BANK OF AMERICA CORP /DE/
Form 10-Q
August 01, 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 June 30, 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 July 29, 2016, there were 10,204,798,799 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
June 30, 2016
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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, revenues, expenses, efficiency ratio, capital measures, and future business and economic conditions more generally, and other future matters. These statements are not guarantees of future results or performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed 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; 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, financial instrument and foreign exchange inquiries, investigations and litigation; 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 or continued low 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 our expense targets; 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 U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, FDIC assessments, 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; the impact on the Corporation's business, financial condition and results of operations from the potential 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.

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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. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At June 30, 2016, the Corporation had approximately $2.2 trillion in assets and approximately 211,000 full-time equivalent employees.

In the Annual Report on Form 10-K for the year ended December 31, 2015, we reported our results of operations 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. Effective April 1, 2016, to align the segments with how we now manage our businesses, we changed our basis of presentation to eliminate the LAS segment, and following such change, 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. Consumer real estate loans, including loans previously held in or serviced by LAS, have been designated as either core or non-core based on criteria described in Business Segment Operations on page 24. Following the realignment, core loans owned by the Corporation, which include all loans originated after the realignment, are held in the Consumer Banking and GWIM segments. Non-core loans owned by the Corporation, which are principally run-off portfolios, as well as loans held for asset and liability management (ALM) activities, are held in All Other. Mortgage servicing rights (MSRs) pertaining to core and non-core loans serviced for others are held in Consumer Banking and All Other, respectively. Prior periods have been reclassified to conform to current period presentation.

As of June 30, 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 accounts and more than 20 million mobile active users (www.bankofamerica.com). We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of $2.4 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes, serving corporations, governments, institutions and individuals around the world.

Second-Quarter 2016 Economic and Business Environment

In the U.S., the economy showed renewed signs of momentum in the second quarter of 2016. Consumer spending accelerated, as retail sales and service spending increased. The housing sector continued to expand, reflecting continued low mortgage rates and growing disposable income, but the pace of expansion slowed from recent quarters. While oil prices slightly rebounded from earlier declines, business spending remained suppressed by the delayed impact on the demand for capital goods in the energy sector. With numerous uncertainties during the quarter, businesses continued to reduce inventory accumulation, restraining the manufacturing sector. As a result, production growth lagged behind strong gains in domestic final sales, which exclude net exports and inventory investments. However, an increase in manufacturing activity late in the quarter signaled a positive business response to strengthening domestic demand.

In contrast to the increase in consumer demand, payroll gains slowed further, showing almost no net new job creation earlier in the quarter before rebounding in June. The unemployment rate moved slightly lower, largely as a result of a stagnant labor force as recent gains in participation rates were partially reversed. The split between stronger domestic demand and a softer labor market is expected to be resolved in the second half of the year. Core inflation maintained the momentum gained early in the year, but remained below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term annual target of two percent.

The Federal Open Market Committee (FOMC) left its federal funds rate target unchanged in the quarter. Members of the FOMC remained concerned about conditions abroad (including the outcome of the U.K.’s Referendum on exiting the European Union (EU) (U.K. Referendum)) and the slowdown in payroll gains. At the June meeting, members both slowed their projected pace of tightening and lowered the expected longer-run level of the federal funds rate. In response, treasury yields fell during the quarter, especially in the first few days after the U.K. Referendum. Equities rose slightly during the quarter.

International concerns centered on Europe where the run-up to the U.K. Referendum, as well as the result, increased uncertainty. When the U.K. voted on June 23, 2016 to leave the EU, the British pound fell and market volatility temporarily increased. For more information on the U.K. Referendum, see Executive Summary – Recent Events on page 5. Financial markets settled down in the ensuing days, but the outcome of the U.K. Referendum was generally seen as reducing confidence and is expected to have a negative impact on the British economy in the near term. The European Central Bank and the Bank of Japan maintained accommodative conditions during the quarter by expanding the overall monetary supply in order to boost slowed economic growth. International yields fell, with German 10-year Bund yields dropping into negative territory. Among emerging nations, Brazil continued to struggle with a deep recession and high inflation, and Venezuela experienced unrest related to a rapidly shrinking economy and deteriorating political situation. Russia benefited from the recovery in oil prices, with economic growth likely to resume in the second half of the year. The Chinese economy was stable during the quarter. In early July, a coup attempt in Turkey increased political instability, although the current government remained in power and financial market reaction outside of Turkey was minimal.

Recent Events

United Kingdom Referendum to Exit the European Union

The U.K. Referendum was held on June 23, 2016, which resulted in a majority vote in favor of exiting the EU. At this time, the ultimate impact of the U.K.'s potential exit from the EU is unknown. The timing of the U.K.'s formal commencement of the exit process is uncertain. Once the exit process begins, negotiations to agree on the terms of the exit are expected to be a multi-year process. During this transition period, the ultimate impact of the U.K.'s potential exit from the EU will remain unclear and economic and market volatility may continue. If uncertainty resulting from the U.K.'s potential exit from the EU negatively impacts economic conditions, financial markets and consumer confidence, our business, results of operations, financial position and/or operational model could be affected. For more information about the potential impact on us of the U.K.'s exit from the EU, see Item 1A. Risk Factors on page 215.

Capital Management

In April 2016, we submitted our 2016 Comprehensive Capital Analysis and Review (CCAR) capital plan which included a request to repurchase $5.0 billion of common stock over four quarters beginning in the third quarter of 2016, and to increase the quarterly common stock dividend from $0.05 per share to $0.075 per share. In addition, our capital plan includes the repurchase of common shares to offset the dilution resulting from certain equity compensation. On June 29, 2016, following the Federal Reserve's non-objection to our 2016 CCAR capital plan, the Board of Directors (the Board) authorized the common stock repurchases described above. The common stock repurchase authorization includes both common stock and warrants. On July 27, 2016, the Board declared a quarterly common stock dividend of $0.075 per share, payable on September 23, 2016 to shareholders of record as of September 2, 2016. For additional information, see the Corporation's Current Report on Form 8-K as filed on June 29, 2016.

During the three and six months ended June 30, 2016, we repurchased $783 million and $1.6 billion of common stock in connection with our 2015 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. Additionally, on March 18, 2016, the Corporation announced that 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 this authorization, the Corporation repurchased $600 million and $800 million of common stock during the three and six months ended June 30, 2016. For additional information, see Capital Management on page 48.

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Selected Financial Data

Table 1 provides selected consolidated financial data for the three and six months ended June 30, 2016 and 2015, and at June 30, 2016 and December 31, 2015.

Table 1
Selected Financial Data [(1)]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information)	2016	2015	2016	2015
Income statement				
Revenue, net of interest expense	$20,398	$21,956	$39,910	$42,870
Net income	4,232	5,134	6,912	8,231
Diluted earnings per common share	0.36	0.43	0.56	0.68
Dividends paid per common share	0.05	0.05	0.10	0.10
Performance ratios				
Return on average assets	0.78 %	0.96 %	0.64 %	0.77 %
Return on average common shareholders' equity	6.48	8.42	5.14	6.68
Return on average tangible common shareholders' equity [(2)]	9.24	12.31	7.34	9.79
Efficiency ratio	66.14	63.57	70.93	69.48

	June 30 2016	December 31 2015
Balance sheet		
Total loans and leases [(3)]	$903,153	$896,983
Total assets	2,186,609	2,144,316
Total deposits	1,216,091	1,197,259
Total common shareholders' equity	241,849	233,932
Total shareholders' equity	267,069	256,205

(1) Certain amounts in the table that have been reported in previous filings using fully taxable-equivalent (FTE) basis (a non-GAAP financial measure) are now shown on a GAAP basis. See Table 11 for a reconciliation.

