BANK OF AMERICA CORP /DE/
Form 10-Q
May 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2016
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact name of registrant as specified in its charter:
Bank of America Corporation
State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

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

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

On April 29, 2016, there were 10,271,915,653 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
March 31, 2016
Form 10-Q

INDEX | Page

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "hopes," "estimates," "intends," "plans," "goals," "believes," "continue" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." Forward-looking statements represent the Corporation's current expectations, plans or forecasts of its future results and revenues, and future business and economic conditions more generally, and other future matters. These statements are not guarantees of future results or performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including under Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to distinguish certain aspects of the New York Court of Appeals' ACE Securities Corp v. DB Structured Products, Inc. (ACE) decision or to assert other claims seeking to avoid the impact of the ACE decision; 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 possibility that the Corporation may not collect mortgage insurance claims; potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation and regulatory proceedings, including the possibility that amounts may be in excess of the Corporation's recorded liability and estimated range of possible loss for litigation exposures; the possible outcome of LIBOR, other reference rate and foreign exchange inquiries and investigations; uncertainties about the financial stability and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation's exposures to such risks, including direct, indirect and operational; the impact of U.S. and global interest rates (including negative interest rates), currency exchange rates and economic conditions; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior and other uncertainties; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; the impact on the Corporation's business, financial condition and results of operations from a protracted period of lower oil prices or ongoing volatility with respect to oil prices; our ability to achieve anticipated cost savings, including, but not limited to, our ability to achieve anticipated decreases in the amount of noninterest expense, excluding litigation expense; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including the potential adoption of total loss-absorbing capacity requirements; the potential for payment protection insurance exposure to increase as a result of Financial Conduct Authority actions; the impact of recent proposed U.K. tax law changes including a further limitation on how much net operating losses can offset annual profits and a reduction to the U.K. corporate tax rate which, if enacted, will result in a tax charge upon enactment; the possible impact of Federal Reserve actions on the Corporation's capital plans; the possible impact of the Corporation's failure to remediate deficiencies identified by banking regulators in the Corporation's Recovery and Resolution plans; the impact of implementation and compliance with new and evolving U.S. and international regulations, including, but not limited to, recovery and resolution planning requirements, the Volcker Rule, and derivatives regulations; 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; and other similar matters.

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

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

Table of Contents

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), 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, 2016, the Corporation had approximately $2.2 trillion in assets and approximately 213,000 full-time equivalent employees.

As of March 31, 2016, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,700 retail financial centers, approximately 16,000 ATMs, and leading online and mobile banking platforms with approximately 33 million active users and approximately 20 million mobile users (www.bankofamerica.com). We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of nearly $2.5 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.

Table of Contents

First-Quarter 2016 Economic and Business Environment

The U.S. economy continued to expand in the first quarter of 2016, much as it had during the final quarter of 2015. Consumer spending rose but at a slower pace for a second consecutive quarter, while consumer confidence remained at levels near the highs of the economic recovery period that began in June 2009. Business spending continued to be constrained by the impact of sustained low oil prices. Residential construction advanced steadily, reflecting continued low mortgage rates and solid employment gains. The net export gap widened, negatively impacting domestic economic growth, as weakness in foreign economies and the strong U.S. Dollar for most of the first quarter decreased export demand.

Payroll gains continued, but at a slower pace than the preceding quarter. The unemployment rate also edged lower. Labor force participation scored solid gains, indicating that the stronger labor market is attracting new candidates, and average hourly earnings showed tentative signs of increasing. Prices for finished energy products such as gasoline continued to fall during the quarter, suppressing headline consumer inflation (which includes certain items that may be subject to frequent volatile price changes, such as food and energy). Core inflation gained slight momentum, matching its year-over-year maximum for the economic recovery period as measured by the Consumer Price Index, but remained well below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term annual target of two percent.

After its initial rate increase in December, the Federal Open Market Committee (FOMC) left its federal funds rate target unchanged, showing concern about very low inflation and weak economic conditions abroad. In January, the FOMC cited lower market-based measures of break-even inflation rates (rates that would leave an investor indifferent between holding a Treasury inflation-protected security and a Treasury security) and hinted at increased risk to the economy. In March, FOMC members' assessments of future federal funds rate levels fell appreciably. These signals indicated greater restraint in tightening monetary policy by the Federal Reserve. In response, Treasury yields fell during the quarter. Credit conditions tightened early in the quarter with widening corporate spreads and falling equities. However, both asset classes recovered late to remain relatively unchanged for the quarter.

International concerns remained a key factor in the Federal Reserve's resistance to raising rates. Internationally, other central banks generally increased monetary easing. Responding to sustained below-target inflation, the European Central Bank lowered its deposit rate further into negative territory and increased its volume of security purchases. The issues of the influx of refugees related to the war in Syria and the possibility that the United Kingdom could elect to leave the European Union remained sources of political uncertainty for the region. The Bank of Japan eased its monetary policy further, also introducing negative rates for the first time. Among emerging nations, Brazil faced a political crisis along with a deep recession and high inflation, while the Chinese economy continued to expand but at a somewhat slower pace.

Table of Contents

Recent Events

Resolution Plan

On April 13, 2016, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) provided firm-specific feedback to eight systemically important, domestic banking institutions on their 2015 resolution plans. For additional information, see the Corporation's Current Report on Form 8-K as filed on April 13, 2016.

Capital Management

During the three months ended March 31, 2016, we repurchased $800 million of common stock in connection with our 2015 Comprehensive Capital Analysis and Review (CCAR) capital plan, which included a request to repurchase $4.0 billion of common stock over five quarters beginning in the second quarter of 2015, and to maintain the quarterly common stock dividend at the current rate of $0.05 per share. Additionally, on March 18, 2016, the Corporation announced that the Board of Directors (the Board) authorized additional repurchases of common stock up to $800 million outside of the scope of the 2015 CCAR capital plan to offset the share count dilution resulting from equity incentive compensation awarded to retirement-eligible employees, to which the Federal Reserve did not object. In connection with the additional authorization, the Corporation repurchased $200 million of common stock during the three months ended March 31, 2016. For additional information, see Capital Management on page 45.

