	
Active digital banking users (units in thousands) ⁽²⁾	35,518	33,702	
Active mobile banking users (units in thousands)	24,801	22,217	
Financial centers	4,435	4,559	
ATMs	16,011	15,939	

⁽¹⁾ Includes deposits held in Consumer Lending.

Digital users represents mobile and/or online users across consumer businesses; historical information has been

⁽²⁾ reclassified primarily due to the sale of the Corporation's non-U.S. consumer credit card business in the second quarter of 2017.

Client brokerage assets increased \$28.3 billion driven by strong client flows and market performance. Active mobile banking users increased 2.6 million reflecting continuing changes in our customers' banking preferences. The number

of financial centers declined by a net 124 reflecting changes in customer preferences to self-service options as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

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 25. At March 31, 2018, total owned loans in the core portfolio held in Consumer Lending were \$117.9 billion, an increase of \$14.2 billion from March 31, 2017, primarily driven by higher residential mortgage balances, based on a decision to retain certain loans on the balance sheet, partially offset by a decline in home equity balances.

Net income for Consumer Lending increased \$180 million to \$1.1 billion for the three months ended March 31, 2018 compared to the same period in 2017 driven by lower income taxes, higher revenue and lower noninterest expense, partially offset by higher provision for credit losses. Net interest income increased \$51 million to \$2.8 billion primarily driven by the impact of an increase in loan balances. Noninterest income increased \$19 million to \$1.4 billion driven by higher card income, partially offset by lower mortgage banking income.

The provision for credit losses increased \$111 million to \$894 million due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased \$54 million to \$1.8 billion primarily driven by lower litigation expense and improved operating efficiencies.

Average loans increased \$21.4 billion to \$274.4 billion driven by increases in residential mortgages, as well as U.S. credit card and consumer vehicle loans, partially offset by lower home equity loan balances.

Key Statistics – Consumer Lending

	Three Months Ended March 31			
(Dollars in millions)	2018		2017	
Total U.S. credit card ⁽¹⁾				
Gross interest yield	9.93	%	9.55	%
Risk-adjusted margin	8.32		8.89	
New accounts (in thousands)	1,194		1,184	
Purchase volumes	\$61,347		\$55,321	
Debit card purchase volumes	\$76,052		\$70,611	

⁽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 months ended March 31, 2018, the total U.S. credit card risk-adjusted margin decreased 57 bps primarily driven by increased net charge-offs and higher credit card rewards costs.

Total U.S. credit card purchase volumes increased \$6.0 billion to \$61.3 billion, and debit card purchase volumes increased \$5.4 billion to \$76.1 billion, reflecting higher levels of consumer spending.

Key Statistics - Loan Production ⁽¹⁾

	Three Months Ended March 31	
(Dollars in millions)	2018	2017
Total ⁽²⁾ :		
First mortgage	\$9,424	\$11,442
Home equity	3,749	4,053
Consumer Banking:		
First mortgage	\$5,964	\$7,629
Home equity	3,345	3,667

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

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

First mortgage loan originations in Consumer Banking and for the total Corporation decreased \$1.7 billion and \$2.0 billion in the three months ended March 31, 2018 compared to the same period in 2017 primarily driven by the higher interest rate environment driving lower first-lien mortgage refinances.

Home equity production in Consumer Banking and for the total Corporation decreased \$322 million and \$304 million for the three months ended March 31, 2018 compared to the same period in 2017 driven by a smaller market.

Global Wealth & Investment Management

	Three Months Ended March 31		
(Dollars in millions)	2018	2017	% Change
Net interest income (FTE basis)	\$1,594	\$1,560	2 %
Noninterest income:			
Investment and brokerage services	3,040	2,791	9
All other income	222	241	(8)
Total noninterest income	3,262	3,032	8
Total revenue, net of interest expense (FTE basis)	4,856	4,592	6
Provision for credit losses	38	23	65
Noninterest expense	3,428	3,329	3

Income before income taxes (FTE basis)	1,390	1,240	12
Income tax expense (FTE basis)	355	467	(24)
Net income	\$1,035	\$773	34

Effective tax rate	25.5	% 37.7	%
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Net interest yield (FTE basis)	2.46	2.28
Return on average allocated capital	29	22
Efficiency ratio (FTE basis)	70.60	72.51

Balance Sheet

	Three Months Ended March 31		
Average	2018	2017	% Change
Total loans and leases	\$159,095	\$148,405	7%
Total earning assets	262,775	277,989	(5)
Total assets	279,716	293,432	(5)
Total deposits	243,077	257,386	(6)
Allocated capital	14,500	14,000	4

Period end	March 31 2018	December 31 2017	% Change
Total loans and leases	\$159,636	\$159,378	—%
Total earning assets	262,430	267,026	(2)
Total assets	279,331	284,321	(2)
Total deposits	241,531	246,994	(2)

GWIM consists of two primary businesses: Merrill Lynch Global Wealth Management (MLGWM) and U.S. Trust, Bank of America Private Wealth Management (U.S. Trust). For more information about GWIM, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Net income for GWIM increased \$262 million to \$1.0 billion for the three months ended March 31, 2018 compared to the same period in 2017 reflecting higher pretax income, and lower tax expense. The impact of the reduction in the federal tax rate was somewhat offset by the elimination of tax deductions for FDIC premiums under the Tax Act. Pretax results were driven by higher revenue, partially offset by an increase in noninterest expense. The operating margin was 29 percent compared to 27 percent a year ago.

Net interest income increased \$34 million to \$1.6 billion primarily due to higher interest rates and higher loan balances. Noninterest income, which primarily includes investment and brokerage services income, increased \$230 million to \$3.3 billion. The increase in noninterest income was driven by higher market valuations and AUM flows, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing. Noninterest expense increased \$99 million to \$3.4 billion primarily due to higher revenue-related incentive costs. Return on average allocated capital was 29 percent, up from 22 percent a year ago, primarily due to higher net income, somewhat offset by an increase in allocated capital.

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During the three months ended March 31, 2018, revenue from MLGWM of \$4.0 billion increased six percent compared to the same period in 2017 due to higher net interest income and asset management fees driven by higher market valuations and AUM

flows, partially offset by lower transactional revenue and AUM pricing. U.S. Trust revenue of \$860 million increased six percent reflecting higher net interest income and asset management fees primarily due to higher market valuations and AUM flows.

Key Indicators and Metrics

(Dollars in millions, except as noted)	Three Months Ended March 31	
	2018	2017
Revenue by Business		
Merrill Lynch Global Wealth Management	\$3,996	\$3,782
U.S. Trust	860	809
Other	—	1
Total revenue, net of interest expense (FTE basis)	\$4,856	\$4,592
Client Balances by Business, at period end		
Merrill Lynch Global Wealth Management	\$2,284,803	\$2,167,536
U.S. Trust	440,683	417,841
Total client balances	\$2,725,486	\$2,585,377
Client Balances by Type, at period end		
Assets under management	\$1,084,717	\$946,778
Brokerage and other assets	1,236,799	1,232,195
Deposits	241,531	254,595
Loans and leases ⁽¹⁾	162,439	151,809
Total client balances	\$2,725,486	\$2,585,377
Assets Under Management Rollforward		
Assets under management, beginning of period	\$1,080,747	\$886,148
Net client flows	24,240	29,214
Market valuation/other	(20,270)	31,416
Total assets under management, end of period	\$1,084,717	\$946,778
Associates, at period end ⁽²⁾		
Number of financial advisors	17,367	16,678
Total wealth advisors, including financial advisors	19,276	18,538
Total primary sales professionals, including financial advisors and wealth advisors	20,398	19,536
Merrill Lynch Global Wealth Management Metric		
Financial advisor productivity ⁽³⁾ (in thousands)	\$1,038	\$993
U.S. Trust Metric, at period end		
Primary sales professionals	1,737	1,657

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

⁽²⁾ Includes financial advisors in the Consumer Banking segment of 2,538 and 2,121 at March 31, 2018 and 2017.

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

Client Balances

Client balances increased \$140.1 billion, or five percent, to \$2.7 trillion at March 31, 2018 compared to March 31, 2017. The increase in client balances was 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 following table. Migrations of client balances primarily result from the periodic

movement of clients and/or accounts between business segments based on changes in the nature of client relationships.

Net Migration Summary

	Three Months Ended March 31	
(Dollars in millions)	2018	2017
Total deposits, net – to (from) GWIM	\$1,135	\$(97)
Total loans, net – from GWIM	(3)	(126)
Total brokerage, net – to (from) GWIM	(48)	94

Global Banking

(Dollars in millions)	Three Months Ended March 31		% Change
	2018	2017	
Net interest income (FTE basis)	\$2,640	\$ 2,602	1 %
Noninterest income:			
Service charges	763	765	—
Investment banking fees	744	925	(20)
All other income	787	663	19
Total noninterest income	2,294	2,353	(3)
Total revenue, net of interest expense (FTE basis)	4,934	4,955	—
Provision for credit losses	16	17	(6)
Noninterest expense	2,195	2,163	1
Income before income taxes (FTE basis)	2,723	2,775	(2)
Income tax expense (FTE basis)	707	1,046	(32)
Net income	\$2,016	\$ 1,729	17
Effective tax rate	26.0	% 37.7	%
Net interest yield (FTE basis)	2.96	2.93	
Return on average allocated capital	20	18	
Efficiency ratio (FTE basis)	44.47	43.66	

Balance Sheet

	Three Months Ended March 31			
Average	2018	2017	% Change	
Total loans and leases	\$351,689	\$342,857	3	%
Total earning assets	361,822	359,605	1	
Total assets	420,594	415,908	1	
Total deposits	324,405	305,197	6	
Allocated capital	41,000	40,000	3	

Period end	March 31 2018	December 31 2017	% Change	
Total loans and leases	\$355,165	\$350,668	1	%
Total earning assets	365,895	365,560	—	
Total assets	424,134	424,533	—	
Total deposits	331,238	329,273	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. For more information about Global Banking, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Net income for Global Banking increased \$287 million to \$2.0 billion for the three months ended March 31, 2018 compared to the same period in 2017 primarily driven by lower tax expense, partially offset by modestly lower pretax income as discussed below. The impact of the reduction in the federal tax rate was somewhat offset by an increase in U.S. taxes related to our non-U.S. operations and the elimination of tax deductions for FDIC premiums under the Tax Act.

Pretax results were driven by higher noninterest expense and lower revenue. Revenue decreased \$21 million to \$4.9 billion for the three months ended March 31, 2018 compared to the same period in 2017 driven by lower noninterest income, partially offset by higher net interest income. Net interest income increased \$38 million to \$2.6 billion primarily due to the impact of higher interest rates on increased deposits, and loan growth. Noninterest income decreased \$59 million to \$2.3 billion primarily due to lower investment banking fees and the impact of tax reform on certain tax-advantaged investments, partially offset by higher leasing-related revenues.

Noninterest expense increased \$32 million to \$2.2 billion primarily due to higher personnel and operating expense. The return on average allocated capital was 20 percent, up from 18 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 9.

Global Corporate, Global Commercial and Business Banking

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

Global Corporate, Global Commercial and Business Banking

	Global Corporate Banking Three Months Ended		Global Commercial Banking March 31		Business Banking		Total	
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Revenue								
Business Lending	\$1,050	\$1,102	\$975	\$1,044	\$99	\$101	\$2,124	\$2,247
Global Transaction Services	882	797	816	707	232	197	1,930	1,701
Total revenue, net of interest expense	\$1,932	\$1,899	\$1,791	\$1,751	\$331	\$298	\$4,054	\$3,948

Balance Sheet

Average

Total loans and leases	\$162,073	\$155,358	\$172,360	\$169,728	\$17,259	\$17,785	\$351,692	\$342,871
Total deposits	155,644	146,437	132,357	122,904	36,410	35,861	324,411	305,202

Period end

Total loans and leases	\$163,563	\$155,801	\$174,580	\$170,897	\$17,008	\$17,775	\$355,151	\$344,473
Total deposits	165,040	143,080	129,895	118,435	36,326	35,653	331,261	297,168

Business Lending revenue decreased \$123 million for the three months ended March 31, 2018 compared to the same period in 2017 primarily driven by the impact of tax reform on certain tax-advantaged investments, partially offset by higher leasing-related revenues. Global Transaction Services revenue increased \$229 million for the three months ended March 31, 2018 compared to the same period in 2017 driven by the impact of higher interest rates and an increase in the deposit base.