(2) Return on average tangible common shareholders' equity is a non-GAAP financial measure. Other companies may define or calculate this measure differently. For more information and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

(3) Beginning in the first quarter of 2016, the Corporation classifies certain leases in other assets. Previously these leases were classified in loans and leases. For December 31, 2015, $6.0 billion of these leases were reclassified from loans and leases to other assets to conform to this presentation.

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Financial Highlights

Net income was $4.2 billion, or $0.36 per diluted share, and $6.9 billion, or $0.56 per diluted share for the three and six months ended June 30, 2016 compared to $5.1 billion, or $0.43, and $8.2 billion, or $0.68 for the same periods in 2015. The results for the three and six months ended June 30, 2016 compared to the prior-year periods were primarily driven by declines in net interest income and noninterest income, and higher provision for credit losses, partially offset by lower noninterest expense. Included in net interest income were negative market-related adjustments on debt securities of $974 million and $2.2 billion for the three and six months ended June 30, 2016 compared to positive market-related adjustments on debt securities of $669 million and $185 million for the same periods in 2015.

Total assets increased $42.3 billion from December 31, 2015 to $2.2 trillion at June 30, 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 demand for commercial loans outpacing consumer loan sales and run-off. Total liabilities increased $31.4 billion from December 31, 2015 to $1.9 trillion at June 30, 2016 primarily driven by increases in deposits, trading account liabilities and short-term borrowings, partially offset by a decrease in long-term debt. During the six months ended June 30, 2016, we returned $4.2 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 six months ended June 30, 2016, we maintained our strong capital position with Common equity tier 1 capital of $161.8 billion, risk-weighted assets of $1,542 billion and a Common equity tier 1 capital ratio of 10.5 percent at June 30, 2016 as measured under the Basel 3 Advanced approaches, on a fully phased-in basis. The Corporation's fully phased-in supplementary leverage ratio (SLR) was 6.9 percent and 6.4 percent at June 30, 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 (GELS) were $515 billion with time-to-required funding at 35 months at June 30, 2016 compared to $504 billion and 39 months at December 31, 2015. For additional information, see Capital Management on page 48 and Liquidity Risk on page 58.

Table 2
Summary Income Statement [1]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Net interest income	$9,213	$10,461	$18,384	$19,872
Noninterest income	11,185	11,495	21,526	22,998
Total revenue, net of interest expense	20,398	21,956	39,910	42,870
Provision for credit losses	976	780	1,973	1,545
Noninterest expense	13,493	13,958	28,309	29,785
Income before income taxes	5,929	7,218	9,628	11,540
Income tax expense	1,697	2,084	2,716	3,309
Net income	4,232	5,134	6,912	8,231
Preferred stock dividends	361	330	818	712
Net income applicable to common shareholders	$3,871	$4,804	$6,094	$7,519
Per common share information				
Earnings	$0.38	$0.46	$0.59	$0.72
Diluted earnings	0.36	0.43	0.56	0.68

(1)

Certain amounts in the table that have been reported in previous filings using FTE basis (a non-GAAP financial measure) are now shown on a GAAP basis. See Table 11 for a reconciliation.

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Net Interest Income

Net interest income decreased $1.2 billion to $9.2 billion ($9.4 billion on an FTE basis), and $1.5 billion to $18.4 billion ($18.8 billion on an FTE basis) for the three and six months ended June 30, 2016 compared to the same periods in 2015. The net interest yield decreased 34 basis points (bps) to 1.98 percent (2.03 percent on an FTE basis), and 23 bps to 1.99 percent (2.04 percent on an FTE basis). The decreases for the three- and six-month periods were primarily driven by a negative change in market-related adjustments on debt securities and the impact of lower consumer loan balances, partially offset by growth in commercial loans, the impact of higher short-end interest rates and increased debt securities. Market-related adjustments on debt securities resulted in an expense of $974 million and $2.2 billion for the three and six months ended June 30, 2016 compared to a benefit of $669 million and $185 million for the same periods 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 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 June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Card income	$1,464	$1,477	$2,894	$2,871
Service charges	1,871	1,857	3,708	3,621
Investment and brokerage services	3,201	3,387	6,383	6,765
Investment banking income	1,408	1,526	2,561	3,013
Trading account profits	2,018	1,647	3,680	3,894
Mortgage banking income	312	1,001	745	1,695
Gains on sales of debt securities	267	168	493	436
Other income	644	432	1,062	703
Total noninterest income	$11,185	$11,495	$21,526	$22,998

Noninterest income decreased $310 million to $11.2 billion, and $1.5 billion to $21.5 billion for the three and six months ended June 30, 2016 compared to the same periods in 2015. The following highlights the significant changes.

- Investment and brokerage services income decreased $186 million and $382 million driven by lower advisory fees due to lower market levels and lower transactional revenue.

- Investment banking income decreased $118 million and $452 million primarily driven by lower equity issuance fees due to a decline in market fee pools.

- Trading account profits increased $371 million for the three months ended June 30, 2016 compared to the same period in 2015 driven by stronger performance in rates products, as well as improved credit market conditions. Trading account profits decreased $214 million for the six months ended June 30, 2016 compared to the same period in 2015 driven by declines in credit-related products due to challenging market conditions during the first quarter of 2016, as well as reduced client activity in equities in Asia and lower revenue in currencies which performed strongly in the same period in 2015.

- Mortgage banking income decreased $689 million and $950 million primarily due to less favorable MSR net-of-hedge performance, a provision for representations and warranties in the current-year periods compared to a benefit in the prior-year periods, as well as declines in production income and, to a lesser extent, servicing fees.

- Other income increased $212 million and $359 million primarily due to improvements of $172 million and $497 million in debit valuation adjustments (DVA) on structured liabilities, as well as improved results from loan hedging activities in the fair value option portfolio, partially offset by lower gains on asset sales. DVA losses related to structured liabilities were $23 million and $53 million for the three and six months ended June 30, 2016 compared to $195 million and $550 million in the same periods in 2015.

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Provision for Credit Losses

Table 4
Credit Quality Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Provision for credit losses				
Consumer	$733	$553	$1,135	$1,172
Commercial	243	227	838	373
Total provision for credit losses	$976	$780	$1,973	$1,545
Net charge-offs (1)	$985	$1,068	$2,053	$2,262
Net charge-off ratio (2)	0.44 %	0.49 %	0.46 %	0.53 %

(1) Net charge-offs exclude write-offs in the purchased credit-impaired (PCI) 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 $196 million to $976 million, and $428 million to $2.0 billion for the three and six months ended June 30, 2016 compared to the same periods in 2015. The provision for credit losses in the consumer portfolio increased $180 million for the three months ended June 30, 2016 compared to the prior-year period due to a slower pace of improvement. The provision for credit losses in the consumer portfolio remained relatively unchanged at $1.1 billion for the six months ended June 30, 2016 compared to the same period in 2015. The provision for credit losses for the commercial portfolio increased $16 million and $465 million compared to the same periods in 2015, with the increase for the six months ended June 30, 2016 primarily driven by an increase in energy sector reserves to increase the 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 89. The decreases in net charge-offs for the three and six months ended June 30, 2016 were primarily driven by charge-offs related to the consumer relief portion of the settlement with the U.S. Department of Justice (DoJ) in the prior-year periods and 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 95.

Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Personnel	$7,722	$7,890	$16,574	$17,504
Occupancy	1,036	1,027	2,064	2,054
Equipment	451	500	914	1,012
Marketing	414	445	833	885
Professional fees	472	494	897	915
Amortization of intangibles	186	212	373	425
Data processing	717	715	1,555	1,567

Telecommunications	189	202	362	373
Other general operating	2,306	2,473	4,737	5,050
Total noninterest expense	$13,493	$13,958	$28,309	$29,785

Noninterest expense decreased $465 million to $13.5 billion, and $1.5 billion to $28.3 billion for the three and six months ended June 30, 2016 compared to the same periods in 2015. Personnel expense decreased $168 million and $930 million as we continue to manage headcount and achieve cost savings. Continued expense management, as well as the expiration of fully-amortized advisor retention awards, more than offset the increases in client-facing professionals. Other general operating expense decreased $167 million and $313 million primarily due to lower foreclosed properties expense.

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The Corporation has previously announced an annual noninterest expense target of approximately $53 billion for the year 2018. See information about forward-looking statements described in Item 2. Management’s Discussion and Analysis on page 3.

Income Tax Expense

Table 6
Income Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Income before income taxes	$5,929	$7,218	$9,628	$11,540
Income tax expense	1,697	2,084	2,716	3,309
Effective tax rate	28.6 %	28.9 %	28.2 %	28.7 %

The effective tax rates for the three and six months ended June 30, 2016 and 2015 were driven by our recurring tax preference items. We expect an effective tax rate of approximately 29 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.

The majority of our U.K. deferred tax assets, which consist primarily of net operating losses, are expected to be realized by certain subsidiaries over a number of years. Significant changes to management's earnings forecasts for those subsidiaries, such as changes caused by a substantial and prolonged worsening of the condition of Europe's capital markets, changes in applicable laws, further changes in tax laws or the ability of our U.K. subsidiaries to conduct business in the EU, could lead management to reassess our ability to realize the U.K. deferred tax assets. For information on potential impacts of the U.K.’s exit from the EU, see Item 1A. Risk Factors on page 215.

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Balance Sheet Overview

Table 7
Selected Balance Sheet Data

(Dollars in millions)	June 30 2016	December 31 2015	% Change
Assets			
Cash and cash equivalents	$171,207	$159,353	7 %
Federal funds sold and securities borrowed or purchased under agreements to resell	213,737	192,482	11
Trading account assets	175,365	176,527	(1)
Debt securities	411,949	407,005	1
Loans and leases	903,153	896,983	1
Allowance for loan and lease losses	(11,837)	(12,234)	(3)
All other assets	323,035	324,200	<(1)
Total assets	$2,186,609	$2,144,316	2
Liabilities			
Deposits	$1,216,091	$1,197,259	2 %
Federal funds purchased and securities loaned or sold under agreements to repurchase	178,062	174,291	2
Trading account liabilities	74,282	66,963	11
Short-term borrowings	33,051	28,098	18
Long-term debt	229,617	236,764	(3)
All other liabilities	188,437	184,736	2
Total liabilities	1,919,540	1,888,111	2
Shareholders' equity	267,069	256,205	4
Total liabilities and shareholders' equity	$2,186,609	$2,144,316	2

Assets

At June 30, 2016, total assets were approximately $2.2 trillion, up $42.3 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 driven by strong deposit inflows, and an increase in loans and leases driven by demand for commercial loans outpacing consumer loan sales and run-off.

Liabilities and Shareholders' Equity

At June 30, 2016, total liabilities were approximately $1.9 trillion, up $31.4 billion from December 31, 2015, primarily driven by increases in deposits, trading account liabilities and short-term borrowings, partially offset by a decrease in long-term debt.

Shareholders' equity of $267.1 billion at June 30, 2016 increased $10.9 billion from December 31, 2015 driven by earnings, 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, and preferred stock issuances, partially offset by returns of capital to shareholders of $4.2 billion through common and preferred stock dividends and common stock repurchases.

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Table 8
Selected Quarterly Financial Data

	2016 Quarters		2015 Quarters		
(In millions, except per share information)	Second	First	Fourth	Third	Second
Income statement					
Net interest income	$9,213	$9,171	$9,756	$9,471	$10,461
Noninterest income	11,185	10,341	9,911	11,042	11,495
Total revenue, net of interest expense	20,398	19,512	19,667	20,513	21,956
Provision for credit losses	976	997	810	806	780
Noninterest expense	13,493	14,816	14,010	13,940	13,958
Income before income taxes	5,929	3,699	4,847	5,767	7,218
Income tax expense	1,697	1,019	1,511	1,446	2,084
Net income	4,232	2,680	3,336	4,321	5,134
Net income applicable to common shareholders	3,871	2,223	3,006	3,880	4,804
Average common shares issued and outstanding	10,254	10,340	10,399	10,444	10,488
Average diluted common shares issued and outstanding	11,059	11,100	11,153	11,197	11,238
Performance ratios					
Return on average assets	0.78 %	0.50 %	0.61 %	0.79 %	0.96 %
Four quarter trailing return on average assets (1)	0.67	0.71	0.74	0.73	0.52
Return on average common shareholders' equity	6.48	3.77	5.08	6.65	8.42
Return on average tangible common shareholders' equity (2)	9.24	5.41	7.32	9.65	12.31
Return on average shareholders' equity	6.42	4.14	5.15	6.75	8.20
Return on average tangible shareholders' equity (2)	8.79	5.72	7.15	9.43	11.51
Total ending equity to total ending assets	12.21	12.02	11.95	11.89	11.71
Total average equity to total average assets	12.12	11.98	11.79	11.71	11.67
Dividend payout	13.39	23.23	17.27	13.43	10.90
Per common share data					
Earnings	$0.38	$0.21	$0.29	$0.37	$0.46
Diluted earnings	0.36	0.21	0.28	0.35	0.43
Dividends paid	0.05	0.05	0.05	0.05	0.05
Book value	23.67	23.12	22.54	22.41	21.91
Tangible book value (2)	16.68	16.17	15.62	15.50	15.02
Market price per share of common stock					
Closing	$13.27	$13.52	$16.83	$15.58	$17.02
High closing	15.11	16.43	17.95	18.45	17.67
Low closing	12.18	11.16	15.38	15.26	15.41
Market capitalization	$135,577	$139,427	$174,700	$162,457	$178,231

(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 16.

(3) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 65.

(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 79 and corresponding Table 40, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 88 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 \$82 million, \$105 million, \$82 million, \$148 million and \$290 million of write-offs in the PCI loan portfolio in the second and first quarters of 2016 and in the fourth, third and second quarters of 2015, respectively. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

(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 48.