Selected Financial Data

Table 1 provides selected consolidated financial data for the three months ended March 31, 2016 and 2015, and at March 31, 2016 and December 31, 2015.

Table 1
Selected Financial Data

	Three Months Ended March 31			
(Dollars in millions, except per share information)	2016		2015	
Income statement				
Revenue, net of interest expense (FTE basis) [1]	$19,727		$21,129	
Net income	2,680		3,097	
Diluted earnings per common share	0.21		0.25	
Dividends paid per common share	0.05		0.05	
Performance ratios				
Return on average assets	0.50	%	0.59	%
Return on average tangible common shareholders' equity [1]	5.41		7.19	
Efficiency ratio (FTE basis) [1]	75.11		74.91	
	March 31 2016		December 31 2015	
Balance sheet				
Total loans and leases [2]	$901,113		$896,983	
Total assets	2,185,498		2,144,316	
Total deposits	1,217,261		1,197,259	
Total common shareholders' equity	238,434		233,932	
Total shareholders' equity	262,776		256,205	

(1)

Fully taxable-equivalent (FTE) basis, return on average tangible common shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 14.

(2) Beginning in the first quarter of 2016, the Corporation classifies certain leases in other assets. Previously these leases were classified in loans and leases. Prior periods were reclassified to conform to current period presentation.

Table of Contents

Financial Highlights

Net income was $2.7 billion, or $0.21 per diluted share for the three months ended March 31, 2016 compared to $3.1 billion, or $0.25 for the same period in 2015. The results for the three months ended March 31, 2016 compared to the same period in 2015 were primarily driven by declines in net interest income on a fully taxable-equivalent (FTE) basis and noninterest income, and higher provision for credit losses, partially offset by lower noninterest expense. Included in net interest income on an FTE basis were negative market-related adjustments on debt securities of $1.2 billion and $484 million for the three months ended March 31, 2016 and 2015.

Total assets increased $41.2 billion from December 31, 2015 to $2.2 trillion at March 31, 2016 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity, higher cash and cash equivalents due to strong deposit inflows, and an increase in loans and leases driven by strong demand for commercial loans outpacing consumer loan sales and run-off. Total liabilities increased $34.6 billion from December 31, 2015 to $1.9 trillion at March 31, 2016 primarily driven by an increase in deposits, securities loaned or sold under agreements to repurchase and trading account liabilities, partially offset by a decline in all other liabilities driven by the Bank of New York Mellon (BNY Mellon) settlement payment. During the three months ended March 31, 2016, we returned $2.0 billion in capital to shareholders through common and preferred stock dividends and common stock repurchases. For more information on the balance sheet, see Executive Summary – Balance Sheet Overview on page 11.

From a capital management perspective, during the three months ended March 31, 2016, we maintained our strong capital position with Common equity tier 1 capital of $162.7 billion, risk-weighted assets of $1,587 billion and a Common equity tier 1 capital ratio of 10.3 percent at March 31, 2016 as measured under the Basel 3 Advanced – Transition. The Corporation's fully phased-in supplementary leverage ratio (SLR) was 6.8 percent and 6.4 percent at March 31, 2016 and December 31, 2015, both above the 5.0 percent required minimum (including leverage buffer) effective January 1, 2018. Our Global Excess Liquidity Sources were $525 billion with time-to-required funding at 36 months at March 31, 2016 compared to $504 billion and 39 months at December 31, 2015. For additional information, see Capital Management on page 45 and Liquidity Risk on page 54.

Table 2
Summary Income Statement

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Net interest income (FTE basis) (1)	$9,386	$9,626
Noninterest income	10,341	11,503
Total revenue, net of interest expense (FTE basis) (1)	19,727	21,129
Provision for credit losses	997	765
Noninterest expense	14,816	15,827
Income before income taxes (FTE basis) (1)	3,914	4,537
Income tax expense (FTE basis) (1)	1,234	1,440
Net income	2,680	3,097
Preferred stock dividends	457	382
Net income applicable to common shareholders	$2,223	$2,715
Per common share information		
Earnings	$0.21	$0.26
Diluted earnings	0.21	0.25

(1) FTE basis is a non-GAAP financial measure. Includes FTE adjustments of $215 million for both the three months ended March 31, 2016 and 2015. For more information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 14.

Table of Contents

Net Interest Income

Net interest income on an FTE basis decreased $240 million to $9.4 billion for the three months ended March 31, 2016 compared to the same period in 2015. The net interest yield on an FTE basis decreased 11 basis points (bps) to 2.05 percent for the same period. These declines were primarily driven by a negative change of $707 million in market-related adjustments on debt securities and lower consumer loan balances, partially offset by growth in commercial loans, the impact of higher interest rates and increased debt securities compared to the three months ended March 31, 2015. Negative market-related adjustments on debt securities were $1.2 billion and $484 million for the three months ended March 31, 2016 and 2015. Negative market-related adjustments on debt securities were primarily due to the acceleration of premium amortization on debt securities as the decline in long-term interest rates shortened the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Noninterest Income

Table 3
Noninterest Income

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Card income	$1,430	$1,394
Service charges	1,837	1,764
Investment and brokerage services	3,182	3,378
Investment banking income	1,153	1,487
Trading account profits	1,662	2,247
Mortgage banking income	433	694
Gains on sales of debt securities	226	268
Other income	418	271
Total noninterest income	$10,341	$11,503

Noninterest income decreased $1.2 billion to $10.3 billion for the three months ended March 31, 2016 compared to the same period in 2015. The following highlights the significant changes.

- Investment and brokerage services income decreased $196 million driven by lower market valuations and lower transactional revenue.

- Investment banking income decreased $334 million driven by lower debt and equity issuance fees, as well as lower advisory fees due to declines in market fee pools.

- Trading account profits decreased $585 million. Debit valuation adjustments (DVA) gains were $184 million in the three months ended March 31, 2016 compared to losses of $46 million in the same period in 2015. Excluding DVA, trading account profits decreased $815 million driven by declines in credit-related products and equities due to challenging market conditions, and lower revenue in currencies which performed strongly in the same period in 2015. These decreases were partially offset by an improved performance in rates and client financing. For more information on trading account profits, see Global Markets on page 33.