Average loans and leases increased three percent for the three months ended March 31, 2018 compared to the same period in 2017 driven by growth in commercial and industrial loans. Average deposits increased six percent 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. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. 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

	Global Banking		Total Corporation	
	Three Months		Ended March 31	
(Dollars in millions)	2018	2017	2018	2017
Products				
Advisory	\$276	\$390	\$296	\$405
Debt issuance	356	412	827	926
Equity issuance	112	123	314	312
Gross investment banking fees	744	925	1,437	1,643
Self-led deals	(34)	(23)	(84)	(59)
Total investment banking fees	\$710	\$902	\$1,353	\$1,584

Total Corporation investment banking fees, excluding self-led deals, of \$1.4 billion, which are primarily included within Global Banking and Global Markets, decreased 15 percent for the three months ended March 31, 2018 compared to the same period in 2017 due to a decrease in market fee pools.

Global Markets

	Three Months Ended March 31		
(Dollars in millions)	2018	2017	% Change
Net interest income (FTE basis)	\$870	\$1,049	(17)%
Noninterest income:			
Investment and brokerage services	488	531	(8)
Investment banking fees	609	666	(9)
Trading account profits	2,703	2,177	24
All other income	116	285	(59)
Total noninterest income	3,916	3,659	7
Total revenue, net of interest expense (FTE basis)	4,786	4,708	2
Provision for credit losses	(3)	(17)	(82)
Noninterest expense	2,818	2,757	2
Income before income taxes (FTE basis)	1,971	1,968	—
Income tax expense (FTE basis)	513	671	(24)
Net income	\$1,458	\$1,297	12
Effective tax rate	26.0	% 34.1	%
Return on average allocated capital	17	15	
Efficiency ratio (FTE basis)	58.87	58.56	

Balance Sheet

		Three Months Ended March 31			
Average	2018	2017	% Change		
Trading-related assets:					
Trading account securities	\$210,278	\$203,866	3	%	
Reverse repurchases	123,948	96,835	28		
Securities borrowed	82,376	81,312	1		
Derivative assets	46,567	40,346	15		
Total trading-related assets	463,169	422,359	10		
Total loans and leases	73,763	70,064	5		
Total earning assets	486,107	429,906	13		
Total assets	678,368	607,010	12		
Total deposits	32,320	33,158	(3)	
Allocated capital	35,000	35,000	—		

Period end	March 31 2018	December 31 2017	% Change		
Total trading-related assets	\$450,512	\$ 419,375	7	%	
Total loans and leases	75,638	76,778	(1)		
Total earning assets	478,857	449,314	7		
Total assets	648,605	629,007	3		
Total deposits	32,301	34,029	(5)		

Global Markets offers sales and trading services and research services 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. For more information about Global Markets, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Net income for Global Markets increased \$161 million to \$1.5 billion for the three months ended March 31, 2018 compared to the same period in 2017 driven by lower tax expense. The impact of the reduction in the federal tax rate was somewhat offset by an increase in U.S. taxes related to our non-U.S. operations under the Tax Act. Pretax results, which remained relatively unchanged, reflected higher revenue, largely offset by higher noninterest expense. Net DVA gains were \$64 million compared to losses of \$130 million during the same period in 2017. Excluding net DVA,

net income increased \$31 million to \$1.4 billion primarily driven by the impact of the Tax Act.

Sales and trading revenue, excluding net DVA, increased \$24 million due to higher Equities revenue partially offset by lower Fixed-income, currencies and commodities (FICC) revenue. Noninterest expense increased \$61 million to \$2.8 billion primarily due to continued investments in technology.

Average assets increased \$71.4 billion to \$678.4 billion for the three months ended March 31, 2018 primarily driven by growth in client financing activities in the Equities business and increased levels of inventory across the FICC business to facilitate client demand. Total assets increased \$19.6 billion in the three months ended March 31, 2018 to \$648.6 billion due to increased levels of inventory across the FICC business to facilitate client demand.

The return on average allocated capital was 17 percent, up from 15 percent, reflecting higher net income.

Sales and Trading Revenue

Revenue from sales and trading services includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Revenue from research services is also included in sales and trading revenue. 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-over-period operating performance.

Sales and Trading Revenue ^(1, 2)

	Three Months Ended March 31	
(Dollars in millions)	2018	2017
Sales and trading revenue		
Fixed-income, currencies and commodities	\$2,614	\$2,810
Equities	1,503	1,089
Total sales and trading revenue	\$4,117	\$3,899

Sales and trading revenue, excluding net DVA ⁽³⁾

Fixed-income, currencies and commodities	\$2,536	\$2,930
Equities	1,517	1,099
Total sales and trading revenue, excluding net DVA	\$4,053	\$4,029

Includes FTE adjustments of \$67 million and \$49 million for the three months ended March 31, 2018 and 2017.

⁽¹⁾ For more information on sales and trading revenue, see Note 3 – Derivatives to the Consolidated Financial Statements.

⁽²⁾ Includes Global Banking sales and trading revenue of \$166 million and \$58 million for the three months ended March 31, 2018 and 2017.

FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net

⁽³⁾ DVA gains were \$78 million and losses were \$120 million for the three months ended March 31, 2018 and 2017.

Equities net DVA losses were \$14 million and \$10 million for the three months ended March 31, 2018 and 2017. The following explanations for period-over-period changes in sales and trading, FICC and Equities revenue would be the same whether net DVA was included or excluded. FICC revenue, excluding net DVA, decreased \$394 million in the three months ended March 31, 2018 compared to the same period in 2017, primarily due to lower activity and a less favorable market in credit-related products compared to the same period in 2017. The decline in FICC revenue

was also impacted by higher funding costs, which were driven by increases in market interest rates. Equities revenue, excluding net DVA, increased \$418 million in the three months ended March 31, 2018 compared to the same period in 2017, driven by increased client activity and a strong trading performance in derivatives in the more volatile market environment.

All Other

	Three Months Ended March 31		
(Dollars in millions)	2018	2017	% Change
	\$144	\$263	(45)%

Net interest
income (FTE
basis)

Noninterest
loss (477) (357) 34

Total revenue,
net of interest
expense (FTE
basis) (333) (94) n/m

Provision for
credit losses (152) (26) n/m

Noninterest
expense 976 1,434 (32)

Loss before
income taxes (1,157) (1,502) (23)
(FTE basis)

Income tax
benefit (FTE (871) (1,148) (24)
basis)

Net loss \$(286) \$ (354) (19)

Balance Sheet

	Three Months Ended March 31		
Average	2018	2017	% Change
Total loans and leases	\$67,811	\$ 94,873	(29)%
Total assets ⁽¹⁾	200,553	207,652	(3)
Total deposits	23,115	25,297	(9)

Period end	March 31 2018	December 31 2017	% Change
Total loans and leases	\$64,584	\$ 69,452	(7)%
Total assets ⁽¹⁾	202,152	194,048	4
Total deposits	22,106	22,719	(3)

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. Average allocated assets were \$514.6 billion and \$522.0 billion for the three months ended March 31, 2018 and 2017, and period-end allocated assets were \$543.3 billion and \$520.4 billion at March 31, 2018 and December 31, 2017.

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 core and non-core MSRs and the related economic hedge results, liquidating businesses and residual expense allocations. For more information about All Other, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

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 25. 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 22 and Interest Rate Risk Management for the Banking Book on page 45. During the three months ended March 31, 2018, residential mortgage loans held for ALM activities decreased \$1.3 billion to \$27.2 billion at March 31, 2018 primarily as a result of payoffs and paydowns. 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 three months ended March 31, 2018, total non-core loans decreased \$3.5 billion to \$37.8 billion at March 31, 2018 due primarily to payoffs and paydowns, as well as transfers to loans held-for-sale (LHFS) of \$1.1 billion and loan sales of \$700 million.

The net loss for All Other improved \$68 million to \$286 million for the three months ended March 31, 2018 compared to the same period in 2017, driven by a lower pretax loss, partially offset by a lower income tax benefit due to the impact of the reduction in the federal income tax rate. Pretax results were driven by lower noninterest expense and a higher benefit in the provision for credit losses, partially offset by a decline in revenue.

Revenue decreased \$239 million primarily due to the impact of the sale of the non-U.S. consumer credit card business in the second quarter of 2017. Gains on sales of loans included in noninterest loss, including nonperforming and other delinquent loans, were \$37 million for the three months ended March 31, 2018 compared to gains of \$17 million in the same period in 2017.

The provision for credit losses improved \$126 million to a benefit of \$152 million primarily driven by continued runoff of the non-core portfolio.

Noninterest expense decreased \$458 million to \$976 million driven by lower litigation expense, lower operating costs due to the sale of the non-U.S. consumer credit card business and a decline in non-core mortgage servicing costs. The income tax benefit was \$871 million for the three months ended March 31, 2018 compared to a benefit of \$1.1 billion in the same period in 2017. The change was driven by the lower federal tax rate in effect in 2018 and the change in the pretax loss. Both periods include 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 herein, Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A of the Corporation's 2017 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 2017 Annual Report on Form 10-K.

Representations and Warranties

For information on representations and warranties, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K and Representations and Warranties in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements herein. For more information related to the sensitivity of the assumptions used to estimate our reserve for representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Other Mortgage-related Matters

For more information on other mortgage-related matters, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

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 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 the Managing Risk through Reputational Risk sections in the MD&A of the Corporation's 2017 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 more information, see Business Segment Operations on page 9.

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 \$12.0 billion in common stock from July 1, 2017 through June 30, 2018, plus repurchases expected to be approximately \$900 million to offset the effect of equity-based compensation plans during the same period. On December 5, 2017, following approval by the Federal Reserve, the Board authorized the repurchase of an additional \$5.0 billion of common stock through June 30, 2018. The common stock repurchase authorizations include both common stock and warrants. At March 31, 2018, our remaining stock repurchase authorization was \$5.2 billion. 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.

In April 2018, we submitted our 2018 CCAR capital plan and related supervisory stress tests. The Federal Reserve has announced that it will release CCAR capital plan summary results, including supervisory projections of capital ratios, losses and revenues under stress scenarios, and publish the results of stress tests conducted under the supervisory adverse and supervisory severely adverse scenarios by June 30, 2018.

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. Under the Basel 3 regulatory capital transition provisions, certain deductions and adjustments to Common equity tier 1 capital were phased in through January 1, 2018. The Corporation and its primary affiliated banking entity, BANA, are Basel 3 Advanced approaches institutions and 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 Prompt Corrective Action (PCA) framework and for the Corporation was the Advanced approaches method for both periods presented. For more information on Basel 3, see Capital Management in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

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 March 31, 2018.

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 are required to maintain a capital conservation buffer greater than 1.875 percent plus a G-SIB surcharge of 1.875 percent in 2018. 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 capital ratios and regulatory requirements, see Table 8.

Supplementary Leverage Ratio

Effective January 1, 2018, the Corporation is required to maintain a minimum supplementary leverage ratio (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 are required to maintain a minimum 6.0 percent SLR to be considered "well capitalized" under the PCA framework. 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.

Capital Composition and Ratios

Table 8 presents Bank of America Corporation's capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at March 31, 2018 and December 31, 2017. As of March 31, 2018 and December 31, 2017, the Corporation met the definition of "well capitalized" under current regulatory requirements.

Bank of America
Table 8 Corporation Regulatory
Capital under Basel 3 ⁽¹⁾

	Standardized Approach	Advanced Approaches	Current Regulatory Minimum (2)	2019 Regulatory Minimum (3)
(Dollars in millions, except as noted) Risk-based capital metrics: Common equity tier 1 capital Tier 1 capital Total capital (4)				
March 31, 2018				
Common equity tier 1 capital	\$ 164,828	\$ 164,828		
Tier 1 capital	188,900	188,900		
Total capital (4)	223,772	215,261		
Risk-weighted assets (in billions)	1,452	1,458		
Common equity tier 1 capital ratio	11.4	% 11.3	% 8.25	% 9.5
Tier 1 capital ratio	13.0	13.0	9.75	11.0
Total capital ratio	15.4	14.8	11.75	13.0

Leverage-based
metrics:

Adjusted
quarterly
average

assets \$2,247 \$2,247
(in
billions)
(5)

Tier 1
leverage ratio 8.4 % 8.4 % 4.0 4.0

SLR
leverage
exposure
(in
billions)

SLR 6.8 % 5.0 5.0

December 31, 2017

Risk-based
capital
metrics:

Common

equity tier 1 \$168,461 \$168,461

capital
Tier 1
capital 190,189 190,189

Total
capital 224,209 215,311
(4)

Risk-weighted
assets
(in
billions)

Common

equity tier 1 11.7 % 11.5 % 7.25 % 9.5 %
capital
ratio

Tier 1
capital ratio 13.2 13.0 8.75 11.0

Total
capital ratio 15.5 14.8 10.75 13.0

Leverage-based
metrics:

Adjusted quarterly \$2,223 \$2,223

average
assets
(in
billions)
(5)

Tier 1			
leverage ratio	8.6	% 4.0	4.0

SLR
leverage
exposure
(in
billions)

SLR	6.9	%	5.0
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(1) Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis.