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Table 8
Selected Quarterly Financial Data (continued)

	2016 Quarters		2015 Quarters		
(Dollars in millions)	Second	First	Fourth	Third	Second
Average balance sheet					
Total loans and leases	$899,670	$892,984	$886,156	$877,429	$876,178
Total assets	2,187,909	2,173,618	2,180,472	2,168,993	2,151,966
Total deposits	1,213,291	1,198,455	1,186,051	1,159,231	1,146,789
Long-term debt	233,061	233,654	237,384	240,520	242,230
Common shareholders' equity	240,166	237,123	234,851	231,620	228,780
Total shareholders' equity	265,144	260,317	257,125	253,893	251,054
Asset quality (3)					
Allowance for credit losses (4)	$12,587	$12,696	$12,880	$13,318	$13,656
Nonperforming loans, leases and foreclosed properties (5)	8,799	9,281	9,836	10,336	11,565
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (5)	1.32 %	1.35 %	1.37 %	1.45 %	1.50 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (5)	142	136	130	129	122
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (5)	135	129	122	120	111
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (6)	$4,087	$4,138	$4,518	$4,682	$5,050
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)	93 %	90 %	82 %	81 %	75 %
Net charge-offs (7)	$985	$1,068	$1,144	$932	$1,068
Annualized net charge-offs as a percentage of average loans and leases outstanding (5, 7)	0.44 %	0.48 %	0.52 %	0.43 %	0.49 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (5)	0.45	0.49	0.53	0.43	0.50
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (5)	0.48	0.53	0.55	0.49	0.63
Nonperforming loans and leases as a percentage of total loans and leases outstanding (5)	0.94	0.99	1.05	1.12	1.23
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (5)	0.98	1.04	1.10	1.18	1.32
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (7)	2.99	2.81	2.70	3.42	3.05
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.85	2.67	2.52	3.18	2.79
	2.76	2.56	2.52	2.95	2.40

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs					
Capital ratios at period end					
Risk-based capital: [8]					
Common equity tier 1 capital	10.6 %	10.3 %	10.2 %	11.6 %	11.2 %
Tier 1 capital	12.0	11.5	11.3	12.9	12.5
Total capital	13.9	13.4	13.2	15.8	15.5
Tier 1 leverage	8.9	8.7	8.6	8.5	8.5
Tangible equity [2]	9.2	9.0	8.9	8.8	8.6
Tangible common equity [2]	8.1	7.9	7.8	7.8	7.6

For footnotes see page 12.

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Table 9
Selected Year-to-Date Financial Data

	Six Months Ended June 30	
(In millions, except per share information)	2016	2015
Income statement		
Net interest income	$18,384	$19,872
Noninterest income	21,526	22,998
Total revenue, net of interest expense	39,910	42,870
Provision for credit losses	1,973	1,545
Noninterest expense	28,309	29,785
Income before income taxes	9,628	11,540
Income tax expense	2,716	3,309
Net income	6,912	8,231
Net income applicable to common shareholders	6,094	7,519
Average common shares issued and outstanding	10,297	10,503
Average diluted common shares issued and outstanding	11,080	11,252
Performance ratios		
Return on average assets	0.64 %	0.77 %
Return on average common shareholders' equity	5.14	6.68
Return on average tangible common shareholders' equity [(1)]	7.34	9.79
Return on average shareholders' equity	5.29	6.68
Return on average tangible shareholders' equity [(1)]	7.28	9.42
Total ending equity to total ending assets	12.21	11.71
Total average equity to total average assets	12.05	11.58
Dividend payout	16.98	13.96
Per common share data		
Earnings	$0.59	$0.72
Diluted earnings	0.56	0.68
Dividends paid	0.10	0.10
Book value	23.67	21.91
Tangible book value [(1)]	16.68	15.02
Market price per share of common stock		
Closing	$13.27	$17.02
High closing	16.43	17.90
Low closing	11.16	15.15
Market capitalization	$135,577	$178,231

(1) 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 16.

(2) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 65.

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

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 79 and corresponding Table 40, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 88 and corresponding Table 49.

(5)

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

(6) Net charge-offs exclude $187 million and $578 million of write-offs in the PCI loan portfolio for the six months ended June 30, 2016 and 2015. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

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Table 9
Selected Year-to-Date Financial Data (continued)

	Six Months Ended June 30	
(Dollars in millions)	2016	2015
Average balance sheet		
Total loans and leases	$896,327	$871,699
Total assets	2,180,763	2,145,307
Total deposits	1,205,873	1,138,801
Long-term debt	233,358	241,184
Common shareholders' equity	238,645	227,078
Total shareholders' equity	262,731	248,413
Asset quality [(2)]		
Allowance for credit losses [(3)]	$12,587	$13,656
Nonperforming loans, leases and foreclosed properties [(4)]	8,799	11,565
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [(4)]	1.32 %	1.50 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [(4)]	142	122
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [(4)]	135	111
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [(5)]	$4,087	$5,050
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 [(4, 5)]	93 %	75 %
Net charge-offs [(6)]	$2,053	$2,262
Annualized net charge-offs as a percentage of average loans and leases outstanding [(4, 6)]	0.46 %	0.53 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [(4)]	0.47	0.54
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [(4)]	0.51	0.66
Nonperforming loans and leases as a percentage of total loans and leases outstanding [(4)]	0.94	1.23
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [(4)]	0.98	1.32
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [(6)]	2.87	2.86
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.74	2.62
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.63	2.28

For footnotes see page 14.

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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 meaningful 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 may present certain key performance indicators and ratios excluding certain items (e.g., market-related adjustments on net interest income, DVA, charge-offs related to the settlement with the DoJ) which result in non-GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in understanding our results of operations and trends.

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 Tables 8 and 9.

Table 10 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 10
Supplemental Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Fully taxable-equivalent basis data				
Net interest income	$9,436	$10,684	$18,822	$20,310
Total revenue, net of interest expense	20,621	22,179	40,348	43,308

Net interest yield	2.03 %	2.37 %	2.04 %	2.27 %
Efficiency ratio	65.43	62.93	70.16	68.77

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Tables 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 11
Quarterly and Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Three Months Ended June 30					
	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	$9,213	$ 223	$ 9,436	$10,461	$ 223	$ 10,684
Total revenue, net of interest expense	20,398	223	20,621	21,956	223	22,179
Income tax expense	1,697	223	1,920	2,084	223	2,307
	Six Months Ended June 30					
	2016			2015		
Net interest income	$18,384	$ 438	$ 18,822	$19,872	$ 438	$ 20,310
Total revenue, net of interest expense	39,910	438	40,348	42,870	438	43,308
Income tax expense	2,716	438	3,154	3,309	438	3,747

Table 12
Period-end and Average Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Period-end		Average Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	June 30 2016	December 31 2015	2016	2015	2016	2015
Common shareholders' equity	$241,849	$233,932	$240,166	$228,780	$238,645	$227,078
Goodwill	(69,744)	(69,761)	(69,751)	(69,775)	(69,756)	(69,776)
Intangible assets (excluding MSRs)	(3,352)	(3,768)	(3,480)	(4,307)	(3,584)	(4,412)
Related deferred tax liabilities	1,637	1,716	1,662	1,885	1,684	1,922
Tangible common shareholders' equity	$170,390	$162,119	$168,597	$156,583	$166,989	$154,812
Shareholders' equity	$267,069	$256,205	$265,144	$251,054	$262,731	$248,413
Goodwill	(69,744)	(69,761)	(69,751)	(69,775)	(69,756)	(69,776)
Intangible assets (excluding MSRs)	(3,352)	(3,768)	(3,480)	(4,307)	(3,584)	(4,412)
Related deferred tax liabilities	1,637	1,716	1,662	1,885	1,684	1,922
Tangible shareholders' equity	$195,610	$184,392	$193,575	$178,857	$191,075	$176,147
Total assets	$2,186,609	$2,144,316				
Goodwill	(69,744)	(69,761)				
Intangible assets (excluding MSRs)	(3,352)	(3,768)				
Related deferred tax liabilities	1,637	1,716				
Tangible assets	$2,115,150	$2,072,503				