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Mortgage banking income decreased $261 million primarily due to declines in core production revenue, mortgage servicing rights (MSR) net-of-hedge performance and servicing fees, partially offset by gains on the sales of loans.

Other income increased $147 million primarily due to an improvement of $325 million in DVA, partially offset by lower gains on asset sales. DVA losses were $30 million in the three months ended March 31, 2016 compared to $355 million in the same period in 2015.

Table of Contents

Provision for Credit Losses

Table 4
Credit Quality Data

(Dollars in millions)	Three Months Ended March 31 2016	2015
Provision for credit losses		
Consumer	$402	$619
Commercial	595	146
Total provision for credit losses	$997	$765
Net charge-offs [(1)]	$1,068	$1,194
Net charge-off ratio [(2)]	0.48 %	0.56 %

(1) Net charge-offs exclude write-offs in the purchased credit-impaired loan portfolio.

(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.

The provision for credit losses increased $232 million to $997 million for the three months ended March 31, 2016 compared to the same period in 2015. The provision for credit losses in the consumer portfolio decreased $217 million compared to the same period in 2015 due to a continued improvement in portfolio trends. The provision for credit losses for the commercial portfolio increased $449 million in the three months ended March 31, 2016 compared to the same period in 2015 driven by an increase in energy sector reserves primarily due to increased allowance coverage for the higher risk sub-sectors. For more information on our energy sector exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83. The decrease in net charge-offs for the three months ended March 31, 2016 was primarily due to credit quality improvement in the consumer portfolio, partially offset by higher energy-related net charge-offs in the commercial portfolio.

For the remainder of 2016, we currently expect that provision expense should approximate net charge-offs. For more information on the provision for credit losses, see Provision for Credit Losses on page 89.

Noninterest Expense

Table 5
Noninterest Expense

(Dollars in millions)	Three Months Ended March 31 2016	2015
Personnel	$8,852	$9,614
Occupancy	1,028	1,027
Equipment	463	512
Marketing	419	440
Professional fees	425	421
Amortization of intangibles	187	213
Data processing	838	852
Telecommunications	173	171
Other general operating	2,431	2,577
Total noninterest expense	$14,816	$15,827

Noninterest expense decreased $1.0 billion to $14.8 billion for the three months ended March 31, 2016 compared to the same period in 2015. Personnel expense decreased $762 million as we continue to manage headcount and achieve cost savings. Continued expense management in LAS, as well as the expiration of fully-amortized wealth advisor retention awards, more than offset the increases in client-facing professionals. Included in personnel expense were annual retirement-eligible incentive costs of $850 million for the three months ended March 31, 2016 compared to $1.0 billion for the same period in 2015. Other general operating expense decreased $146 million primarily due to lower foreclosed properties expense.

Table of Contents

Income Tax Expense

Table 6
Income Tax Expense

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Income before income taxes	$3,699	$4,322
Income tax expense	1,019	1,225
Effective tax rate	27.5 %	28.3 %

The effective tax rates for the three months ended March 31, 2016 and 2015 were driven by the impact of our recurring tax preference benefits. We expect an effective tax rate closer to 30 percent for the remainder of 2016, absent unusual items.

The U.K. Chancellor's Budget 2016 was announced on March 16, 2016 and proposes to further reduce the U.K. corporate income tax rate by one percent to 17 percent effective April 1, 2020. This reduction would favorably affect income tax expense on future U.K. earnings but also would require us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rate. Accordingly, upon enactment, we would expect to record a charge to income tax expense of approximately $350 million. In addition, for banking companies, the portion of U.K. taxable income that can be reduced by net operating loss carryforwards would be further restricted from 50 percent to 25 percent retroactive to April 1, 2016.

Table of Contents

Balance Sheet Overview

Table 7
Selected Balance Sheet Data

(Dollars in millions)	March 31 2016	December 31 2015	% Change
Assets			
Cash and cash equivalents	$179,610	$159,353	13 %
Federal funds sold and securities borrowed or purchased under agreements to resell	221,129	192,482	15
Trading account assets	178,987	176,527	1
Debt securities	400,311	407,005	(2)
Loans and leases	901,113	896,983	<1
Allowance for loan and lease losses	(12,069)	(12,234)	(1)
All other assets	316,417	324,200	(2)
Total assets	$2,185,498	$2,144,316	2
Liabilities			
Deposits	$1,217,261	$1,197,259	2 %
Federal funds purchased and securities loaned or sold under agreements to repurchase	188,960	174,291	8
Trading account liabilities	74,003	66,963	11
Short-term borrowings	30,881	28,098	10
Long-term debt	232,849	236,764	(2)
All other liabilities	178,768	184,736	(3)
Total liabilities	1,922,722	1,888,111	2
Shareholders' equity	262,776	256,205	3
Total liabilities and shareholders' equity	$2,185,498	$2,144,316	2

Assets

At March 31, 2016, total assets were approximately $2.2 trillion, up $41.2 billion from December 31, 2015. The increase in assets was primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity, higher cash and cash equivalents due to strong deposit inflows, and an increase in loans and leases driven by strong demand for commercial loans outpacing consumer loan sales and run-off.

Liabilities and Shareholders' Equity

At March 31, 2016, total liabilities were approximately $1.9 trillion, up $34.6 billion from December 31, 2015, primarily driven by an increase in deposits, securities loaned or sold under agreements to repurchase and trading account liabilities, partially offset by a decline in all other liabilities driven by the BNY Mellon settlement payment.

Shareholders' equity of $262.8 billion at March 31, 2016 increased $6.6 billion from December 31, 2015 driven by an increase in accumulated other comprehensive income (OCI) due to a positive net change in the fair value of available-for-sale (AFS) debt securities as a result of lower interest rates, earnings and preferred stock issuances, partially offset by returns of capital to shareholders of $2.0 billion through common and preferred stock dividends and common stock repurchases.