The March 31, 2018 and December 31, 2017 amounts include a transition capital conservation buffer of 1.875

(2) percent and 1.25 percent and a transition G-SIB surcharge of 1.875 percent and 1.5 percent. The countercyclical capital buffer for both periods is zero.

The 2019 regulatory minimums assume a capital conservation buffer of 2.5 percent and G-SIB surcharge of 2.5

(3) percent. The countercyclical capital buffer is zero. We will be subject to regulatory minimums on January 1, 2019.

The SLR minimum includes a leverage buffer of 2.0 percent and is applicable beginning on January 1, 2018.

(4) Total capital under the Advanced approaches differs from the Standardized approach due to differences in the amount permitted in Tier 2 capital related to the qualifying allowance for credit losses.

(5) Reflects adjusted average total assets for the three months ended March 31, 2018 and December 31, 2017.

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Common equity tier 1 capital under Basel 3 Advanced approaches was \$164.8 billion at March 31, 2018, a decrease of \$3.6 billion compared to December 31, 2017 driven by common stock repurchases, market value declines included in accumulated other comprehensive income (OCI) and dividends, partially offset by earnings. During the three months ended March 31, 2018, total capital and risk-weighted assets remained relatively unchanged. Table 9 shows the capital composition as measured under Basel 3 Advanced approaches at March 31, 2018 and December 31, 2017.

Table 9 Capital Composition under Basel 3 ⁽¹⁾

(Dollars in millions)	March 31 2018	December 31 2017
Total common shareholders' equity	\$241,552	\$ 244,823
Goodwill	(68,576)	(68,576)
Deferred tax assets arising from net operating loss and tax credit carryforwards	(6,755)	(6,555)
Adjustments for amounts recorded in accumulated OCI attributed to certain cash flow hedges	1,260	831
Intangibles, other than mortgage servicing rights and goodwill	(1,632)	(1,743)
Defined benefit pension fund assets	(1,189)	(1,138)
DVA related to liabilities and derivatives	580	1,196
Other	(412)	(377)
Common equity tier 1 capital	164,828	168,461
Qualifying preferred stock, net of issuance cost	24,672	22,323
Other	(600)	(595)
Total Tier 1 capital	188,900	190,189
Tier 2 capital instruments	23,914	22,938
Eligible credit reserves included in Tier 2 capital	2,531	2,272
Other	(84)	(88)
Total Basel 3 Capital	\$215,261	\$ 215,311

⁽¹⁾ Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis.

Table 10 shows the components of risk-weighted assets as measured under Basel 3 at March 31, 2018 and December 31, 2017.

Table 10 Risk-weighted Assets under Basel 3 ⁽¹⁾

(Dollars in billions)	Standard Approach	Advanced Approaches	Standard Approach	Advanced Approaches
	March 31, 2018	December 31, 2017		
Credit risk	\$1,391	\$ 862	\$1,384	\$ 867
Market risk	61	61	59	58
Operational risk	n/a	500	n/a	500
Risks related to credit valuation adjustments	n/a	35	n/a	34
Total risk-weighted assets	\$1,452	\$ 1,458	\$1,443	\$ 1,459

⁽¹⁾ Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis.

n/a = not applicable

Bank of America, N.A. Regulatory Capital

Table 11 presents regulatory capital information for BANA in accordance with Basel 3 Standardized and Advanced approaches as measured at March 31, 2018 and December 31, 2017. BANA met the definition of “well capitalized” under the PCA framework for both periods.

Table 11 Bank of America, N.A. Regulatory Capital under Basel 3

	Standardized Approach		Advanced Approaches		Minimum Required ⁽¹⁾	
	Ratio	Amount	Ratio	Amount		
(Dollars in millions)	March 31, 2018					
Common equity tier 1 capital	12.2 %	\$ 147,645	14.7 %	\$ 147,645	6.5	%
Tier 1 capital	12.2	147,645	14.7	147,645	8.0	
Total capital	13.3	160,158	15.1	151,968	10.0	
Tier 1 leverage	8.8	147,645	8.8	147,645	5.0	
SLR leverage exposure (in billions)				\$2,088		
SLR				7.1	% 6.0	
	December 31, 2017					
Common equity tier 1 capital	12.5 %	\$ 150,552	14.9 %	\$ 150,552	6.5	%
Tier 1 capital	12.5	150,552	14.9	150,552	8.0	
Total capital	13.6	163,243	15.4	154,675	10.0	
Tier 1 leverage	9.0	150,552	9.0	150,552	5.0	

⁽¹⁾ Percent required to meet guidelines to be considered “well capitalized” under the PCA framework.

Regulatory Developments

The following supplements the disclosure in Capital Management – Regulatory Developments in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Minimum Total Loss-Absorbing Capacity

The Federal Reserve's final rule, which is effective January 1, 2019, includes minimum external total loss-absorbing capacity (TLAC) and long-term debt requirements to improve the resolvability and resiliency of large, interconnected BHCs. As of March 31, 2018, the Corporation's TLAC and long-term debt exceeded our estimated 2019 minimum requirements.

Stress Buffer Requirements

On April 10, 2018, the Federal Reserve announced a proposal to integrate the annual quantitative assessment of the CCAR program with the buffer requirements in the Basel 3 capital rule by introducing stress buffer requirements as a replacement of the CCAR quantitative objection. Under the Standardized approach, the proposal replaces the existing static 2.5 percent capital conservation buffer with a stress capital buffer, calculated as the decrease in the Common equity tier 1 capital ratio in the supervisory severely adverse scenario of the modified CCAR stress test plus four quarters of planned common stock dividend payments, floored at 2.5 percent. The static 2.5 percent capital conservation buffer would be retained under the Advanced approaches. The proposal also introduces a stress leverage buffer requirement which would be calculated as the decrease in the Tier 1 leverage ratio in the supervisory severely adverse scenario of the modified CCAR stress test plus four quarters of planned common stock dividends, with no floor. The SLR would not incorporate a stress buffer requirement. The proposal also updates the capital distribution assumptions used in the CCAR stress test to better align with a firm's expected actions in stress, notably removing the assumption that a BHC will carry out all of its planned capital actions under stress. If finalized, the proposal would be effective December 31, 2018, with the first stress buffer requirements generally becoming effective on October 1, 2019.

Enhanced Supplementary Leverage Ratio Requirements

On April 11, 2018, the Federal Reserve and OCC announced a proposal to modify the enhanced SLR standards applicable to U.S. G-SIBs and their insured depository institution subsidiaries. The proposal replaces the existing 2.0 percent leverage buffer with a leverage buffer tailored to each G-SIB, set at 50 percent of the applicable GSIB surcharge. This proposal also replaces the current 6.0 percent threshold at which a G-SIB's insured depository institution subsidiaries are considered "well capitalized" under the PCA framework with a threshold set at 3.0 percent plus 50 percent of the G-SIB surcharge applicable to the subsidiary's G-SIB holding company. Correspondingly, the proposal updates the external TLAC leverage buffer for each G-SIB to 50 percent of the applicable G-SIB surcharge and revises the leverage component of the minimum long-term debt requirements to be 2.5 percent plus 50 percent of the applicable G-SIB surcharge.

Revisions to Basel 3 to Address Current Expected Credit Loss Accounting

On April 13, 2018, the U.S. banking regulators announced a proposal to address the regulatory capital impact of using the current expected credit loss methodology to measure credit reserves under a new accounting standard which is effective on January 1, 2020. For more information on this standard, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements. The proposal provides an option to phase-in the impact to regulatory capital over a three-year period on a straight-line basis. It also updates the existing regulatory capital framework by creating a new defined term, allowance for credit losses (ACL), which would include credit losses on all financial instruments measured at amortized cost with the exception of purchased credit-impaired assets. The proposal continues to allow a limited amount of credit losses to be recognized in Tier 2 capital and maintains the existing limits under the Standardized and Advanced approaches.

Broker-dealer Regulatory Capital and Securities Regulation

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

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At March 31, 2018, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was \$12.3 billion and exceeded the minimum requirement of \$1.7 billion by \$10.6 billion. MLPCC's net capital of \$4.5 billion exceeded the minimum requirement of \$539 million by \$4.0 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of \$1.0 billion, net capital in excess of \$500 million and notify the SEC in the event its tentative net capital is less than \$5.0 billion. At March 31, 2018, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At March 31, 2018, MLI's capital resources were \$35.1 billion, which exceeded the minimum Pillar 1 requirement of \$17.7 billion.

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Common and Preferred Stock Dividends

Table 12 is a summary of our cash dividend declarations on preferred stock during the first quarter of 2018 and through April 30, 2018. During the first quarter of 2018, we declared \$428 million of cash dividends on preferred stock. For more information on preferred stock and a summary of our declared quarterly cash dividends on common stock, see Note 11 – Shareholders’ Equity to the Consolidated Financial Statements.

Table 12 Preferred Stock Cash Dividend Summary

Preferred Stock	March 31, 2018 Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B ⁽¹⁾	\$ 1	April 25, 2018	July 11, 2018	July 25, 2018	7.00	% \$1.75
		January 31, 2018	April 11, 2018	April 25, 2018	7.00	1.75
Series D ⁽²⁾	\$ 654	April 13, 2018	May 31, 2018	June 14, 2018	6.204	% \$0.38775
		January 8, 2018	February 28, 2018	March 14, 2018	6.204	0.38775
Series E ⁽²⁾	\$ 317	April 13, 2018	April 30, 2018	May 15, 2018	Floating	\$0.24722
		January 8, 2018	January 31, 2018	February 15, 2018	Floating	0.25556
Series F	\$ 141	April 13, 2018	May 31, 2018	June 15, 2018	Floating	\$1,022.22222
		January 8, 2018	February 28, 2018	March 15, 2018	Floating	1,000.00
Series G	\$ 493	April 13, 2018	May 31, 2018	June 15, 2018	Adjustable	\$1,022.22222
		January 8, 2018	February 28, 2018	March 15, 2018	Adjustable	1,000.00
Series I ⁽²⁾	\$ 365	April 13, 2018	June 15, 2018	July 2, 2018	6.625	% \$0.4140625
		January 8, 2018	March 15, 2018	April 2, 2018	6.625	0.4140625
Series K ^(3, 4)	\$ 1,544	April 13, 2018	April 15, 2018	April 30, 2018	Fixed-to-floating	\$13.49225
		January 8, 2018	January 15, 2018	January 30, 2018	Fixed-to-floating	40.00
Series L	\$ 3,080	March 20, 2018	April 1, 2018	April 30, 2018	7.25	% \$18.125
Series M ^(3, 4)	\$ 1,310	April 13, 2018	April 30, 2018	May 15, 2018	Fixed-to-floating	\$40.625
Series T ⁽⁵⁾	\$ 35	April 25, 2018	June 25, 2018	July 10, 2018	6.00	% \$1,500.00
		January 31, 2018	March 26, 2018	April 10, 2018	6.00	1,500.00
Series U ^(3, 4)	\$ 1,000	April 13, 2018	May 15, 2018	June 1, 2018	Fixed-to-floating	\$26.00
Series V ^(3, 4)	\$ 1,500	April 13, 2018	June 1, 2018	June 18, 2018	Fixed-to-floating	\$25.625
Series W ⁽²⁾	\$ 1,100	April 13, 2018	May 15, 2018	June 11, 2018	6.625	% \$0.4140625
		January 8, 2018	February 15, 2018	March 9, 2018	6.625	0.4140625
Series X ^(3, 4)	\$ 2,000	January 8, 2018	February 15, 2018	March 5, 2018	Fixed-to-floating	\$31.25
Series Y ⁽²⁾	\$ 1,100	March 20, 2018	April 1, 2018	April 27, 2018	6.50	% \$0.40625
Series Z ^(3, 4)	\$ 1,400	March 20, 2018	April 1, 2018	April 23, 2018	Fixed-to-floating	\$32.50
Series AA ^(3, 4)	\$ 1,900	January 8, 2018	March 1, 2018	March 19, 2018	Fixed-to-floating	\$30.50
Series CC ⁽²⁾	\$ 1,100	March 20, 2018	April 1, 2018	April 30, 2018	6.20	% \$0.3875