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Second Quarter 2016 Average Balance	Second Quarter 2016 Interest Income/ Expense	Second Quarter 2016 Yield/ Rate	First Quarter 2016 Average Balance	First Quarter 2016 Interest Income/ Expense	First Quarter 2016 Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$135,312	$ 157	0.47 %	$138,574	$ 155	0.45 %
Time deposits placed and other short-term investments	7,855	35	1.79	9,156	32	1.41
Federal funds sold and securities borrowed or purchased under agreements to resell	223,005	260	0.47	209,183	276	0.53
Trading account assets	127,189	1,109	3.50	136,306	1,212	3.57
Debt securities (1)	418,748	1,378	1.33	399,809	1,224	1.23
Loans and leases (2):						
Residential mortgage	186,752	1,626	3.48	186,980	1,629	3.49
Home equity	73,141	703	3.86	75,328	711	3.79
U.S. credit card	86,705	1,983	9.20	87,163	2,021	9.32
Non-U.S. credit card	9,988	250	10.06	9,822	253	10.36
Direct/Indirect consumer (3)	91,643	563	2.47	89,342	550	2.48
Other consumer (4)	2,220	16	3.00	2,138	16	3.03
Total consumer	450,449	5,141	4.58	450,773	5,180	4.61
U.S. commercial	276,640	2,006	2.92	270,511	1,936	2.88
Commercial real estate (5)	57,772	434	3.02	57,271	434	3.05
Commercial lease financing	20,874	147	2.81	21,077	182	3.46
Non-U.S. commercial	93,935	564	2.42	93,352	585	2.52
Total commercial	449,221	3,151	2.82	442,211	3,137	2.85
Total loans and leases	899,670	8,292	3.70	892,984	8,317	3.74
Other earning assets	55,955	660	4.74	58,638	694	4.76
Total earning assets (6)	1,867,734	11,891	2.56	1,844,650	11,910	2.59
Cash and due from banks	27,924			28,844		
Other assets, less allowance for loan and lease losses	292,251			300,124		
Total assets	$2,187,909			$2,173,618		

(1) Yields on debt securities excluding the impact of market-related adjustments were 2.34 percent and 2.45 percent in the second and first quarters of 2016, and 2.47 percent, 2.50 percent and 2.48 percent in the fourth, third and second quarters of 2015, respectively. Yields on debt securities excluding the impact of market-related adjustments are non-GAAP financial measures. 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 $3.4 billion and $3.8 billion in the second and first quarters of 2016, and $4.0 billion for each of the quarters of 2015.

(4) Includes consumer finance loans of $526 million and $551 million in the second and first quarters of 2016, and $578 million, $605 million and $632 million in the fourth, third and second quarters of 2015, respectively; consumer leases of $1.5 billion and $1.4 billion in the second and first quarters of 2016, and $1.3 billion, $1.2 billion and $1.1 billion in the fourth, third and second quarters of 2015, respectively; and consumer overdrafts of $166 million and $161 million in the second and first quarters of 2016, and $174 million, $177 million and $131 million in the fourth, third and second quarters of 2015, respectively.

(5) Includes U.S. commercial real estate loans of $54.3 billion and $53.8 billion in the second and first quarters of 2016, and $52.8 billion, $49.8 billion and $47.6 billion in the fourth, third and second quarters of 2015, respectively; and non-U.S. commercial real estate loans of $3.5 billion and $3.4 billion in the second and first quarters of 2016, and $3.3 billion, $3.8 billion and $2.8 billion in the fourth, third and second 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 $56 million and $35 million in the second and first quarters of 2016, and $32 million, $8 million and $8 million in the fourth, third and second quarters of 2015, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $610 million and $565 million in the second and first quarters of 2016, and $681 million, $590 million and $509 million in the fourth, third and second quarters of 2015, respectively. For additional information, see Interest Rate Risk Management for the Banking Book on page 106.

(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.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Fourth Quarter 2015 Average Balance	Fourth Quarter 2015 Interest Income/ Expense	Fourth Quarter 2015 Yield/ Rate	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
Earning assets									
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$148,102	$ 108	0.29 %	$145,174	$ 96	0.26 %	$125,762	$ 81	0.26 %
Time deposits placed and other short-term investments	10,120	41	1.61	11,503	38	1.32	8,183	34	1.64
Federal funds sold and securities borrowed or purchased under agreements to resell	207,585	214	0.41	210,127	275	0.52	214,326	268	0.50
Trading account assets	134,797	1,141	3.37	140,484	1,170	3.31	137,137	1,114	3.25
Debt securities (1)	399,423	2,541	2.55	394,420	1,853	1.88	386,357	3,082	3.21
Loans and leases (2):									
Residential mortgage	189,650	1,644	3.47	193,791	1,690	3.49	207,356	1,782	3.44
Home equity	77,109	715	3.69	79,715	730	3.64	82,640	769	3.73
U.S. credit card	88,623	2,045	9.15	88,201	2,033	9.15	87,460	1,980	9.08
Non-U.S. credit card	10,155	258	10.07	10,244	267	10.34	10,012	264	10.56
Direct/Indirect consumer (3)	87,858	530	2.40	85,975	515	2.38	83,698	504	2.42
Other consumer (4)	2,039	11	2.09	1,980	15	3.01	1,885	15	3.14
Total consumer	455,434	5,203	4.55	459,906	5,250	4.54	473,051	5,314	4.50
U.S. commercial	261,727	1,790	2.72	251,908	1,744	2.75	244,540	1,704	2.80
Commercial real estate (5)	56,126	408	2.89	53,605	384	2.84	50,478	382	3.03
Commercial lease financing	20,422	155	3.03	20,013	153	3.07	19,486	149	3.05
Non-U.S. commercial	92,447	530	2.27	91,997	514	2.22	88,623	479	2.17
Total commercial	430,722	2,883	2.66	417,523	2,795	2.66	403,127	2,714	2.70
Total loans and leases	886,156	8,086	3.63	877,429	8,045	3.65	876,178	8,028	3.67
Other earning assets	61,070	748	4.87	62,847	716	4.52	62,712	721	4.60
Total earning assets (6)	1,847,253	12,879	2.77	1,841,984	12,193	2.63	1,810,655	13,328	2.95
Cash and due from banks	29,503			27,730			30,751		
Other assets, less allowance for loan and lease losses	303,716			299,279			310,560		
Total assets	$2,180,472			$2,168,993			$2,151,966		

For footnotes see page 18.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Second Quarter 2016 Average Balance	Interest Income/ Expense	Yield/ Rate	First Quarter 2016 Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$50,105	$1	0.01%	$47,845	$1	0.01%
NOW and money market deposit accounts	583,913	72	0.05	577,779	71	0.05
Consumer CDs and IRAs	48,450	33	0.28	49,617	35	0.28
Negotiable CDs, public funds and other deposits	32,879	35	0.42	31,739	29	0.37
Total U.S. interest-bearing deposits	715,347	141	0.08	706,980	136	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,235	10	0.98	4,123	9	0.84
Governments and official institutions	1,542	2	0.66	1,472	2	0.53
Time, savings and other	60,311	92	0.61	56,943	78	0.55
Total non-U.S. interest-bearing deposits	66,088	104	0.63	62,538	89	0.57
Total interest-bearing deposits	781,435	245	0.13	769,518	225	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	215,852	625	1.17	221,990	614	1.11
Trading account liabilities	73,773	242	1.32	72,299	292	1.63
Long-term debt (7)	233,061	1,343	2.31	233,654	1,393	2.39
Total interest-bearing liabilities (6)	1,304,121	2,455	0.76	1,297,461	2,524	0.78
Noninterest-bearing sources:						
Noninterest-bearing deposits	431,856			428,937		
Other liabilities	186,788			186,903		
Shareholders' equity	265,144			260,317		
Total liabilities and shareholders' equity	$2,187,909			$2,173,618		
Net interest spread			1.80%			1.81%
Impact of noninterest-bearing sources			0.23			0.24
Net interest income/yield on earning assets		$9,436	2.03%		$9,386	2.05%