Table of Contents

Table 8
Selected Quarterly Financial Data

(In millions, except per share information)	2016 Quarter First	2015 Quarters Fourth	Third	Second	First
Income statement					
Net interest income	$9,171	$9,756	$9,471	$10,461	$9,411
Noninterest income	10,341	9,911	11,042	11,495	11,503
Total revenue, net of interest expense	19,512	19,667	20,513	21,956	20,914
Provision for credit losses	997	810	806	780	765
Noninterest expense	14,816	14,010	13,940	13,958	15,827
Income before income taxes	3,699	4,847	5,767	7,218	4,322
Income tax expense	1,019	1,511	1,446	2,084	1,225
Net income	2,680	3,336	4,321	5,134	3,097
Net income applicable to common shareholders	2,223	3,006	3,880	4,804	2,715
Average common shares issued and outstanding	10,340	10,399	10,444	10,488	10,519
Average diluted common shares issued and outstanding	11,100	11,153	11,197	11,238	11,267
Performance ratios					
Return on average assets	0.50 %	0.61 %	0.79 %	0.96 %	0.59 %
Four quarter trailing return on average assets (1)	0.71	0.74	0.73	0.52	0.38
Return on average common shareholders' equity	3.77	5.08	6.65	8.42	4.88
Return on average tangible common shareholders' equity (2)	5.41	7.32	9.65	12.31	7.19
Return on average tangible shareholders' equity (2)	5.72	7.15	9.43	11.51	7.24
Total ending equity to total ending assets	12.02	11.95	11.89	11.71	11.67
Total average equity to total average assets	11.98	11.79	11.71	11.67	11.49
Dividend payout	23.23	17.27	13.43	10.90	19.38
Per common share data					
Earnings	$0.21	$0.29	$0.37	$0.46	$0.26
Diluted earnings	0.21	0.28	0.35	0.43	0.25
Dividends paid	0.05	0.05	0.05	0.05	0.05
Book value	23.12	22.54	22.41	21.91	21.66
Tangible book value (2)	16.17	15.62	15.50	15.02	14.79
Market price per share of common stock					
Closing	$13.52	$16.83	$15.58	$17.02	$15.39
High closing	16.43	17.95	18.45	17.67	17.90
Low closing	11.16	15.38	15.26	15.41	15.15
Market capitalization	$139,427	$174,700	$162,457	$178,231	$161,909

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

(2) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 14.

(3) For more information on the impact of the purchased credit-impaired loan portfolio (PCI) on asset quality, see Consumer Portfolio Credit Risk Management on page 60.

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

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

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 73 and corresponding Table 40, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 82 and corresponding Table 49.

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

(7) Net charge-offs exclude $105 million, $82 million, $148 million, $290 million and $288 million of write-offs in the PCI loan portfolio in the first quarter of 2016 and in the fourth, third, second and first quarters of 2015, respectively. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 70.

(8) Risk-based capital ratios reported under Basel 3 Advanced - Transition beginning in the fourth quarter of 2015. Prior to the fourth quarter of 2015, we were required to report risk-based capital ratios under Basel 3 Standardized - Transition only. For additional information, see Capital Management on page 45.

Table of Contents

Table 8
Selected Quarterly Financial Data (continued)

(Dollars in millions)	2016 Quarter First	2015 Quarters Fourth	Third	Second	First
Average balance sheet					
Total loans and leases	$892,984	$886,156	$877,429	$876,178	$867,169
Total assets	2,173,618	2,180,472	2,168,993	2,151,966	2,138,574
Total deposits	1,198,455	1,186,051	1,159,231	1,146,789	1,130,726
Long-term debt	233,654	237,384	240,520	242,230	240,127
Common shareholders' equity	237,123	234,851	231,620	228,780	225,357
Total shareholders' equity	260,317	257,125	253,893	251,054	245,744
Asset quality (3)					
Allowance for credit losses (4)	$12,696	$12,880	$13,318	$13,656	$14,213
Nonperforming loans, leases and foreclosed properties (5)	9,281	9,836	10,336	11,565	12,101
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (5)	1.35 %	1.37 %	1.45 %	1.50 %	1.58 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (5)	136	130	129	122	122
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (5)	129	122	120	111	110
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (6)	$4,138	$4,518	$4,682	$5,050	$5,492
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (5, 6)	90 %	82 %	81 %	75 %	73 %
Net charge-offs (7)	$1,068	$1,144	$932	$1,068	$1,194
Annualized net charge-offs as a percentage of average loans and leases outstanding (5, 7)	0.48 %	0.52 %	0.43 %	0.49 %	0.56 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (5)	0.49	0.53	0.43	0.50	0.58
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (5)	0.53	0.55	0.49	0.63	0.70
Nonperforming loans and leases as a percentage of total loans and leases outstanding (5)	0.99	1.05	1.12	1.23	1.30
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (5)	1.04	1.10	1.18	1.32	1.40
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (7)	2.81	2.70	3.42	3.05	2.82
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.67	2.52	3.18	2.79	2.55

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.56		2.52		2.95		2.40		2.28	
Capital ratios at period end										
Risk-based capital: (8)										
Common equity tier 1 capital	10.3	%	10.2	%	11.6	%	11.2	%	11.1	%
Tier 1 capital	11.5		11.3		12.9		12.5		12.3	
Total capital	13.4		13.2		15.8		15.5		15.3	
Tier 1 leverage	8.7		8.6		8.5		8.5		8.4	
Tangible equity (2)	9.0		8.9		8.8		8.6		8.6	
Tangible common equity (2)	7.9		7.8		7.8		7.6		7.5	

For footnotes see page 12.

Table of Contents

Supplemental Financial Data

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

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

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

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

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

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

The aforementioned supplemental data and performance measures are presented in Table 8.

We evaluate our business segment results based on measures that utilize average allocated capital. Return on average allocated capital is calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital. Allocated capital and the related return both represent non-GAAP financial measures.