Series DD ^(3, 4)	\$ 1,000	January 8, 2018	February 15, 2018	March 12, 2018	Fixed-to-floating	\$31.50
Series EE ⁽²⁾	\$ 900	March 20, 2018	April 1, 2018	April 25, 2018	6.00 %	\$0.375
Series 1 ⁽⁶⁾	\$ 98	April 13, 2018	May 15, 2018	May 29, 2018	Floating	\$0.18750
		January 8, 2018	February 15, 2018	February 28, 2018	Floating	0.18750
Series 2 ⁽⁶⁾	\$ 299	April 13, 2018	May 15, 2018	May 29, 2018	Floating	\$0.18542
		January 8, 2018	February 15, 2018	February 28, 2018	Floating	0.19167
Series 3 ⁽⁶⁾	\$ 653	April 13, 2018	May 15, 2018	May 29, 2018	6.375 %	\$0.3984375
		January 8, 2018	February 15, 2018	February 28, 2018	6.375	0.3984375
Series 4 ⁽⁶⁾	\$ 210	April 13, 2018	May 15, 2018	May 29, 2018	Floating	\$0.24722
		January 8, 2018	February 15, 2018	February 28, 2018	Floating	0.25556
Series 5 ⁽⁶⁾	\$ 422	April 13, 2018	May 1, 2018	May 21, 2018	Floating	\$0.24722
		January 8, 2018	February 1, 2018	February 21, 2018	Floating	0.25556

(1) Dividends are cumulative.

(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.

(3) Initially pays dividends semi-annually.

(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.

(5) Represents shares that were not surrendered when the holders of Series T preferred stock exercised warrants to acquire common stock in the third quarter of 2017.

(6) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.

Liquidity Risk

Funding and Liquidity Risk Management

Our primary liquidity risk management objective is to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers under a range of economic conditions. To achieve that objective, we analyze and monitor our liquidity risk under expected and stressed conditions, maintain liquidity and access to diverse funding sources, including our stable deposit base, and seek to align liquidity-related incentives and risks.

We define liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use

to meet our contractual and contingent financial obligations as those obligations arise. We manage our liquidity position through line of business and ALM activities, as well as through our legal entity funding strategy, on both a forward and current (including intraday) basis under both expected and stressed conditions. We believe that a centralized approach to funding and liquidity management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For more information regarding global funding and liquidity risk management, see Liquidity Risk – Funding and Liquidity Risk Management in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

NB Holdings Corporation

We have intercompany arrangements with certain key subsidiaries under which we transferred certain of our parent company assets, and agreed to transfer certain additional parent company assets not needed to satisfy anticipated near-term expenditures, to NB Holdings Corporation, a wholly-owned holding company subsidiary (NB Holdings). The parent company is expected to continue to have access to the same flow of dividends, interest and other amounts of cash necessary to service its debt, pay dividends and perform other obligations as it would have had if it had not entered into these arrangements and transferred any assets. These arrangements support our preferred single point of entry resolution strategy, under which only the parent company would be resolved under the U.S. Bankruptcy Code. For more information on these arrangements, see Liquidity Risk – NB Holdings Corporation in the MD&A of the Corporation’s 2017 Annual Report on Form 10-K.

Global Liquidity Sources and Other Unencumbered Assets

We maintain liquidity available to the Corporation, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. For more information on our liquidity sources, see Liquidity Risk – Global Liquidity Sources and Other Unencumbered Assets in the MD&A of the Corporation’s 2017 Annual Report on Form 10-K.

Table 13 Average Global
Liquidity Sources

	Three Months Ended	
(Dollars in billions)	March 2018	December 31 2017
Parent company and NB Holdings	\$77	\$ 79
Bank subsidiaries	396	394
Other regulated entities	49	49
Total Average Global Liquidity Sources	\$522	\$ 522

Parent company and NB Holdings average liquidity was \$77 billion and \$79 billion for the three months ended March 31, 2018 and December 31, 2017. Typically, parent company and NB Holdings liquidity is in the form of cash deposited with BANA.

Average liquidity held at our bank subsidiaries was \$396 billion and \$394 billion for the three months ended March 31, 2018 and December 31, 2017. Our bank subsidiaries’ liquidity is primarily driven by deposit and lending activity, as well as securities valuation and net debt activity. Liquidity at bank subsidiaries excludes the cash deposited by the parent company and NB Holdings. Our bank subsidiaries can also generate incremental liquidity by pledging a range of unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was \$308 billion at both March 31, 2018 and December 31, 2017. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined in guidelines from the FHLBs and the Federal Reserve and is subject to

change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can generally be used only to fund obligations within the bank subsidiaries, and transfers to the parent company or nonbank subsidiaries may be subject to prior regulatory approval.

Average liquidity held at our other regulated entities, comprised primarily of broker-dealer subsidiaries, was \$49 billion for both the three months ended March 31, 2018 and December 31, 2017. Our other regulated entities also held unencumbered investment-

grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in an other regulated entity is primarily available to meet the obligations of that entity and transfers to the parent company or to any other subsidiary may be subject to prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 14 presents the composition of average global liquidity sources (GLS) for the three months ended March 31, 2018 and December 31, 2017.

Average Global
Table 14 Liquidity Sources
Composition

	Three Months Ended	
(Dollars in billions)	March 31 2018	December 31 2017
Cash on deposit	\$ 128	\$ 118
U.S. Treasury securities	64	62
U.S. agency securities and mortgage-backed securities	320	330
Non-U.S. government securities	10	12
Total Average Global Liquidity Sources	\$ 522	\$ 522

Our GLS are substantially the same in composition to what qualifies as High Quality Liquid Assets (HQLA) under the final U.S. Liquidity Coverage Ratio (LCR) rules. However, HQLA for purposes of calculating LCR is not reported at market value, but at a lower value that incorporates regulatory deductions and the exclusion of excess liquidity held at certain subsidiaries. The LCR is calculated as the amount of a financial institution's unencumbered HQLA relative to the estimated net cash outflows the institution could encounter over a 30-day period of significant liquidity stress, expressed as a percentage. Our average consolidated HQLA, on a net basis, was \$444 billion and \$439 billion for the three months ended March 31, 2018 and December 31, 2017. For the same periods, the average consolidated LCR was 124 percent and 125 percent. Our LCR will fluctuate due to normal business flows from customer activity.

Liquidity Stress Analysis and Time-to-required Funding

We utilize liquidity stress analysis to assist us in determining the appropriate amounts of liquidity to maintain at the parent company and our subsidiaries to meet contractual and contingent cash outflows under a range of scenarios. For more information on our liquidity stress analysis, see Liquidity Risk – Liquidity Stress Analysis and Time-to-required Funding in the MD&A of the Corporation’s 2017 Annual Report on Form 10-K.

We use a variety of metrics to determine the appropriate amounts of liquidity to maintain at the parent company and our subsidiaries. One metric we use to evaluate the appropriate level of liquidity at the parent company and NB Holdings is “time-to-required funding” (TTF). This debt coverage measure indicates the number of months the parent company can continue to meet its unsecured contractual obligations as they come due using only the parent company and NB Holdings’ liquidity sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. TTF was 56 months at March 31, 2018 compared to 49 months at December 31, 2017. The increase in TTF was driven by higher parent company and NB Holdings liquidity.

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Diversified Funding Sources

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a centralized, globally coordinated funding approach diversified across products, programs, markets, currencies and investor groups. We fund a substantial portion of our lending activities through our deposits, which were \$1.33 trillion and \$1.31 trillion at March 31, 2018 and December 31, 2017.

Our trading activities in other regulated entities are primarily funded on a secured basis through securities lending and repurchase agreements and these amounts will vary based on customer activity and market conditions.

During the three months ended March 31, 2018, we issued \$20.9 billion of long-term debt consisting of \$14.4 billion for Bank of America Corporation, substantially all of which was TLAC compliant, \$4.1 billion for Bank of America, N.A. and \$2.4 billion of other debt.

Table 15 presents the carrying value of aggregate annual contractual maturities of long-term debt as of March 31, 2018. During the three months ended March 31, 2018, we had total long-term debt maturities and purchases of \$13.4 billion consisting of \$8.0 billion for Bank of America Corporation, \$2.9 billion for Bank of America, N.A. and \$2.5 billion of other debt.

Table 15 Long-term Debt by Maturity

(Dollars in millions)	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total
Bank of America Corporation							
Senior notes	\$ 13,996	\$ 15,235	\$ 10,561	\$ 16,225	\$ 11,813	\$ 80,166	\$ 147,996
Senior structured notes	1,768	1,485	923	430	2,048	8,081	14,735
Subordinated notes	1,606	1,576	—	382	469	20,188	24,221
Junior subordinated notes	—	—	—	—	—	3,829	3,829
Total Bank of America Corporation	17,370	18,296	11,484	17,037	14,330	112,264	190,781
Bank of America, N.A.							
Senior notes	3,990	—	—	—	—	21	4,011
Subordinated notes	—	1	—	—	—	1,626	1,627
Advances from Federal Home Loan Banks	3,005	4,513	11	2	3	106	7,640
Securitizations and other Bank VIEs ⁽¹⁾	1,199	3,200	3,072	1,572	—	47	9,090
Other	53	166	11	—	1	97	328
Total Bank of America, N.A.	8,247	7,880	3,094	1,574	4	1,897	22,696
Other debt							
Structured liabilities	4,009	3,199	1,887	821	746	7,138	17,800
Nonbank VIEs ⁽¹⁾	20	52	—	—	—	889	961
Other	—	—	—	—	—	18	18
Total other debt	4,029	3,251	1,887	821	746	8,045	18,779
Total long-term debt	\$ 29,646	\$ 29,427	\$ 16,465	\$ 19,432	\$ 15,080	\$ 122,206	\$ 232,256

⁽¹⁾ Represents the total long-term debt included in the liabilities of consolidated variable interest entities (VIEs) on the Consolidated Balance Sheet.

Table 16 presents our long-term debt by major currency at March 31, 2018 and December 31, 2017.

Table 16 Long-term Debt by
Major Currency

(Dollars in March 31 December 31
in 2018 2017)

millions)

U.S. dollar	\$ 181,398	\$ 175,623
Euro	34,487	35,481
British pound	7,127	7,016
Japanese yen	3,035	2,993
Australian dollar	3,015	3,046
Canadian dollar	1,915	1,966
Other	1,279	1,277
Total long-term debt	\$232,256	\$ 227,402

Total long-term debt increased \$4.9 billion, or two percent, during the three months ended March 31, 2018, primarily due to issuances outpacing maturities. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for investors. For information on funding and liquidity risk management, see Liquidity Risk – Liquidity Stress Analysis and Time-to-required Funding on page 23, and for more information regarding long-term debt funding, see Note 11 – Long-term Debt to the Consolidated

Financial Statements of the Corporation's 2017 Annual Report on Form 10-K.

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For more information on our ALM activities, see Interest Rate Risk Management for the Banking Book on page 45.

We may also issue unsecured debt in the form of structured notes for client purposes, certain of which qualify as TLAC eligible debt. During the three months ended March 31, 2018, we issued \$1.4 billion of structured notes, which are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivatives and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured note obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

Credit Ratings

Credit ratings and outlooks are opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Table 17 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies. These ratings have not changed from those disclosed in the Corporation's 2017 Annual Report on Form 10-K. For more information on credit ratings, see Liquidity Risk – Credit

Ratings in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

For more information on the additional collateral and termination payments that could be required in connection with certain over-the-counter (OTC) derivative contracts and other trading agreements as a result of a credit rating downgrade, see Note 3 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2017 Annual Report on Form 10-K.