For footnotes see page 18.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Fourth Quarter 2015			Third Quarter 2015			Second 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	$46,094	$1	0.01%	$46,297	$2	0.02%	$47,381	$2	0.02%
NOW and money market deposit accounts	558,441	68	0.05	545,741	67	0.05	536,201	71	0.05
Consumer CDs and IRAs	51,107	37	0.29	53,174	38	0.29	55,832	42	0.30
Negotiable CDs, public funds and other deposits	30,546	25	0.32	30,631	26	0.33	29,904	22	0.30
Total U.S. interest-bearing deposits	686,188	131	0.08	675,843	133	0.08	669,318	137	0.08
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	3,997	7	0.69	4,196	7	0.71	5,162	9	0.67
Governments and official institutions	1,687	2	0.37	1,654	1	0.33	1,239	1	0.38
Time, savings and other	55,965	71	0.51	53,793	73	0.53	55,030	69	0.51
Total non-U.S. interest-bearing deposits	61,649	80	0.52	59,643	81	0.54	61,431	79	0.52
Total interest-bearing deposits	747,837	211	0.11	735,486	214	0.12	730,749	216	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	231,650	519	0.89	257,323	597	0.92	252,088	686	1.09
Trading account liabilities	73,139	272	1.48	77,443	342	1.75	77,772	335	1.73
Long-term debt (7)	237,384	1,895	3.18	240,520	1,343	2.22	242,230	1,407	2.33
Total interest-bearing liabilities (6)	1,290,010	2,897	0.89	1,310,772	2,496	0.76	1,302,839	2,644	0.81
Noninterest-bearing sources:									
Noninterest-bearing deposits	438,214			423,745			416,040		
Other liabilities	195,123			180,583			182,033		
Shareholders' equity	257,125			253,893			251,054		
Total liabilities and shareholders' equity	$2,180,472			$2,168,993			$2,151,966		
Net interest spread			1.88%			1.87%			2.14%
Impact of noninterest-bearing sources			0.27			0.23			0.23
Net interest income/yield on earning assets		$9,982	2.15%		$9,697	2.10%		$10,684	2.37%

For footnotes see page 18.

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Table 14
Year-to-Date Average Balances and Interest Rates – FTE Basis

	Six Months Ended June 30					
	2016			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	$136,943	$ 312	0.46 %	$125,974	$ 165	0.26 %
Time deposits placed and other short-term investments	8,506	67	1.59	8,280	67	1.63
Federal funds sold and securities borrowed or purchased under agreements to resell	216,094	536	0.50	214,130	499	0.47
Trading account assets	131,748	2,321	3.54	138,036	2,236	3.26
Debt securities (1)	409,279	2,602	1.28	384,747	4,980	2.61
Loans and leases (2):						
Residential mortgage	186,866	3,255	3.48	211,172	3,633	3.44
Home equity	74,235	1,414	3.82	83,771	1,539	3.69
U.S. credit card	86,934	4,004	9.26	88,074	4,007	9.18
Non-U.S. credit card	9,905	503	10.21	10,007	526	10.60
Direct/Indirect consumer (3)	90,493	1,113	2.47	82,214	995	2.44
Other consumer (4)	2,178	32	3.01	1,866	30	3.22
Total consumer	450,611	10,321	4.60	477,104	10,730	4.52
U.S. commercial	273,576	3,942	2.90	239,751	3,349	2.82
Commercial real estate (5)	57,521	868	3.03	49,362	729	2.98
Commercial lease financing	20,975	329	3.14	19,379	320	3.30
Non-U.S. commercial	93,644	1,149	2.47	86,103	964	2.26
Total commercial	445,716	6,288	2.84	394,595	5,362	2.74
Total loans and leases	896,327	16,609	3.72	871,699	16,092	3.71
Other earning assets	57,295	1,354	4.75	62,081	1,427	4.63
Total earning assets (6)	1,856,192	23,801	2.57	1,804,947	25,466	2.84
Cash and due from banks	28,384			29,231		
Other assets, less allowance for loan and lease losses	296,187			311,129		
Total assets	$2,180,763			$2,145,307		

(1) Yields on debt securities excluding the impact of market-related adjustments were 2.39 percent and 2.51 percent for the six months ended June 30, 2016 and 2015. Yields on debt securities excluding the impact of market-related adjustments are non-GAAP financial measures. 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 $3.6 billion and $4.0 billion for the six months ended June 30, 2016 and 2015.

(4) Includes consumer finance loans of $538 million and $647 million, consumer leases of $1.5 billion and $1.1 billion, and consumer overdrafts of $163 million and $136 million for the six months ended June 30, 2016 and 2015.

(5) Includes U.S. commercial real estate loans of $54.1 billion and $46.6 billion, and non-U.S. commercial real estate loans of $3.5 billion and $2.8 billion for the six months ended June 30, 2016 and 2015.

(6)

Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $91 million and $19 million for the six months ended June 30, 2016 and 2015. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.2 billion and $1.1 billion for the six months ended June 30, 2016 and 2015. For additional information, see Interest Rate Risk Management for the Banking Book on page 106.

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Table 14
Year-to-Date Average Balances and Interest Rates – FTE Basis (continued)

	Six Months Ended June 30					
	2016			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	$48,975	$2	0.01%	$46,806	$4	0.02%
NOW and money market deposit accounts	580,846	143	0.05	534,026	138	0.05
Consumer CDs and IRAs	49,034	68	0.28	57,260	87	0.31
Negotiable CDs, public funds and other deposits	32,308	64	0.40	29,353	44	0.31
Total U.S. interest-bearing deposits	711,163	277	0.08	667,445	273	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,179	19	0.91	4,855	17	0.70
Governments and official institutions	1,507	4	0.60	1,310	2	0.29
Time, savings and other	58,627	170	0.58	54,655	144	0.53
Total non-U.S. interest-bearing deposits	64,313	193	0.60	60,820	163	0.54
Total interest-bearing deposits	775,476	470	0.12	728,265	436	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	218,921	1,239	1.14	248,133	1,271	1.03
Trading account liabilities	73,036	534	1.47	78,277	729	1.88
Long-term debt	233,358	2,736	2.35	241,184	2,720	2.27
Total interest-bearing liabilities (6)	1,300,791	4,979	0.77	1,295,859	5,156	0.80
Noninterest-bearing sources:						
Noninterest-bearing deposits	430,397			410,536		
Other liabilities	186,844			190,499		
Shareholders' equity	262,731			248,413		
Total liabilities and shareholders' equity	$2,180,763			$2,145,307		
Net interest spread			1.80%			2.04%
Impact of noninterest-bearing sources			0.24			0.23
Net interest income/yield on earning assets		$18,822	2.04%		$20,310	2.27%

For footnotes see page 22.

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Business Segment Operations

Segment Description and Basis of Presentation

In the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, we reported our results of operations through five business segments: Consumer Banking, GWIM, Global Banking, Global Markets and LAS, with the remaining operations recorded in All Other. Effective April 1, 2016, to align the segments with how we now manage the businesses, we changed our basis of presentation to eliminate the LAS segment, and following such change, 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.