Table 9 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 9
Supplemental Financial Data

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Fully taxable-equivalent basis data		
Net interest income	$9,386	$9,626
Total revenue, net of interest expense	19,727	21,129

Net interest yield	2.05 %	2.16 %
Efficiency ratio	75.11	74.91

Tables 10, 11 and 12 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table of Contents

Table 10
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Three Months Ended March 31					
	2016			2015		
(Dollars in millions)	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis
Net interest income	$9,171	$ 215	$ 9,386	$9,411	$ 215	$ 9,626
Total revenue, net of interest expense	19,512	215	19,727	20,914	215	21,129
Income tax expense	1,019	215	1,234	1,225	215	1,440

Table 11
Period-end and Average Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Period-end		Average Three Months Ended March 31	
(Dollars in millions)	March 31 2016	December 31 2015	2016	2015
Common shareholders' equity	$238,434	$233,932	$237,123	$225,357
Goodwill	(69,761)	(69,761)	(69,761)	(69,776)
Intangible assets (excluding MSRs)	(3,578)	(3,768)	(3,687)	(4,518)
Related deferred tax liabilities	1,667	1,716	1,707	1,959
Tangible common shareholders' equity	$166,762	$162,119	$165,382	$153,022
Shareholders' equity	$262,776	$256,205	$260,317	$245,744
Goodwill	(69,761)	(69,761)	(69,761)	(69,776)
Intangible assets (excluding MSRs)	(3,578)	(3,768)	(3,687)	(4,518)
Related deferred tax liabilities	1,667	1,716	1,707	1,959
Tangible shareholders' equity	$191,104	$184,392	$188,576	$173,409
Total assets	$2,185,498	$2,144,316		
Goodwill	(69,761)	(69,761)		
Intangible assets (excluding MSRs)	(3,578)	(3,768)		
Related deferred tax liabilities	1,667	1,716		
Tangible Assets	$2,113,826	$2,072,503		

Table of Contents

Table 12
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures (1)

(Dollars in millions)	Three Months Ended March 31 2016	2015
Consumer Banking		
Reported net income	$1,785	$1,461
Adjustment related to intangibles (2)	1	1
Adjusted net income	$1,786	$1,462
Average allocated equity (3)	$60,261	$59,295
Adjustment related to goodwill and a percentage of intangibles	(30,261)	(30,295)
Average allocated capital	$30,000	$29,000
Deposits		
Reported net income	$814	$536
Adjustment related to intangibles (2)	—	—
Adjusted net income	$814	$536
Average allocated equity (3)	$30,417	$30,424
Adjustment related to goodwill and a percentage of intangibles	(18,417)	(18,424)
Average allocated capital	$12,000	$12,000
Consumer Lending		
Reported net income	$971	$925
Adjustment related to intangibles (2)	1	1
Adjusted net income	$972	$926
Average allocated equity (3)	$29,844	$28,870
Adjustment related to goodwill and a percentage of intangibles	(11,844)	(11,870)
Average allocated capital	$18,000	$17,000
Global Wealth & Investment Management		
Reported net income	$740	$652
Adjustment related to intangibles (2)	3	3
Adjusted net income	$743	$655
Average allocated equity (3)	$23,098	$22,168
Adjustment related to goodwill and a percentage of intangibles	(10,098)	(10,168)
Average allocated capital	$13,000	$12,000
Global Banking		
Reported net income	$1,066	$1,367
Adjustment related to intangibles (2)	—	—
Adjusted net income	$1,066	$1,367
Average allocated equity (3)	$60,937	$58,877

Adjustment related to goodwill and a percentage of intangibles	(23,937)	(23,877)
Average allocated capital	$37,000	$35,000
Global Markets		
Reported net income	$984	$677
Adjustment related to intangibles [2]	2	2
Adjusted net income	$986	$679
Average allocated equity [3]	$42,332	$40,416
Adjustment related to goodwill and a percentage of intangibles	(5,332)	(5,416)
Average allocated capital	$37,000	$35,000

(1) There are no adjustments to reported net income (loss) or average allocated equity for LAS.

(2) Represents cost of funds, earnings credits and certain expenses related to intangibles.

(3) Average allocated equity is comprised of average allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on allocated capital, see Business Segment Operations on page 21.

Table of Contents

Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on an FTE basis and excluding the impact of trading-related activities. We evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on an FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 13 provides additional clarity in assessing our results.

Table 13
Net Interest Income Excluding Trading-related Net Interest Income

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Net interest income (FTE basis)		
As reported	$9,386	$9,626
Impact of trading-related net interest income	(1,059)	(883)
Net interest income excluding trading-related net interest income (FTE basis) [1]	$8,327	$8,743
Average earning assets		
As reported	$1,844,650	$1,799,175
Impact of trading-related earning assets	(397,732)	(415,193)
Average earning assets excluding trading-related earning assets [1]	$1,446,918	$1,383,982
Net interest yield contribution (FTE basis) [2]		
As reported	2.05 %	2.16 %
Impact of trading-related activities	0.27	0.40
Net interest yield on earning assets excluding trading-related activities (FTE basis) [1]	2.32 %	2.56 %

(1) Represents a non-GAAP financial measure.
(2) Calculated on an annualized basis.

For the three months ended March 31, 2016, net interest income excluding trading-related net interest income decreased $416 million to $8.3 billion compared to the same period in 2015. The decrease was primarily driven by a negative change of $707 million in market-related adjustments on debt securities and lower consumer loan balances, partially offset by growth in commercial loans, the impact of higher interest rates and an increase in debt securities compared to the three months ended March 31, 2015. Market-related adjustments on debt securities resulted in an expense of $1.2 billion for the three months ended March 31, 2016 compared to an expense of $484 million for the same period in 2015. Negative market-related adjustments on debt securities were primarily due to the acceleration of premium amortization on debt securities as the decline in long-term interest rates shortened the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income. For more information on market-related adjustments, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. For more information on the impact of interest rates, see Interest Rate Risk Management for Non-trading Activities on page 99.

Average earning assets excluding trading-related earning assets for the three months ended March 31, 2016 increased $62.9 billion to $1,446.9 billion compared to the same period in 2015. The increase was primarily in commercial loans, securities borrowed or purchased under agreements to resell, debt securities and cash held at central banks, partially offset by a decline in consumer loans.

For the three months ended March 31, 2016, net interest yield on earning assets excluding trading-related activities decreased 24 bps to 2.32 percent compared to the same period in 2015 due to the same factors as described above.