Table 17 Senior Debt Ratings

	Moody's Investors Service			Standard & Poor's Global Ratings			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Bank of America Corporation	A3	P-2	Stable	A-	A-2	Stable	A	F1	Stable
Bank of America, N.A.	Aa3	P-1	Stable	A+	A-1	Stable	A+	F1	Stable
Merrill Lynch, Pierce, Fenner & Smith Incorporated	NR	NR	NR	A+	A-1	Stable	A+	F1	Stable
Merrill Lynch International	NR	NR	NR	A+	A-1	Stable	A	F1	Stable

NR = not rated

Credit Risk Management

For information on our credit risk management activities, see Consumer Portfolio Credit Risk Management below, Commercial Portfolio Credit Risk Management on page 34, Non-U.S. Portfolio on page 40, Provision for Credit Losses on page 41, Allowance for Credit Losses on page 41, and Note 5 – Outstanding Loans and Leases and Note 6 – Allowance for Credit Losses to the Consolidated Financial Statements.

Consumer Portfolio Credit Risk Management

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

Consumer Credit Portfolio

Improvement in home prices continued during the three months ended March 31, 2018 resulting in improved credit quality and lower credit losses in the consumer real estate portfolio, partially offset by seasoning and loan growth in the U.S. credit card portfolio compared to the same period in 2017.

Improved credit quality and continued loan balance run-off in the consumer real estate portfolio, partially offset by seasoning

within the U.S. credit card portfolio, drove a \$133 million decrease in the consumer allowance for loan and lease losses during the three months ended March 31, 2018 to \$5.3 billion at March 31, 2018. For more information, see Allowance for Credit Losses on page 41.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and troubled debt restructurings (TDRs) for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation’s 2017 Annual Report on Form 10-K.

Table 18 presents our outstanding consumer loans and leases, consumer nonperforming loans and accruing consumer loans past due 90 days or more. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer loans not secured by real estate (bankruptcy loans are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the Federal Housing Administration (FHA) or individually insured under long-term standby agreements with Fannie Mae and Freddie Mac (collectively, the fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured.

Fully-insured loans included in accruing past due 90 days or more are primarily from our repurchases of delinquent FHA loans pursuant to our servicing agreements with the Government National Mortgage Association (GNMA).

Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due.

For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 31 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 18 Consumer Credit Quality

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	March 31 2018	December 31 2017	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Residential mortgage ⁽¹⁾	\$204,112	\$ 203,811	\$2,262	\$ 2,476	\$2,885	\$ 3,230
Home equity	55,308	57,744	2,598	2,644	—	—
U.S. credit card	93,014	96,285	n/a	n/a	925	900
Direct/Indirect consumer ⁽²⁾	91,213	93,830	46	46	38	40
Other consumer ⁽³⁾	2,860	2,678	—	—	1	—
Consumer loans excluding loans accounted for under the fair value option	\$446,507	\$ 454,348	\$4,906	\$ 5,166	\$3,849	\$ 4,170
Loans accounted for under the fair value option ⁽⁴⁾	894	928				
Total consumer loans and leases	\$447,401	\$ 455,276				
Percentage of outstanding consumer loans and leases ⁽⁵⁾	n/a	n/a	1.10 %	1.14 %	0.86 %	0.92 %
Percentage of outstanding consumer loans and leases, excluding PCI and fully-insured loan portfolios ⁽⁵⁾	n/a	n/a	1.19	1.23	0.23	0.22

Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At March 31, 2018 and December 31, 2017, residential mortgage includes \$2.0 billion and \$2.2 billion of loans on which interest had been curtailed by the FHA, and therefore were no longer accruing interest, although principal was still insured, and \$885 million and \$1.0 billion of loans on which interest was still accruing.

Outstandings include auto and specialty lending loans of \$49.1 billion and \$49.9 billion, unsecured consumer lending loans of \$428 million and \$469 million, U.S. securities-based lending loans of \$38.1 billion and \$39.8 billion, non-U.S. consumer loans of \$2.9 billion and \$3.0 billion and other consumer loans of \$676 million and \$684 million at March 31, 2018 and December 31, 2017.

Outstandings include consumer leases of \$2.7 billion and \$2.5 billion and consumer overdrafts of \$129 million and \$163 million at March 31, 2018 and December 31, 2017.

Consumer loans accounted for under the fair value option include residential mortgage loans of \$523 million and \$567 million and home equity loans of \$371 million and \$361 million at March 31, 2018 and December 31, 2017. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

Excludes consumer loans accounted for under the fair value option. At March 31, 2018 and December 31, 2017, \$25 million and \$26 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

Table 19 presents net charge-offs and related ratios for consumer loans and leases.

Consumer
Net
Table 19 Charge-offs
and Related
Ratios

	Net Charge-offs (1)		Net Charge-off Ratios ^(1, 2)	
	Three Months Ended March 31			
(Dollars in millions)	2018	2017	2018	2017
Residential mortgage	\$ (6)	\$ 17	(0.01)%	0.04%
Home equity	33	64	0.23	0.40
U.S. credit card	701	606	3.01	2.74
Non-U.S. credit card— (3)	—	44	—	1.91
Direct/Indirect consumer	58	48	0.26	0.21
Other consumer	44	48	6.34	7.61
Total	\$ 830	\$ 827	0.75	0.74

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 31.

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

(3) Represents net charge-offs related to the non-U.S. credit card loan portfolio, which was sold during the second quarter of 2017.

Net charge-offs, as shown in Tables 19 and 20, exclude write-offs in the PCI loan portfolio of \$17 million and \$9 million in residential mortgage and \$18 million and \$24 million in home equity for the three months ended March 31, 2018 and 2017. Net charge-off ratios including the PCI write-offs were 0.02 percent and 0.06 percent for residential mortgage and 0.36 percent and 0.55 percent for home equity for the three months ended March 31, 2018 and 2017. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 31.

Table 20 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the core and non-core portfolios within the consumer real estate portfolio. We categorize consumer real estate loans as core and non-core based on loan and customer characteristics such as origination date, product type, LTV, FICO

score and delinquency status consistent with our current consumer and mortgage servicing strategy. Generally, loans that were originated after January 1, 2010, qualified under government-sponsored enterprise underwriting guidelines, or otherwise met our underwriting guidelines in place in 2015 are characterized as core loans. All other loans are generally characterized as non-core loans and represent run-off portfolios. Core loans as reported in Table 20 include loans held in the Consumer Banking and GWIM segments, as well as loans held for ALM activities in All Other. For more information, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

As shown in Table 20, outstanding core consumer real estate loans increased \$1.3 billion during the three months ended March 31, 2018 driven by an increase of \$3.0 billion in residential mortgage, partially offset by a \$1.7 billion decrease in home equity.

Table 20 Consumer Real Estate Portfolio ⁽¹⁾

	Outstandings		Nonperforming		Net Charge-offs (2) Three Months Ended March	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017	March 31 2018	December 31 2017
(Dollars in millions)						
Core portfolio						
Residential mortgage	\$179,578	\$176,618	\$1,073	\$1,087	\$9	\$4
Home equity	42,568	44,245	1,118	1,079	23	31
Total core portfolio	222,146	220,863	2,191	2,166	32	35
Non-core portfolio						
Residential mortgage	24,534	27,193	1,189	1,389	(15)	13
Home equity	12,740	13,499	1,480	1,565	10	33
Total non-core portfolio	37,274	40,692	2,669	2,954	(5)	46
Consumer real estate portfolio						
Residential mortgage	204,112	203,811	2,262	2,476	(6)	17
Home equity	55,308	57,744	2,598	2,644	33	64
Total consumer real estate portfolio	\$259,420	\$261,555	\$4,860	\$5,120	\$27	\$81
			Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses Three Months Ended March	
			March 31 2018	December 31 2017	March 31 2018	December 31 2017

Core portfolio				
Residential mortgage	\$216	\$ 218	\$8	\$(1)
Home equity	343	367	(1)	(11)
Total core portfolio	559	585	7	(12)
Non-core portfolio				
Residential mortgage	395	483	(86)	33
Home equity	576	652	(49)	(92)
Total non-core portfolio	971	1,135	(135)	(59)
Consumer real estate portfolio				
Residential mortgage	611	701	(78)	32
Home equity	919	1,019	(50)	(103)
Total consumer real estate portfolio	\$1,530	\$ 1,720	\$(128)	\$(71)

Outstandings and nonperforming loans exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option included residential mortgage loans of \$523 million and \$567 million and home equity loans of \$371 million and \$361 million at March 31, 2018 and December 31, 2017. For more information, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 31.

We believe that the presentation of information adjusted to exclude the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage and home equity portfolios, we provide information that excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 31.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 46 percent of consumer loans and leases at March 31, 2018. Approximately 39 percent of the residential mortgage portfolio is in Consumer Banking and approximately 36 percent is in GWIM. The remaining portion is in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA

loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, increased \$301 million during the three months ended March 31, 2018 as retention of new originations was partially

offset by loan transfers to held for sale of \$1.3 billion, loan sales of \$812 million and run-off.

At March 31, 2018 and December 31, 2017, the residential mortgage portfolio included \$22.7 billion and \$23.7 billion of outstanding fully-insured loans. At March 31, 2018 and December 31, 2017, \$16.5 billion and \$17.4 billion had FHA insurance with the remainder protected by long-term standby agreements. At March 31, 2018 and December 31, 2017, \$4.8 billion and \$5.2 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

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Table 21 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the “Reported Basis” columns in the following table, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our

accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 31.

Table 21 Residential Mortgage – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired and Fully-insured Loans ⁽¹⁾	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Outstandings	\$204,112	\$203,811	\$173,813	\$172,069
Accruing past due 30 days or more	5,192	5,987	1,277	1,521
Accruing past due 90 days or more	2,885	3,230	—	—
Nonperforming loans	2,262	2,476	2,262	2,476
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	3	% 3	% 2	% 2
Refreshed LTV greater than 100	2	2	1	1
Refreshed FICO below 620	6	6	2	3
2006 and 2007 vintages ⁽²⁾	9	10	7	8
Three Months Ended March 31				
	2018	2017	2018	2017
Net charge-off ratio ⁽³⁾	(0.01)%	0.04 %	(0.01)%	0.05 %

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option.

(2) These vintages of loans accounted for \$729 million, or 32 percent, and \$825 million, or 33 percent, of nonperforming residential mortgage loans at March 31, 2018 and December 31, 2017.

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

Nonperforming residential mortgage loans decreased \$214 million during the three months ended March 31, 2018 as outflows, including sales of \$257 million, outpaced new inflows. Of the nonperforming residential mortgage loans at March 31, 2018, \$789 million, or 35 percent, were current on contractual payments. Loans accruing past due 30 days or more decreased \$244 million from seasonal declines.

Net charge-offs decreased \$23 million to a net recovery of \$6 million for the three months ended March 31, 2018 compared to \$17 million of net charge-offs for the same period in 2017. This change was driven in part by net recoveries of \$18 million related to loan sales during the three months ended March 31, 2018 compared to loan sale-related net recoveries of \$11 million for the same period in 2017. Additionally, net charge-offs declined due to favorable portfolio trends and decreased write-downs on loans greater than 180 days past due driven by improvement in home prices and the U.S. economy.

Loans with a refreshed LTV greater than 100 percent represented one percent of the residential mortgage loan portfolio at both March 31, 2018 and December 31, 2017. Of the loans with a refreshed LTV greater than 100 percent, 99 percent were performing at March 31, 2018 compared to 98 percent at December 31, 2017. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most

recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent due to home price deterioration since 2006, partially offset by subsequent appreciation.

Of the \$173.8 billion in total residential mortgage loans outstanding at March 31, 2018, as shown in Table 22, 32 percent were originated as interest-only loans. The outstanding balance of

interest-only residential mortgage loans that have entered the amortization period was \$9.9 billion, or 18 percent, at March 31, 2018. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At March 31, 2018, \$251 million, or three percent, of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to \$1.3 billion, or one percent, for the entire residential mortgage portfolio. In addition, at March 31, 2018, \$432 million, or four percent, of outstanding interest-only residential mortgage loans that had entered the amortization period were nonperforming, of which \$166 million were contractually current, compared to \$2.3 billion, or one percent, for the entire residential mortgage portfolio, of which \$789 million were contractually current. Loans that have yet to enter the amortization period in our interest-only residential mortgage portfolio are primarily well-collateralized loans to our wealth management clients and have an interest-only period of three to ten years. More than 90 percent of these loans that have yet to enter the amortization period will not be required to make a fully-amortizing payment until 2020 or later.

Table 22 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 16 percent of outstandings at both March 31, 2018 and December 31, 2017. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent of outstandings at both March 31, 2018 and December 31, 2017.