The Corporation, in connection with the aforementioned realignment of our business segments, completed a review of all consumer real estate-secured lending and servicing activities within LAS, Consumer Banking, GWIM and All Other with a view to strategically align the business activities and loans, including loans serviced for others, into core and non-core categories, with core loans reflected on the balance sheet of the appropriate business segment and non-core loans, which are principally run-off portfolios, exclusively on the balance sheet of All Other. The analysis was performed on the basis of loan and customer characteristics such as origination date, product type, loan-to-value (LTV), Fair Isaac Corporation (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. Loans held in legacy private-label securitizations, government insured loans originated prior to 2010, loan products no longer originated, and loans originated prior to 2010 and classified as nonperforming or modified in a troubled debt restructuring (TDR) prior to 2016 are generally characterized as non-core loans. The segment realignment resulted in a net $23 billion and $1 billion increase in consumer real estate loans held on the balance sheet of Consumer Banking and All Other, as of April 1, 2016. MSRs pertaining to core and non-core loans serviced for others are held in Consumer Banking and All Other, respectively. Prior period balances and related metrics have been reclassified to conform to these revised classifications.

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 47. 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.

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Consumer Banking

	Three Months Ended June 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change
Net interest income (FTE basis)	$2,677	$2,366	$2,599	$2,677	$5,276	$5,043	5 %
Noninterest income:							
Card income	2	3	1,214	1,204	1,216	1,207	1
Service charges	1,011	1,033	—	—	1,011	1,033	(2)
Mortgage banking income	—	—	267	359	267	359	(26)
All other income	99	119	(5)	(4)	94	115	(18)
Total noninterest income	1,112	1,155	1,476	1,559	2,588	2,714	(5)
Total revenue, net of interest expense (FTE basis)	3,789	3,521	4,075	4,236	7,864	7,757	1
Provision for credit losses	41	24	685	446	726	470	54
Noninterest expense	2,378	2,382	2,038	2,255	4,416	4,637	(5)
Income before income taxes (FTE basis)	1,370	1,115	1,352	1,535	2,722	2,650	3
Income tax expense (FTE basis)	505	415	499	573	1,004	988	2
Net income	$865	$700	$853	$962	$1,718	$1,662	3
Net interest yield (FTE basis)	1.81 %	1.73 %	4.36 %	4.71 %	3.39 %	3.49 %	
Return on average allocated capital	29	23	16	18	20	20	
Efficiency ratio (FTE basis)	62.72	67.65	50.02	53.25	56.14	59.78	

Balance Sheet

	Three Months Ended June 30						
Average	2016	2015	2016	2015	2016	2015	% Change
Total loans and leases	$4,792	$4,694	$238,129	$226,010	$242,921	$230,704	5 %
Total earning assets [(1)]	594,748	549,060	239,645	228,124	626,811	579,920	8
Total assets [(1)]	621,445	576,247	251,239	241,372	665,102	620,355	7
Total deposits	589,295	544,341	7,179	8,632	596,474	552,973	8
Allocated capital	12,000	12,000	22,000	21,000	34,000	33,000	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.

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	Six Months Ended June 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change
Net interest income (FTE basis)	$5,322	$ 4,637	$5,226	$5,409	$10,548	$10,046	5 %
Noninterest income:							
Card income	5	6	2,422	2,369	2,427	2,375	2
Service charges	2,008	1,998	—	1	2,008	1,999	<1
Mortgage banking income	—	—	457	827	457	827	(45)
All other income	214	223	11	2	225	225	—
Total noninterest income	2,227	2,227	2,890	3,199	5,117	5,426	(6)
Total revenue, net of interest expense (FTE basis)	7,549	6,864	8,116	8,608	15,665	15,472	1
Provision for credit losses	89	87	1,168	1,052	1,257	1,139	10
Noninterest expense	4,832	4,854	4,122	4,515	8,954	9,369	(4)
Income before income taxes (FTE basis)	2,628	1,923	2,826	3,041	5,454	4,964	10
Income tax expense (FTE basis)	967	714	1,040	1,132	2,007	1,846	9
Net income	$1,661	$ 1,209	$1,786	$1,909	$3,447	$3,118	11
Net interest yield (FTE basis)	1.83 %	1.72 %	4.43 %	4.79 %	3.44 %	3.54 %	
Return on average allocated capital	28	20	16	18	20	19	
Efficiency ratio (FTE basis)	64.00	70.71	50.79	52.45	57.16	60.55	

Balance Sheet

	Six Months Ended June 30						
Average	2016	2015	2016	2015	2016	2015	% Change
Total loans and leases	$4,761	$ 4,770	$235,653	$225,763	$240,414	$230,533	4 %
Total earning assets [1]	585,692	542,238	237,003	227,744	617,062	572,712	8
Total assets [1]	612,437	569,225	249,008	241,166	655,812	613,121	7
Total deposits	580,378	537,354	6,957	8,416	587,335	545,770	8
Allocated capital	12,000	12,000	22,000	21,000	34,000	33,000	3
Period end	June 30 2016	December 31 2015	June 30 2016	December 31 2015	June 30 2016	December 31 2015	% Change
Total loans and leases	$4,845	$ 4,735	$242,277	$234,116	$247,122	$238,851	3 %
Total earning assets [1]	597,993	576,108	244,699	235,496	630,143	605,012	4
Total assets [1]	624,658	603,448	256,361	248,571	668,470	645,427	4
Total deposits	592,442	571,467	7,015	6,365	599,457	577,832	4

For footnote see page 25.

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

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for Consumer Banking increased $56 million to $1.7 billion primarily driven by higher net interest income and lower noninterest expense, partially offset by higher provision for credit losses and lower noninterest income. Net interest income increased $233 million to $5.3 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, as well as loan growth. Noninterest income decreased $126 million to $2.6 billion due to lower mortgage banking income and service charges, as well as the impact on revenue of certain divestitures.

The provision for credit losses increased $256 million to $726 million primarily driven by a slower pace of improvement in the U.S. credit card portfolio, as well as the consumer auto and specialty lending portfolio. Noninterest expense decreased $221 million to $4.4 billion primarily driven by lower operating expenses from improved efficiency and automation.

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The return on average allocated capital remained unchanged at 20 percent. For more information on capital allocations, see Business Segment Operations on page 24.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net income for Consumer Banking increased $329 million to $3.4 billion primarily driven by the same factors as described in the three-month discussion above. Net interest income increased $502 million to $10.5 billion due to the same factors as described in the three-month discussion above, partially offset by lower credit card balances. Noninterest income decreased $309 million to $5.1 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.

The provision for credit losses increased $118 million to $1.3 billion and noninterest expense decreased $415 million to $9.0 billion both primarily driven by the same factors as described in the three-month discussion above.

The return on average allocated capital was 20 percent, up from 19 percent, reflecting higher net income.

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 32.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for Deposits increased $165 million to $865 million driven by higher revenue. Net interest income increased $311 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 decreased $43 million to $1.1 billion primarily driven by lower service charges.

The provision for credit losses increased $17 million to $41 million. Noninterest expense of $2.4 billion remained relatively unchanged.

Average deposits increased $45.0 billion to $589.3 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 $51.7 billion was partially offset by a decline in time deposits of $6.8 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.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net income for Deposits increased $452 million to $1.7 billion driven by higher revenue. Net interest income increased $685 million to $5.3 billion primarily due to the same factor as described in the three-month discussion above. Noninterest income of $2.2 billion remained relatively unchanged.

The provision for credit losses remained relatively unchanged at $89 million. Noninterest expense of $4.8 billion remained relatively unchanged.

Average deposits increased $43.0 billion to $580.4 billion driven by a continuing customer shift to more liquid products in the low rate environment.

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Key Statistics – Deposits

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Total deposit spreads (excludes noninterest costs) [1]	1.66%	1.61%	1.65%	1.61%
Period end				
Client brokerage assets (in millions)			$131,698	$121,961
Online banking active accounts (units in thousands)			33,022	31,365
Mobile banking active users (units in thousands)			20,227	17,626
Financial centers			4,681	4,789
ATMs			15,998	15,992

(1) Includes deposits held in Consumer Lending.