Table of Contents

Table 14
Quarterly Average Balances and Interest Rates – FTE Basis

	First Quarter 2016			Fourth Quarter 2015		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$138,574	$ 155	0.45 %	$148,102	$ 108	0.29 %
Time deposits placed and other short-term investments	9,156	32	1.41	10,120	41	1.61
Federal funds sold and securities borrowed or purchased under agreements to resell	209,183	276	0.53	207,585	214	0.41
Trading account assets	136,306	1,212	3.57	134,797	1,141	3.37
Debt securities (1)	399,809	1,224	1.23	399,423	2,541	2.55
Loans and leases (2):						
Residential mortgage	186,980	1,629	3.49	189,650	1,644	3.47
Home equity	75,328	711	3.79	77,109	715	3.69
U.S. credit card	87,163	2,021	9.32	88,623	2,045	9.15
Non-U.S. credit card	9,822	253	10.36	10,155	258	10.07
Direct/Indirect consumer (3)	89,342	550	2.48	87,858	530	2.40
Other consumer (4)	2,138	16	3.03	2,039	11	2.09
Total consumer	450,773	5,180	4.61	455,434	5,203	4.55
U.S. commercial	270,511	1,936	2.88	261,727	1,790	2.72
Commercial real estate (5)	57,271	434	3.05	56,126	408	2.89
Commercial lease financing	21,077	182	3.46	20,422	155	3.03
Non-U.S. commercial	93,352	585	2.52	92,447	530	2.27
Total commercial	442,211	3,137	2.85	430,722	2,883	2.66
Total loans and leases	892,984	8,317	3.74	886,156	8,086	3.63
Other earning assets	58,638	694	4.76	61,070	748	4.87
Total earning assets (6)	1,844,650	11,910	2.59	1,847,253	12,879	2.77
Cash and due from banks	28,844			29,503		
Other assets, less allowance for loan and lease losses	300,124			303,716		
Total assets	$2,173,618			$2,180,472		

(1) Yields on debt securities excluding the impact of market-related adjustments was 2.45 percent in the first quarter of 2016, and 2.47 percent, 2.50 percent, 2.48 percent and 2.54 percent in the fourth, third, second and first quarters of 2015, respectively. Yields on debt securities excluding the impact of market-related adjustments are a non-GAAP financial measure. The Corporation believes the use of this non-GAAP financial measure provides additional clarity in assessing its results.

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

(3) Includes non-U.S. consumer loans of $3.8 billion in the first quarter of 2016, and $4.0 billion for each of the quarters of 2015.

(4) Includes consumer finance loans of $551 million in the first quarter of 2016, and $578 million, $605 million, $632 million and $661 million in the fourth, third, second and first quarters of 2015, respectively; consumer leases of $1.4 billion in the first quarter of 2016, and $1.3 billion, $1.2 billion, $1.1 billion and $1.0 billion in the fourth, third, second and first quarters of 2015, respectively; and consumer overdrafts of $161 million in the first quarter of 2016, and $174 million, $177 million, $131 million and $141 million in the fourth, third, second and first quarters of 2015, respectively.

(5) Includes U.S. commercial real estate loans of $53.8 billion in the first quarter of 2016, and $52.8 billion, $49.8 billion, $47.6 billion and $45.6 billion in the fourth, third, second and first quarters of 2015, respectively; and non-U.S. commercial real estate loans of $3.4 billion in the first quarter of 2016, and $3.3 billion, $3.8 billion, $2.8 billion and $2.7 billion in the fourth, third, second and first quarters of 2015, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $35 million in the first quarter of 2016, and $32 million, $8 million, $8 million and $11 million in the fourth, third, second and first quarters of 2015, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $565 million in the first quarter of 2016, and $681 million, $590 million, $509 million and $582 million in the fourth, third, second and first quarters of 2015, respectively. For additional information, see Interest Rate Risk Management for Non-trading Activities on page 99.

(7) The yield on long-term debt excluding the $612 million adjustment on certain trust preferred securities was 2.15 percent for the fourth quarter of 2015. For more information, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. The yield on long-term debt excluding the adjustment is a non-GAAP financial measure.

Table of Contents

Table 14
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Third Quarter 2015 Average Balance	Third Quarter 2015 Interest Income/ Expense	Third Quarter 2015 Yield/ Rate	Second Quarter 2015 Average Balance	Second Quarter 2015 Interest Income/ Expense	Second Quarter 2015 Yield/ Rate	First Quarter 2015 Average Balance	First Quarter 2015 Interest Income/ Expense	First Quarter 2015 Yield/ Rate
Earning assets									
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$145,174	$ 96	0.26 %	$125,762	$ 81	0.26 %	$126,189	$ 84	0.27 %
Time deposits placed and other short-term investments	11,503	38	1.32	8,183	34	1.64	8,379	33	1.61
Federal funds sold and securities borrowed or purchased under agreements to resell	210,127	275	0.52	214,326	268	0.50	213,931	231	0.44
Trading account assets	140,484	1,170	3.31	137,137	1,114	3.25	138,946	1,122	3.26
Debt securities (1)	394,420	1,853	1.88	386,357	3,082	3.21	383,120	1,898	2.01
Loans and leases (2):									
Residential mortgage	193,791	1,690	3.49	207,356	1,782	3.44	215,030	1,851	3.45
Home equity	79,715	730	3.64	82,640	769	3.73	84,915	770	3.66
U.S. credit card	88,201	2,033	9.15	87,460	1,980	9.08	88,695	2,027	9.27
Non-U.S. credit card	10,244	267	10.34	10,012	264	10.56	10,002	262	10.64
Direct/Indirect consumer (3)	85,975	515	2.38	83,698	504	2.42	80,713	491	2.47
Other consumer (4)	1,980	15	3.01	1,885	15	3.14	1,847	15	3.29
Total consumer	459,906	5,250	4.54	473,051	5,314	4.50	481,202	5,416	4.54
U.S. commercial	251,908	1,744	2.75	244,540	1,704	2.80	234,907	1,645	2.84
Commercial real estate (5)	53,605	384	2.84	50,478	382	3.03	48,234	347	2.92
Commercial lease financing	20,013	153	3.07	19,486	149	3.05	19,271	171	3.55
Non-U.S. commercial	91,997	514	2.22	88,623	479	2.17	83,555	485	2.35
Total commercial	417,523	2,795	2.66	403,127	2,714	2.70	385,967	2,648	2.78
Total loans and leases	877,429	8,045	3.65	876,178	8,028	3.67	867,169	8,064	3.76
Other earning assets	62,847	716	4.52	62,712	721	4.60	61,441	706	4.66
Total earning assets (6)	1,841,984	12,193	2.63	1,810,655	13,328	2.95	1,799,175	12,138	2.72
Cash and due from banks	27,730			30,751			27,695		
Other assets, less allowance for loan and lease losses	299,279			310,560			311,704		
Total assets	$2,168,993			$2,151,966			$2,138,574		

For footnotes see page 18.