Table 22 Residential Mortgage State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017	Three Months Ended March 31 2018	2017
(Dollars in millions)						
California	\$69,368	\$ 68,455	\$384	\$ 433	\$(10)	\$(4)
New York ⁽³⁾	17,613	17,239	221	227	4	(2)
Florida ⁽³⁾	10,887	10,880	281	280	(5)	1
Texas	7,298	7,237	127	126	1	1
New Jersey ⁽³⁾	6,202	6,099	118	130	2	1
Other	62,445	62,159	1,131	1,280	2	20
Residential mortgage loans ⁽⁴⁾	\$173,813	\$ 172,069	\$2,262	\$ 2,476	\$(6)	\$17
Fully-insured loan portfolio	22,709	23,741				
Purchased credit-impaired residential mortgage loan portfolio ⁽⁵⁾	7,590	8,001				
Total residential mortgage loan portfolio	\$204,112	\$ 203,811				

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option.

Net charge-offs excluded \$17 million and \$9 million of write-offs in the residential mortgage PCI loan portfolio for the three months ended March 31, 2018 and 2017. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 31.

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

(4) Amounts exclude the PCI residential mortgage and fully-insured loan portfolios.

(5) At both March 31, 2018 and December 31, 2017, 47 percent of PCI residential mortgage loans were in California. There were no other significant single state concentrations.

Home Equity

At March 31, 2018, the home equity portfolio made up 12 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At March 31, 2018, our HELOC portfolio had an outstanding balance of \$49.0 billion, or 89 percent of the total home equity portfolio, compared to \$51.2 billion, or 89 percent, at December 31, 2017. HELOCs generally have an initial draw period of 10 years, and after the initial draw period ends, the loans generally convert to 15-year amortizing loans. At March 31, 2018, our home equity loan portfolio had an outstanding balance of \$4.1 billion, or seven percent of the total home equity portfolio, compared to \$4.4 billion, or seven percent, at December 31, 2017. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years, and of the \$4.1 billion at March 31, 2018, 58 percent have 25- to 30-year terms. At March 31, 2018, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of \$2.2 billion, or four percent of the total home equity portfolio, compared to \$2.1 billion, also four percent, at December 31, 2017. We no longer originate reverse mortgages.

At March 31, 2018, approximately 70 percent of the home equity portfolio was in Consumer Banking, 23 percent was in All Other and the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased \$2.4 billion during the three months ended March 31, 2018 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at March 31,

2018 and December 31, 2017, \$18.2 billion and \$18.7 billion, or 33 percent and 32 percent, were in first-lien positions (34 percent for both periods excluding the PCI home equity portfolio). At March 31, 2018, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled \$8.9 billion, or 17 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled \$43.9 billion at March 31, 2018 compared to \$44.2 billion at December 31, 2017. The decrease was primarily due to accounts reaching the end of their draw period, which automatically eliminates open line exposure, and customers choosing to close accounts. Both of these more than offset the impact of new production. The HELOC utilization rate was 53 percent and 54 percent at March 31, 2018 and December 31, 2017.

Table 23 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the following table, accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 31.

Table 23 Home Equity – Key Credit Statistics

	Reported Basis ⁽¹⁾		Excluding Purchased Credit-impaired Loans ⁽¹⁾	
(Dollars in millions)	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Outstanding	\$55,308	\$ 57,744	\$52,763	\$ 55,028
Accruing past due 30 days or more	460	502	460	502
(2)				
Nonperforming loans (2)	2,598	2,644	2,598	2,644
Percent of portfolio Refreshed CLTV greater than 90 but less than or equal to 100	3	% 3	% 3	% 3
Refreshed CLTV greater than 100	5	5	4	4
Refreshed FICO below 620	6	6	6	6
2006 and 2007 vintages	28	29	26	27
(3)				
	Three Months Ended March 31			
	2018	2017	2018	2017
Net charge-off ratio ⁽⁴⁾	0.23	% 0.40	% 0.24	% 0.42

(1) Outstandings, accruing past due, nonperforming loans and percentages of the portfolio exclude loans accounted for under the fair value option.

(2) Accruing past due 30 days or more included \$53 million and \$67 million and nonperforming loans included \$325 million and \$344 million of loans where we serviced the underlying first-lien at March 31, 2018 and December 31,

2017.

These vintages of loans have higher refreshed combined loan-to-value (CLTV) ratios and accounted for 53 percent and 52 percent of nonperforming home equity loans at March 31, 2018 and December 31, 2017, and 89 percent of net charge-offs in both the three months ended March 31, 2018 and 2017.

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

Nonperforming outstanding balances in the home equity portfolio decreased \$46 million during the three months ended March 31, 2018 as outflows, including \$12 million of sales, outpaced new inflows. Of the nonperforming home equity portfolio at March 31, 2018, \$1.4 billion, or 54 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, junior-lien loans where the underlying first-lien is 90 days or more past due, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, \$690 million, or 27 percent, of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans that were 30 days or more past due decreased \$42 million during the three months ended March 31, 2018.

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. For certain loans, we utilize a third-party vendor to combine credit bureau and public record data to better link a junior-lien loan with the underlying first-lien loan. At March 31, 2018, we estimate that \$776 million of current and \$121 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on \$152 million of these combined amounts, with the remaining \$745 million serviced by third parties. Of the \$897 million of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately \$294 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased \$31 million to \$33 million for the three months ended March 31, 2018 compared to \$64 million for the same period in 2017 driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy.

Outstanding balances with a refreshed CLTV greater than 100 percent comprised four percent of the home equity portfolio at both March 31, 2018 and December 31, 2017. Outstanding balances with a refreshed CLTV greater than 100 percent reflect

loans where our loan and available line of credit combined with any outstanding senior liens against the property are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 95 percent of the customers were current on their home equity loan and 91 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at March 31, 2018.

Of the \$52.8 billion in total home equity portfolio outstandings at March 31, 2018, as shown in Table 24, 26 percent require interest-only payments. The outstanding balance of HELOCs that have reached the end of their draw period and have entered the amortization period was \$18.6 billion at March 31, 2018. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At March 31, 2018, \$341 million, or two percent, of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more. In addition, at March 31, 2018, \$2.1 billion, or 12 percent, of outstanding HELOCs that had entered the amortization period were nonperforming, of which \$1.2 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and six percent of these loans will enter the amortization period during the remainder of 2018 and will be required to make fully-amortizing payments. We communicate to contractually current customers more than a year prior to the end of their draw period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended March 31, 2018, approximately 27 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

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Table 24 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent of the outstanding home equity portfolio at both March 31, 2018 and December 31, 2017. Loans within this MSA contributed 32 percent and 20 percent of net charge-offs within the home equity portfolio for the three

months ended March 31, 2018 and 2017. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent of the outstanding home equity portfolio at both March 31, 2018 and December 31, 2017. Loans within this MSA contributed net recoveries of \$5 million and \$4 million within the home equity portfolio for the three months ended March 31, 2018 and 2017.

Table 24 Home Equity State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs ⁽²⁾	
					Three Months Ended March 31	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017	2018	2017
(Dollars in millions)						
California	\$14,506	\$ 15,145	\$740	\$ 766	\$(7)	\$(7)
Florida ⁽³⁾	6,033	6,308	432	411	10	11
New Jersey ⁽³⁾	4,333	4,546	190	191	9	10
New York ⁽³⁾	4,024	4,195	250	252	6	8
Massachusetts	2,645	2,751	90	92	2	1
Other	21,222	22,083	896	932	13	41
Home equity loans ⁽⁴⁾	\$52,763	\$ 55,028	\$2,598	\$ 2,644	\$ 33	\$ 64
Purchased credit-impaired home equity portfolio ⁽⁵⁾	2,545	2,716				
Total home equity loan portfolio	\$55,308	\$ 57,744				

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option.

Net charge-offs excluded \$18 million and \$24 million of write-offs in the home equity PCI loan portfolio for the three months ended March 31, 2018 and 2017. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio.

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

(4) Amount excludes the PCI home equity portfolio.

(5) At both March 31, 2018 and December 31, 2017, 28 percent of PCI home equity loans were in California. There were no other significant single state concentrations.

Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting standards for PCI loans. For more information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the

Corporation's 2017 Annual Report on Form 10-K and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 25 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the PCI loan portfolio.

Table 25 Purchased Credit-impaired Loan Portfolio

	Unpaid Principal Balance	Gross Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
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(Dollars in millions)

March 31, 2018

Residential

mortgage \$7,698 \$7,590 \$ 84 \$ 7,506 97.51 %

(1)

Home equity

2,614 2,545 158 2,387 91.32

Total

purchased

credit-impaired \$10,312 \$10,135 \$ 242 \$ 9,893 95.94

loan

portfolio

December 31, 2017

Residential

mortgage \$8,117 \$8,001 \$ 117 \$ 7,884 97.13 %

(1)

Home equity

2,787 2,716 172 2,544 91.28

Total

purchased

credit-impaired \$10,904 \$10,717 \$ 289 \$ 10,428 95.63

loan

portfolio

(1) At March 31, 2018 and December 31, 2017, pay option loans had an unpaid principal balance of \$1.3 billion and \$1.4 billion and a carrying value of \$1.3 billion and \$1.4 billion. This includes \$1.1 billion and \$1.2 billion of loans that were credit-impaired upon acquisition and \$119 million and \$141 million of loans that were 90 days or more past due at March 31, 2018 and December 31, 2017. The total unpaid principal balance of pay option loans with accumulated negative amortization was \$134 million and \$160 million, including \$7 million and \$9 million of

negative amortization at March 31, 2018 and December 31, 2017.

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The total PCI unpaid principal balance decreased \$592 million, or five percent, during the three months ended March 31, 2018 primarily driven by payoffs, paydowns, write-offs and PCI loan sales with a carrying value of \$109 million compared to no sales during the same period in 2017.

Of the unpaid principal balance of \$10.3 billion at March 31, 2018, \$9.3 billion, or 90 percent, was current based on the contractual terms, \$608 million, or six percent, was in early stage delinquency, and \$314 million was 180 days or more past due, including \$253 million of first-lien mortgages and \$61 million of home equity loans.

The PCI residential mortgage loan and home equity portfolios represented 75 percent and 25 percent of the total PCI loan portfolio at March 31, 2018. Those loans to borrowers with a refreshed FICO score below 620 represented 24 percent and 17 percent of the PCI residential mortgage loan and home equity portfolios at March 31, 2018. Residential mortgage and home equity loans with a refreshed LTV or CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 14 percent and 34 percent of their respective PCI loan portfolios and 15 percent and 36 percent based on the unpaid principal balance at March 31, 2018.

U.S. Credit Card

At March 31, 2018, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder in GWIM. Outstandings in the U.S. credit card portfolio decreased \$3.3 billion to \$93.0 billion during the three months ended March 31, 2018 due to paydowns and a seasonal decline in purchase volumes. Net charge-offs increased \$95 million to \$701 million during the three months ended March 31, 2018 compared to the same period in 2017 due to portfolio seasoning and loan growth. U.S. credit card loans 30 days or more past due and still accruing interest decreased \$52 million during the three months ended March 31, 2018 from seasonal declines while loans 90 days or more past due and still accruing interest increased \$25 million, driven by the same factors as described for net charge-offs.

Unused lines of credit for U.S. credit card totaled \$334.1 billion and \$326.3 billion at March 31, 2018 and December 31, 2017. The increase was driven by a seasonal decrease in line utilization due to a decrease in transaction volume as well as account growth and lines of credit increases.

Table 26 presents certain state concentrations for the U.S. credit card portfolio.

Table 26 U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-Offs Three Months Ended March 31	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017	2018	2017
(Dollars in millions)						
California	\$14,841	\$15,254	\$141	\$136	\$116	\$96
Florida	8,174	8,359	116	94	77	67
Texas	7,303	7,451	79	76	56	47
New York	5,796	5,977	91	91	70	45
Washington	1,153	4,350	22	20	15	14
Other	52,747	54,894	476	483	367	337
Total U.S. credit card portfolio	\$93,014	\$96,285	\$925	\$900	\$701	\$606

Direct/Indirect and Other Consumer

At March 31, 2018, approximately 54 percent of the direct/indirect portfolio was included in Consumer Banking (consumer auto and specialty lending – automotive, marine, aircraft, recreational vehicle loans and consumer personal loans) and 46 percent was included in GWIM (principally securities-based lending loans). At March 31, 2018, approximately 95 percent of the \$2.9 billion other consumer portfolio was consumer auto leases included in Consumer Banking.