Table of Contents

Table 14
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	First Quarter 2016			Fourth Quarter 2015		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$47,845	$ 1	0.01 %	$46,094	$ 1	0.01 %
NOW and money market deposit accounts	577,779	71	0.05	558,441	68	0.05
Consumer CDs and IRAs	49,617	35	0.28	51,107	37	0.29
Negotiable CDs, public funds and other deposits	31,739	29	0.37	30,546	25	0.32
Total U.S. interest-bearing deposits	706,980	136	0.08	686,188	131	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,123	9	0.84	3,997	7	0.69
Governments and official institutions	1,472	2	0.53	1,687	2	0.37
Time, savings and other	56,943	78	0.55	55,965	71	0.51
Total non-U.S. interest-bearing deposits	62,538	89	0.57	61,649	80	0.52
Total interest-bearing deposits	769,518	225	0.12	747,837	211	0.11
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	221,990	614	1.11	231,650	519	0.89
Trading account liabilities	72,299	292	1.63	73,139	272	1.48
Long-term debt (7)	233,654	1,393	2.39	237,384	1,895	3.18
Total interest-bearing liabilities (6)	1,297,461	2,524	0.78	1,290,010	2,897	0.89
Noninterest-bearing sources:						
Noninterest-bearing deposits	428,937			438,214		
Other liabilities	186,903			195,123		
Shareholders' equity	260,317			257,125		
Total liabilities and shareholders' equity	$2,173,618			$2,180,472		
Net interest spread			1.81 %			1.88 %
Impact of noninterest-bearing sources			0.24			0.27
Net interest income/yield on earning assets		$ 9,386	2.05 %		$ 9,982	2.15 %

For footnotes see page 18.

Table of Contents

Table 14
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Third Quarter 2015			Second Quarter 2015			First Quarter 2015		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$46,297	$2	0.02%	$47,381	$2	0.02%	$46,224	$2	0.02%
NOW and money market deposit accounts	545,741	67	0.05	536,201	71	0.05	531,827	67	0.05
Consumer CDs and IRAs	53,174	38	0.29	55,832	42	0.30	58,704	45	0.31
Negotiable CDs, public funds and other deposits	30,631	26	0.33	29,904	22	0.30	28,796	22	0.31
Total U.S. interest-bearing deposits	675,843	133	0.08	669,318	137	0.08	665,551	136	0.08
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	4,196	7	0.71	5,162	9	0.67	4,544	8	0.74
Governments and official institutions	1,654	1	0.33	1,239	1	0.38	1,382	1	0.21
Time, savings and other	53,793	73	0.53	55,030	69	0.51	54,276	75	0.55
Total non-U.S. interest-bearing deposits	59,643	81	0.54	61,431	79	0.52	60,202	84	0.56
Total interest-bearing deposits	735,486	214	0.12	730,749	216	0.12	725,753	220	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	257,323	597	0.92	252,088	686	1.09	244,134	585	0.97
Trading account liabilities	77,443	342	1.75	77,772	335	1.73	78,787	394	2.03
Long-term debt [7]	240,520	1,343	2.22	242,230	1,407	2.33	240,127	1,313	2.20
Total interest-bearing liabilities [6]	1,310,772	2,496	0.76	1,302,839	2,644	0.81	1,288,801	2,512	0.79
Noninterest-bearing sources:									
Noninterest-bearing deposits	423,745			416,040			404,973		
Other liabilities	180,583			182,033			199,056		
Shareholders' equity	253,893			251,054			245,744		
Total liabilities and shareholders' equity	$2,168,993			$2,151,966			$2,138,574		
Net interest spread			1.87%			2.14%			1.93%
Impact of noninterest-bearing sources			0.23			0.23			0.23
Net interest income/yield on earning assets		$9,697	2.10%		$10,684	2.37%		$9,626	2.16%

For footnotes see page 18.

Business Segment Operations

Segment Description and Basis of Presentation

We report our results of operations through the following five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), with the remaining operations recorded in All Other.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-based capital models. The Corporation's internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see Managing Risk on page 44. The capital allocated to the business segments is referred to as allocated capital, which represents a non-GAAP financial measure. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For additional information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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 18 – Business Segment Information to the Consolidated Financial Statements.

Table of Contents

Consumer Banking

	Three Months Ended March 31						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change
Net interest income (FTE basis)	$2,659	$ 2,297	$2,526	$2,575	$5,185	$4,872	6 %
Noninterest income:							
Card income	3	3	1,208	1,165	1,211	1,168	4
Service charges	997	966	—	—	997	966	3
Mortgage banking income	—	—	122	288	122	288	(58)
All other income	116	102	17	10	133	112	19
Total noninterest income	1,116	1,071	1,347	1,463	2,463	2,534	(3)
Total revenue, net of interest expense (FTE basis)	3,775	3,368	3,873	4,038	7,648	7,406	3
Provision for credit losses	48	63	512	653	560	716	(22)
Noninterest expense	2,440	2,452	1,826	1,915	4,266	4,367	(2)
Income before income taxes (FTE basis)	1,287	853	1,535	1,470	2,822	2,323	21
Income tax expense (FTE basis)	473	317	564	545	1,037	862	20
Net income	$814	$ 536	$971	$925	$1,785	$1,461	22
Net interest yield (FTE basis)	1.85 %	1.74 %	4.84 %	5.34 %	3.47 %	3.54 %	
Return on average allocated capital	27	18	22	22	24	20	
Efficiency ratio (FTE basis)	64.63	72.80	47.16	47.43	55.78	58.97	