Outstandings in the direct/indirect portfolio decreased \$2.6 billion to \$91.2 billion during the three months ended March 31, 2018 primarily due to lower draws and seasonal utilization in the securities-based lending portfolio. Net charge-offs increased \$10 million to \$58 million during the three months ended March 31, 2018 compared to the same period in 2017 due largely to portfolio seasoning.

Table 27 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 27 Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-Offs Three Months Ended	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017	March 31 2018	March 31 2017
					2018	2017
(Dollars in millions)						
California	\$ 11,659	\$ 12,502	\$ 3	\$ 3	\$ 6	\$ 5
Florida	10,612	10,946	5	5	9	9
Texas	10,338	10,623	4	5	9	10
New York	5,907	6,058	2	2	3	1
Georgia	3,483	3,502	4	4	4	3
Other	49,214	50,199	20	21	27	20
Total direct/indirect loan portfolio	\$ 91,213	\$ 93,830	\$ 38	\$ 40	\$ 58	\$ 48

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Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 28 presents nonperforming consumer loans, leases and foreclosed properties activity during the three months ended March 31, 2018 and 2017. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation’s 2017 Annual Report on Form 10-K and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements. During the three months ended March 31, 2018, nonperforming consumer loans declined \$260 million to \$4.9 billion driven by loan sales of \$269 million.

At March 31, 2018, \$1.5 billion, or 31 percent, of nonperforming loans were 180 days or more past due and had been written down to their estimated property value less costs to sell. In addition, at March 31, 2018, \$2.2 billion, or 45 percent, of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties increased \$28 million to \$264 million during the three months ended March 31, 2018 as additions

outpaced liquidations. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once we acquire the underlying real estate upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. Certain delinquent government-guaranteed loans (principally FHA-insured loans) are excluded from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the guarantor for principal and, up to certain limits, costs incurred during the foreclosure process and interest accrued during the holding period.

We classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At March 31, 2018 and December 31, 2017, \$294 million and \$330 million of such junior-lien home equity loans were included in nonperforming loans and leases.

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 28.

Table 28 Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity ⁽¹⁾

(Dollars in millions)	Three Months Ended March 31	
	2018	2017
Nonperforming loans and leases, January 1	\$5,166	\$6,004
Additions	812	818
Reductions:		
Paydowns and payoffs	(245)	(296)
Sales	(269)	(142)
Returns to performing status ⁽²⁾	(364)	(386)
Charge-offs	(147)	(174)
Transfers to foreclosed properties	(45)	(57)
Transfers to loans held-for-sale	(2)	(221)
Total net reductions to nonperforming loans and leases	(260)	(458)
Total nonperforming loans and leases, March 31 ⁽³⁾	4,906	5,546
Foreclosed properties, March 31 ⁽⁴⁾	264	328
Nonperforming consumer loans, leases and foreclosed properties, March 31	\$5,170	\$5,874
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases ⁽⁵⁾	1.10	% 1.23 %
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties ⁽⁵⁾	1.16	1.30

(1)

Balances do not include nonperforming LHFS of \$4 million and \$179 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of \$24 million and \$28 million at March 31, 2018 and 2017 as well as loans accruing past due 90 days or more as presented in Table 18 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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

(3) At March 31, 2018, 31 percent of nonperforming loans were 180 days or more past due.

(4) Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured, of \$680 million and \$1.1 billion at March 31, 2018 and 2017.

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

Table 29 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 28.

Table 29 Consumer Real Estate Troubled Debt Restructurings

	March 31, 2018			December 31, 2017		
(Dollars in millions)	Nonperforming	Performing	Total	Nonperforming	Performing	Total
Residential mortgage (1, 2, 3)	\$1,425	\$ 6,594	\$8,019	\$1,535	\$ 8,163	\$9,698
Home equity (4)	1,444	1,409	2,853	1,457	1,399	2,856
Total consumer real estate troubled debt restructurings	\$2,869	\$ 8,003	\$10,872	\$2,992	\$ 9,562	\$12,554

At March 31, 2018 and December 31, 2017, residential mortgage TDRs deemed collateral dependent totaled \$1.8 billion and \$2.8 billion, and included \$1.1 billion and \$1.2 billion of loans classified as nonperforming and \$709 million and \$1.6 billion of loans classified as performing.

(2) Residential mortgage performing TDRs included \$3.5 billion and \$3.7 billion of loans that were fully-insured at March 31, 2018 and December 31, 2017.

(3) During the three months ended March 31, 2018, the Corporation transferred impaired residential mortgage loans with a carrying value of \$1.2 billion to held for sale.

Home equity TDRs deemed collateral dependent totaled \$1.6 billion for both periods and included \$1.2 billion for

(4) both periods of loans classified as nonperforming, and \$389 million and \$388 million of loans classified as performing at March 31, 2018 and December 31, 2017.

In addition to modifying consumer real estate loans, we work with customers who are experiencing financial difficulty by modifying credit card and other consumer loans. Credit card and other consumer loan modifications generally involve a reduction in the customer's interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs (the renegotiated TDR portfolio).

Modifications of credit card and other consumer loans are made through renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 28 as substantially all of the loans remain on accrual status until either charged off or paid in full. At March 31, 2018 and December 31, 2017, our renegotiated TDR portfolio was \$501 million and \$490 million, of which \$433 million and \$426 million were current or less than 30 days past due under the modified terms. The increase in the renegotiated TDR portfolio was primarily driven by new renegotiated enrollments outpacing the run off of existing portfolios. For more information on the renegotiated TDR portfolio, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our non-U.S. portfolio, we evaluate exposures by region and by country. Tables 34, 37 and 42 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk

mitigation techniques to manage the size and risk profile of the commercial credit portfolio. For more information on our industry concentrations, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 37 and Table 37.

For more information on our accounting policies regarding nonperforming status, net charge-offs and delinquencies for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K.

Commercial Credit Portfolio

During the three months ended March 31, 2018, credit quality among large corporate borrowers was strong and there was continued improvement in the energy portfolio. Credit quality of commercial real estate borrowers continued to be strong with conservative LTV ratios, stable market rents in most sectors and vacancy rates that remain low. Total commercial utilized credit exposure increased \$8.9 billion during the three months ended March 31, 2018 primarily driven by increases in derivative assets and loans and leases, partially offset by decreases in LHFS. The utilization rate for loans and leases, standby letters of credit (SBLCs) and financial guarantees, and commercial letters of credit, in the aggregate, was 58 percent and 59 percent at March 31, 2018 and December 31, 2017.

Table 30 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes SBLCs and financial guarantees and commercial letters of credit that have been issued and for which we are legally bound to advance funds under prescribed conditions during a specified time period, and excludes exposure related to trading account assets. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes.

Table 30 Commercial Credit Exposure by Type

	Commercial Utilized ⁽¹⁾		Commercial Unfunded (2, 3, 4)		Total Commercial Committed	
(Dollars in millions)	March 31 2018	December 31 2017	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Loans and leases ⁽⁵⁾	\$492,900	\$ 487,748	\$375,888	\$ 364,743	\$868,788	\$ 852,491

Derivative assets ⁽⁶⁾	47,869	37,762	—	—	47,869	37,762
Standby letters of credit and financial guarantees	33,969	34,517	583	863	34,552	35,380
Debt securities and other investments	26,998	28,161	4,461	4,864	31,459	33,025
Loans held-for-sale	5,653	10,257	16,887	9,742	22,540	19,999
Commercial letters of credit	1,351	1,467	117	155	1,468	1,622
Other	948	888	—	—	948	888
Total	\$609,688	\$600,800	\$397,936	\$380,367	\$1,007,624	\$981,167

Commercial utilized exposure includes loans of \$5.1 billion and \$4.8 billion and issued letters of credit with a notional amount of \$193 million and \$232 million accounted for under the fair value option at March 31, 2018 and December 31, 2017.

(1) Commercial unfunded exposure includes commitments accounted for under the fair value option with a notional amount of \$4.2 billion and \$4.6 billion at March 31, 2018 and December 31, 2017.

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

Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (i.e., syndicated or participated) to other financial institutions. The distributed amounts were \$10.9 billion and \$11.0 billion at March 31, 2018 and December 31, 2017.

(5) Includes credit risk exposure associated with assets under operating lease arrangements of \$6.2 billion and \$6.3 billion at March 31, 2018 and December 31, 2017.

Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of \$36.5 billion and \$34.6 billion at March 31, 2018 and December 31, 2017.

(6) Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of \$36.9 billion and \$26.2 billion at March 31, 2018 and December 31, 2017, which consists primarily of other marketable securities.

Outstanding commercial loans and leases increased \$5.2 billion during the three months ended March 31, 2018 primarily due to growth in commercial and industrial loans. During the three months ended March 31, 2018, reservable criticized balances decreased \$197 million to \$13.4 billion primarily driven by improvements in the energy sector, while nonperforming commercial loans and leases, excluding loans accounted for under

the fair value option, increased \$168 million to \$1.5 billion. The allowance for loan and lease losses for the commercial portfolio was unchanged at \$5.0 billion at March 31, 2018. For more information, see Allowance for Credit Losses on page 41. Table 31 presents our commercial loans and leases portfolio and related credit quality information at March 31, 2018 and December 31, 2017.

Table 31 Commercial Credit Quality

(Dollars in millions)	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Commercial and industrial:						
U.S. commercial	\$288,476	\$ 284,836	\$1,059	\$ 814	\$98	\$ 144
Non-U.S. commercial	97,365	97,792	255	299	—	3
Total commercial and industrial	385,841	382,628	1,314	1,113	98	147
Commercial real estate ⁽¹⁾	60,085	58,298	73	112	13	4
Commercial lease financing	21,764	22,116	27	24	8	19
	467,690	463,042	1,414	1,249	119	170
U.S. small business commercial ⁽²⁾	13,892	13,649	58	55	76	75
Commercial loans excluding loans accounted for under the fair value option	481,582	476,691	1,472	1,304	195	245
Loans accounted for under the fair value option ⁽³⁾	5,095	4,782	12	43	—	—
Total commercial loans and leases	\$486,677	\$ 481,473	\$1,484	\$ 1,347	\$195	\$ 245

(1)

Includes U.S. commercial real estate of \$55.6 billion and \$54.8 billion and non-U.S. commercial real estate of \$4.5 billion and \$3.5 billion at March 31, 2018 and December 31, 2017.

(2) Includes card-related products.

Commercial loans accounted for under the fair value option include U.S. commercial of \$3.2 billion and \$2.6

(3) billion and non-U.S. commercial of \$1.9 billion and \$2.2 billion at March 31, 2018 and December 31, 2017. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

Table 32 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 2018 and 2017. Net charge-offs declined \$26 million for the three months ended March 31, 2018 compared to the same period in 2017.

Table 32 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs Three Months Ended March 31		Net Charge-off Ratios ⁽¹⁾	
(Dollars in millions)	2018	2017	2018	2017
Commercial and industrial:				
U.S. commercial	\$24	\$44	0.03 %	0.06 %
Non-U.S. commercial	4	15	0.02	0.07
Total commercial and industrial	28	59	0.03	0.07
Commercial real estate	(3)	(4)	(0.02)	(0.03)
Commercial lease financing	(1)	—	(0.01)	—
	24	55	0.02	0.05
U.S. small business commercial	57	52	1.67	1.61
Total commercial	\$81	\$107	0.07	0.10

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

Table 33 presents commercial utilized reservable criticized exposure by loan type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure decreased \$197 million, or one percent, during the three months ended March 31, 2018 primarily driven by upgrades and paydowns in the energy portfolio. Approximately 86 percent and 84 percent of commercial utilized reservable criticized exposure was secured at March 31, 2018 and December

31, 2017.

Table 33 Commercial Utilized Reservable
Criticized Exposure

	Amount (1)	Percent (2)	Amount (1)	Percent (2)
(Dollars in March 31, 2018 millions)			December 31, 2017	
Commercial and industrial:				
U.S. commercial	\$9,874	3.12 %	\$9,891	3.15 %
Non-U.S. commercial	1,719	1.66	1,766	1.70
Total commercial and industrial	11,593	2.76	11,657	2.79
Commercial real estate	523	0.85	566	0.95
Commercial lease financing	489	2.25	581	2.63
	12,605	2.50	12,804	2.57
U.S. small business commercial	761	5.48	759	5.56
Total commercial utilized reservable criticized exposure	\$13,366	2.58	\$13,563	2.65

(1) Total commercial utilized reservable criticized exposure includes loans and leases of \$12.3 billion and \$12.5 billion and commercial letters of credit of \$1.1 billion at both March 31, 2018 and December 31, 2017.