Balance Sheet

	Three Months Ended March 31						
Average	2016	2015	2016	2015	2016	2015	% Change
Total loans and leases	$5,963	$ 5,879	$208,858	$193,702	$214,821	$199,581	8 %
Total earning assets [(1)]	576,770	535,412	210,044	195,548	601,048	558,713	8
Total assets [(1)]	603,565	562,195	219,196	204,632	636,995	594,580	7
Total deposits	571,461	530,291	n/m	n/m	572,660	531,365	8
Allocated capital	12,000	12,000	18,000	17,000	30,000	29,000	3
Period end	March 31 2016	December 31 2015	March 31 2016	December 31 2015	March 31 2016	December 31 2015	% Change
Total loans and leases	$6,010	$ 5,927	$211,610	$208,478	$217,620	$214,405	1 %
Total earning assets [(1)]	596,196	576,241	212,718	209,858	620,286	599,491	3
Total assets [(1)]	622,922	603,580	222,321	219,307	656,615	636,279	3
Total deposits	590,829	571,467	n/m	n/m	592,118	572,738	3

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

n/m = not meaningful

Consumer Banking, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 33 states and the District of Columbia. The franchise network includes approximately 4,700 financial centers, 16,000 ATMs, nationwide call centers, and online and mobile platforms.

Consumer Banking Results

Net income for Consumer Banking increased $324 million to $1.8 billion for the three months ended March 31, 2016 compared to the same period in 2015 primarily driven by higher net interest income, lower provision for credit losses and lower noninterest expense, partially offset by lower noninterest income. Net interest income increased $313 million to $5.2 billion due to the beneficial impact of an increase in investable assets as a result of higher deposits, partially offset by lower credit card balances. Noninterest income decreased $71 million to $2.5 billion due to lower mortgage banking income and the impact on revenue of certain divestitures, partially offset by higher card income and higher service charges.

Table of Contents

The provision for credit losses decreased $156 million to $560 million primarily driven by continued improvement in credit quality. Noninterest expense decreased $101 million to $4.3 billion primarily driven by lower operating expense.

The return on average allocated capital was 24 percent, up from 20 percent, reflecting higher net income. For more information on capital allocations, see Business Segment Operations on page 21.

Deposits

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, as well as investment accounts and products. The revenue is allocated to the deposit products using our funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Deposits generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at customers with less than $250,000 in investable assets. Merrill Edge provides investment advice and guidance, client brokerage asset services, a self-directed online investing platform and key banking capabilities including access to the Corporation's network of financial centers and ATMs.

Deposits includes the net impact of migrating customers and their related deposit and brokerage asset balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 26.

Net income for Deposits increased $278 million to $814 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by higher revenue. Net interest income increased $362 million to $2.7 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits. Noninterest income increased $45 million to $1.1 billion primarily driven by higher service charges due to increased activity.

The provision for credit losses decreased $15 million to $48 million driven by continued improvement in credit quality. Noninterest expense decreased $12 million to $2.4 billion due to lower operating expense, partially offset by higher personnel expense.

Average deposits increased $41.2 billion to $571.5 billion driven by a continuing customer shift to more liquid products in the low rate environment. Growth in checking, traditional savings and money market savings of $49.5 billion was partially offset by a decline in time deposits of $8.4 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by one bp to four bps.

Key Statistics – Deposits

	Three Months Ended March 31			
	2016		2015	
Total deposit spreads (excludes noninterest costs)	1.66	%	1.62	%
Period end				
Client brokerage assets (in millions)	$126,921		$118,492	
Online banking active accounts (units in thousands)	32,647		31,523	
Mobile banking active users (units in thousands)	19,595		17,092	
Financial centers	4,689		4,835	

ATMs	16,003	15,903

Client brokerage assets increased $8.4 billion driven by strong account flows, partially offset by lower market valuations. Mobile banking active users increased 2.5 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined 146 driven by changes in customer preferences to self-service options and as we continue to optimize our consumer banking network and improve our cost-to-serve.

Table of Contents

Consumer Lending

Consumer Lending offers products to consumers and small businesses across the U.S. The products offered include credit and debit cards, residential mortgages and home equity loans, and direct and indirect loans such as automotive, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions, late fees, cash advance fees, annual credit card fees, mortgage banking fee income and other miscellaneous fees. Consumer Lending products are available to our customers through our retail network, direct telephone, and online and mobile channels.

Consumer Lending includes the net impact of migrating customers and their related loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM on page 26.

Net income for Consumer Lending increased $46 million to $971 million for the three months ended March 31, 2016 compared to the same period in 2015 driven by lower provision for credit losses and lower noninterest expense, partially offset by a decline in revenue. Net interest income decreased $49 million to $2.5 billion primarily driven by lower average credit card balances and higher funding costs, partially offset by an increase in consumer auto lending balances. Noninterest income decreased $116 million to $1.3 billion due to lower mortgage banking income and the impact on revenue of certain divestitures, partially offset by higher card income.

The provision for credit losses decreased $141 million to $512 million driven by continued improvement in credit quality. Noninterest expense decreased $89 million to $1.8 billion primarily driven by lower personnel and fraud expenses due to the benefit of the Europay, MasterCard and Visa (EMV) chip implementation.

Average loans increased $15.2 billion to $208.9 billion primarily driven by increases in residential mortgages and consumer vehicle loans, partially offset by lower home equity loans and continued run-off of non-core portfolios.

Key Statistics – Consumer Lending

	Three Months Ended March 31	
(Dollars in millions)	2016	2015
Total U.S. credit card [1]		
Gross interest yield	9.32 %	9.27 %
Risk-adjusted margin	9.05	9.02
New accounts (in thousands)	1,208	1,161
Purchase volumes	$51,154	$50,178
Debit card purchase volumes	$69,147	$66,898

(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, 2016, the total U.S. credit card risk-adjusted margin remained relatively unchanged compared to the same period in 2015. Total U.S. credit card purchase volumes increased $1.0 billion to $51.2 billion and debit card purchase volumes increased $2.2 billion to $69.1 billion, reflecting higher levels of consumer spending.

Table of Contents

Mortgage Banking Income

Mortgage banking income is earned primarily in Consumer Banking and LAS. Mortgage banking income in Consumer Lending consists mainly of core production income, which is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended March 31	
(Dollars in millions)	2016	2015