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

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Commercial and Industrial

Commercial and industrial loans include U.S. commercial and non-U.S. commercial portfolios.

U.S. Commercial

At March 31, 2018, 70 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 17 percent in Global Markets, 12 percent in GWIM (generally business-purpose loans for high net worth clients) and the remainder primarily in Consumer Banking. U.S. commercial loans, excluding loans accounted for under the fair value option, increased \$3.6 billion, or one percent, during the three months ended March 31, 2018 due to growth across most of the commercial businesses. Nonperforming loans and leases increased \$245 million, or 30 percent, during the three months ended March 31, 2018 driven by a small number of client downgrades across industries. Reservable criticized balances decreased \$17 million, or less than one percent. Net charge-offs decreased \$20 million for the three months ended March 31, 2018 compared to the same period in 2017.

Non-U.S. Commercial

At March 31, 2018, 79 percent of the non-U.S. commercial loan portfolio was managed in Global Banking and 21 percent in Global Markets. Outstanding loans, excluding loans accounted for under the fair value option, decreased \$427 million during the three months ended March 31, 2018. Nonperforming loans and leases decreased \$44 million, or 15 percent, and reservable criticized balances decreased \$47 million, or three percent. Net charge-offs decreased \$11 million for the three months ended March 31, 2018 to \$4 million. For more information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 40.

Commercial Real Estate

Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate and is dependent on the sale or lease of the real estate as the primary source of repayment. The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration at 23 percent of the commercial real estate loans and leases portfolio at both March 31, 2018 and December 31, 2017. The commercial real estate portfolio is predominantly managed in Global Banking and consists of loans made primarily to public and private developers, and commercial real estate firms. Outstanding loans increased \$1.8 billion, or three percent, during the three months ended March 31, 2018 to \$60.1 billion due to new originations outpacing paydowns. For the three months ended March 31, 2018, we continued to see low default rates and solid credit quality in both the residential and non-residential portfolios. We use a number of proactive risk mitigation initiatives to reduce adversely rated exposure in the commercial real estate portfolio, including transfers of deteriorating exposures to management by independent special asset officers and the pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation.

Nonperforming commercial real estate loans and foreclosed properties decreased \$39 million, or 24 percent, during the three months ended March 31, 2018 to \$125 million at March 31, 2018 and reservable criticized balances decreased \$43 million, or eight percent, to \$523 million primarily due to loan paydowns. Net recoveries were \$3 million for the three months ended March 31, 2018 compared to \$4 million for the same period in 2017.

Table 34 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type.

Outstanding

Table 34 Commercial Real Estate
Loans

(Dollars in millions)	March 31 2018	December 31 2017
By Geographic Region		
California	\$ 14,059	\$ 13,607

Northeast	9,898	10,072
Southwest	7,092	6,970
Southeast	5,708	5,487
Midwest	3,883	3,769
Florida	3,425	3,170
Midsouth	3,386	2,962
Illinois	2,838	3,263
Northwest	2,487	2,657
Non-U.S.	4,506	3,538
Other ⁽¹⁾	2,803	2,803

Total
outstanding
commercial real estate
loans

\$160,085 \$ 58,298

By

Property
Type

Non-residential
Office \$ 17,442 \$ 16,718

Shopping
centers / 8,927 8,825

Retail
Multi-family
rental 8,401 8,280

Hotels /
Motels 6,410 6,344

Industrial
/ 5,948 6,070

Warehouse
Unsecured 8,039 2,187

Multi-use 2,445 2,771

Land and
land 149 160
development

Other 6,101 5,485

Total
non-residential 58,862 56,840

Residential 1,223 1,458

Total
outstanding
commercial real estate
loans

\$160,085 \$ 58,298

By

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

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card loans and small business loans managed in Consumer Banking. Credit card-related products were 50 percent of the U.S. small business commercial portfolio at both March 31, 2018 and December 31, 2017. Net charge-offs were \$57 million for the three months ended March 31, 2018 compared to \$52 million for the same period in 2017. Of the U.S. small business commercial net charge-offs, 95 percent were credit card-related products for the three months ended March 31, 2018 compared to 88 percent for the same period in 2017.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 35 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three months ended March 31, 2018 and 2017. Nonperforming loans do not include loans accounted for under the fair value option. During the three months ended March 31, 2018, nonperforming commercial loans and leases increased \$168 million to \$1.5 billion. Approximately 83 percent of commercial nonperforming loans, leases and foreclosed properties were secured and approximately 55 percent were contractually current. Commercial nonperforming loans were carried at approximately 89 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less costs to sell.

Table 35
Nonperforming
Commercial Loans,
Leases and
Foreclosed
Properties Activity
(1, 2)

	Three Months Ended March 31	
(Dollars in millions)	2018	2017
Nonperforming loans and leases,	\$1,304	\$1,703
January 1		
Additions	436	472
Reductions:		
Paydowns	(169)	(267)
Sales	(24)	(22)
Returns		
to		
performing	(27)	(54)
status ⁽³⁾		
Charge-off	(48)	(82)
Transfers		
to		
foreclosed		(22)
properties		
Total net	168	25
additions		
to		

nonperforming loans and leases			
Total			
nonperforming loans and 1,472	1,728		
leases,			
March 31			
Foreclosed properties, 52	35		
March 31			
Nonperforming commercial			
loans,			
leases	\$1,524	\$1,763	
and			
foreclosed			
properties,			
March 31			
Nonperforming commercial			
loans and			
leases as			
a			
percentage of	0.31 %	0.38 %	
of			
outstanding commercial			
loans and			
leases ⁽⁴⁾			
Nonperforming commercial			
loans,			
leases			
and			
foreclosed			
properties			
as a			
percentage of	0.32	0.39	
of			
outstanding commercial			
loans,			
leases			
and			
foreclosed			
properties ⁽⁴⁾			

(1) Balances do not include nonperforming LHFS of \$228 million and \$246 million at March 31, 2018 and 2017.

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

(3)

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

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

Table 36 presents our commercial TDRs by product type and performing status. U.S. small business commercial TDRs are comprised of renegotiated small business card loans and small business loans. The renegotiated small business card loans are not classified as nonperforming as they are charged off no later than the end of the month in which the loan becomes 180 days past due. For more information on TDRs, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 36 Commercial Troubled Debt Restructurings

	March 31, 2018			December 31, 2017		
(Dollars in millions)	Nonperforming	Performing	Total	Nonperforming	Performing	Total
Commercial and industrial:						
U.S. commercial	\$432	\$ 919	\$1,351	\$370	\$ 866	\$1,236
Non-U.S. commercial	224	220	444	11	219	230
Total commercial and industrial	656	1,139	1,795	381	1,085	1,466
Commercial real estate	18	3	21	38	9	47
Commercial lease financing	4	11	15	5	13	18
	678	1,153	1,831	424	1,107	1,531
U.S. small business commercial	4	16	20	4	15	19
Total commercial troubled debt restructurings	\$682	\$ 1,169	\$1,851	\$428	\$ 1,122	\$1,550

Industry Concentrations

Table 37 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. Total commercial committed exposure increased \$26.5 billion, or three percent, during the three

months ended March 31, 2018 to \$1.0 trillion. The increase in commercial committed exposure was concentrated in the Asset Managers and Funds, Real Estate, Capital Goods, Materials and Media industry sectors. Increases were partially offset by reduced exposure to the Food and Staples Retailing and Retailing industry sectors.

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Industry limits are used internally to manage industry concentrations and are based on committed exposure that is allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits as well as to provide ongoing monitoring. The Management Risk Committee oversees industry limit governance.

Asset Managers and Funds, our largest industry concentration with committed exposure of \$103.5 billion, increased \$12.4 billion, or 14 percent, during the three months ended March 31, 2018. The increase primarily reflected an increase in exposure to several counterparties.

Real Estate, our second largest industry concentration with committed exposure of \$88.8 billion, increased \$5.0 billion, or six percent, during the three months ended March 31, 2018. For more information on the commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 36.

Capital Goods, our third largest industry concentration with committed exposure of \$73.7 billion, increased \$3.2 billion, or five percent, during the three months ended March 31, 2018. The increase in committed exposure occurred primarily as a result of increases in aerospace and defense and large conglomerates.

Our energy-related committed exposure decreased \$1.2 billion, or three percent, during the three months ended March 31, 2018 to \$35.6 billion. Energy sector net charge-offs were \$11 million for the three months ended March 31, 2018 compared to \$3 million for the same period in 2017. Energy sector reservable criticized exposure decreased \$228 million during the three months ended March 31, 2018 to \$1.4 billion due to improvement in credit quality of some borrowers coupled with exposure reductions. The energy allowance for credit losses decreased \$75 million during the three months ended March 31, 2018 to \$485 million.

Table 37 Commercial Credit Exposure by Industry ⁽¹⁾

	Commercial Utilized		Total Commercial Committed ⁽²⁾	
(Dollars in millions)	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Asset managers and funds	\$70,819	\$ 59,190	\$103,466	\$ 91,092
Real estate ⁽³⁾	64,507	61,940	88,750	83,773
Capital goods	39,560	36,705	73,650	70,417
Healthcare equipment and services	37,456	37,780	58,960	57,256
Government and public education	47,499	48,684	57,269	58,067
Finance companies	31,984	34,050	52,392	53,107
Materials	26,213	24,001	50,569	47,386
Retailing	25,679	26,117	45,241	48,796
Food, beverage and	22,351	23,252	44,620	42,815

tobacco				
Consumer services	27,160	27,191	43,005	43,605
Media	13,089	19,155	36,778	33,955
Commercial services and supplies	22,686	22,100	36,387	35,496
Energy	15,888	16,345	35,564	36,765
Global commercial banks	28,142	29,491	30,218	31,764
Transportation	21,652	21,704	30,121	29,946
Utilities	11,515	11,342	28,639	27,935
Individuals and trusts	19,276	18,549	25,161	25,097
Technology hardware and equipment	10,116	10,728	21,691	22,071
Software and services	7,971	8,562	20,757	18,202
Vehicle dealers	16,621	16,896	20,409	20,361
Pharmaceuticals and biotechnology	4,785	5,653	20,116	18,623
Consumer durables and apparel	9,286	8,859	18,535	17,296
Automobiles and components	7,097	5,988	13,993	13,318
Insurance	6,230	6,411	12,853	12,990
Telecommunication services	6,234	6,389	12,823	13,108
Food and staples retailing	5,298	4,955	11,452	15,589
Religious and social organizations	3,823	4,454	5,697	6,318
Financial markets infrastructure (clearinghouses)	1,499	688	3,261	2,403
Other	5,252	3,621	5,247	3,616
Total commercial	\$609,688	\$ 600,800	\$1,007,624	\$ 981,167

credit
exposure
by
industry
Net credit
default
protection
purchased
on total
commitments ⁽⁴⁾

\$ (2,194) \$ (2,129)

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

Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (i.e.,
(2) syndicated or participated) to other financial institutions. The distributed amounts were \$10.9 billion and \$11.0 billion at March 31, 2018 and December 31, 2017.

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

(4) Represents net notional credit protection purchased. For more information, see Commercial Portfolio Credit Risk Management – Risk Mitigation.

Risk Mitigation

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

At March 31, 2018 and December 31, 2017, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was \$2.2 billion and \$2.1 billion. We recorded net losses of \$9 million for the three months ended March 31, 2018 compared to net losses of \$31 million for the same period in 2017 on these

positions. The gains and losses on these instruments were offset by gains and losses on the related exposures. The Value-at-Risk

(VaR) results for these exposures are included in the fair value option portfolio information in Table 45. For more information, see Trading Risk Management on page 43.

Tables 38 and 39 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at March 31, 2018 and December 31, 2017.

Table 38 Net Credit Default
Protection by Maturity

	March 31 2018		December 31 2017	
Less than or equal to one year	40	%	42	%
Greater than one year and less than or equal to five years	53		58	
Greater than five years	7		—	
Total net credit default protection	100	%	100	%

Table 39 Net Credit Default Protection by Credit
Exposure Debt Rating

	Net Notional (1)	Percent of Total	Net Notional (1)	Percent of Total
(Dollars in				