Client brokerage assets increased $9.7 billion driven by strong account flows, partially offset by lower market valuations. Mobile banking active users increased 2.6 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined 108 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.

Consumer Lending

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

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. At June 30, 2016, total owned loans in the core portfolio held in Consumer Lending were $95.4 billion, up $7.6 billion from June 30, 2015 primarily driven by higher residential mortgage balances, partially offset by a decline in home equity balances. For more information on the core and non-core portfolios, see Consumer Portfolio Credit Risk Management on page 65.

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 32.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for Consumer Lending decreased $109 million to $853 million driven by higher provision for credit losses and a decline in revenue, partially offset by lower noninterest expense. Net interest income decreased $78 million to $2.6 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 $83 million to $1.5 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 increased $239 million to $685 million driven by a slower pace of improvement in the U.S. credit card portfolio, as well as the consumer auto and specialty lending portfolio. Noninterest expense decreased $217 million to $2.0 billion primarily driven by lower fraud expenses due to the benefit of the Europay, MasterCard and Visa (EMV) chip implementation, and lower operating expenses from improved efficiency and automation.

Average loans increased $12.1 billion to $238.1 billion primarily driven by increases in residential mortgages and consumer vehicle loans, partially offset by lower home equity loans.

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Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net income for Consumer Lending decreased $123 million to $1.8 billion, net interest income decreased $183 million to $5.2 billion and noninterest income decreased $309 million to $2.9 billion all driven by the same factors as described in the three-month discussion above.

The provision for credit losses increased $116 million to $1.2 billion driven by the same factors as described in the three-month discussion above. Noninterest expense decreased $393 million to $4.1 billion primarily driven by the same factors as described in the three-month discussion above, as well as lower personnel expense.

Average loans increased $9.9 billion to $235.7 billion primarily driven by the same factors as described in the three-month discussion above.

Key Statistics – Consumer Lending

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Total U.S. credit card [1]				
Gross interest yield	9.20 %	9.08 %	9.26 %	9.18 %
Risk-adjusted margin	8.79	8.89	8.92	8.95
New accounts (in thousands)	1,313	1,295	2,521	2,456
Purchase volumes	$56,667	$55,976	$107,821	$106,154
Debit card purchase volumes	$72,120	$70,754	$141,267	$137,653

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

During the three and six months ended June 30, 2016, the total U.S. credit card risk-adjusted margin decreased 10 bps and three bps compared to the same periods in 2015. Total U.S. credit card purchase volumes increased $691 million to $56.7 billion, and $1.7 billion to $107.8 billion, and debit card purchase volumes increased $1.4 billion to $72.1 billion, and $3.6 billion to $141.3 billion, reflecting higher levels of consumer spending. The increases in total U.S. credit card purchase volumes were partially offset by the impact of certain divestitures.

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Mortgage Banking Income

Mortgage banking income is earned primarily in Consumer Banking and All Other. Total production income within mortgage banking income is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. Servicing income within mortgage banking income includes income earned in connection with servicing activities and MSR valuation adjustments, net of results from risk management activities used to hedge certain market risks of the MSRs. Servicing income for the core portfolio is recorded in Consumer Banking. Servicing income for the non-core portfolio, including hedge ineffectiveness on MSR hedges, is recorded in All Other. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income. Amounts for other mortgage banking income are included in this Consumer Banking table to show the components of consolidated mortgage banking income.

Mortgage Banking Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Mortgage banking income				
Consumer Banking mortgage banking income				
Total production income	$182	$272	$320	$578
Net servicing income				
Servicing fees	179	208	363	450
Amortization of expected cash flows [1]	(146)	(168)	(300)	(347)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	52	47	74	146
Total net servicing income	85	87	137	249
Total Consumer Banking mortgage banking income	267	359	457	827
Other mortgage banking income				
Other production income [3]	14	25	108	24
Representations and warranties provision	(22)	204	(66)	114
Net servicing income				
Servicing fees	119	152	237	306
Amortization of expected cash flows [1]	(19)	(19)	(37)	(38)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	10	146	115	297
Total net servicing income	110	279	315	565
Eliminations [4]	(57)	134	(69)	165
Total other mortgage banking income	45	642	288	868
Total consolidated mortgage banking income	$312	$1,001	$745	$1,695

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

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

(3) Consists primarily of revenue from sales of repurchased loans that had returned to performing status.

(4) Includes the effect of transfers of mortgage loans from Consumer Banking to the ALM portfolio included in All Other and net gains or losses on intercompany trades related to MSR risk management.

Total production income for Consumer Banking for the three and six months ended June 30, 2016 decreased $90 million to $182 million, and $258 million to $320 million compared to the same periods in 2015 due to a decrease in production volume to be sold, resulting from a decision to retain certain residential mortgage loans in Consumer Banking.

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Servicing

The costs associated with servicing activities related to the residential mortgage and home equity loan portfolios, including owned loans and loans serviced for others (collectively, the mortgage serviced portfolio) are allocated to the business segment that owns the loans or MSRs, or All Other.

Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit, accounting for and remitting principal and interest payments to investors and escrow payments to third parties, and responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with supervision of foreclosures and property dispositions. Prior to foreclosure, we evaluate various workout options in an effort to help our customers avoid foreclosure.

Consumer Banking servicing income for the three months ended June 30, 2016 of $85 million remained relatively unchanged, as lower servicing fees due to a smaller servicing portfolio were offset by improved MSR net-of-hedge performance. Servicing income for the six months ended June 30, 2016 decreased $112 million to $137 million compared to the same period in 2015 driven by lower servicing fees due to a smaller servicing portfolio and lower MSR net-of-hedge performance. Servicing fees for the three and six months ended June 30, 2016 declined 14 percent to $179 million and 19 percent to $363 million compared to the same periods in 2015 as the size of the servicing portfolio continued to decline.

Mortgage Servicing Rights

At June 30, 2016, the balance of consumer MSRs managed within Consumer Lending and All Other, which excludes $481 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was $1.8 billion compared to $3.2 billion at June 30, 2015. The decrease was primarily driven by higher expected prepayments resulting from lower interest rates, recognition of modeled cash flows and sales of MSRs, partially offset by new loan originations. The core MSR portfolio, held in Consumer Banking, totaled $1.5 billion and $2.7 billion and the non-core MSR portfolio, held in All Other, totaled $320 million and $486 million at June 30, 2016 and 2015. For more information on MSRs, see Note 17 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Key Statistics – Mortgage Banking Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Loan production [(1)]:				
Total [(2)]:				
First mortgage	$16,314	$15,962	$28,937	$29,675
Home equity	4,303	3,209	8,108	6,426
Consumer Banking:				
First mortgage	$11,541	$11,265	$20,619	$21,120
Home equity	3,881	2,939	7,396	5,957

(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 increased $276 million and $352 million for the three months ended June 30, 2016 compared to the same period in 2015 driven by higher purchase activity. First mortgage loan originations in Consumer Banking and for the total Corporation decreased $501 million and $738 million for the six months ended June 30, 2016 compared to the same period in 2015 driven by lower refinance activity, partially offset by higher purchase activity.

Home equity production for the total Corporation was $4.3 billion and $8.1 billion for the three and six months ended June 30, 2016 compared to $3.2 billion and $6.4 billion for the same periods in 2015, with the increases due to a higher demand in the market based on improving housing trends, as well as improved financial center engagement with customers and more competitive pricing.

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Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended June 30 2016	2015	% Change	Six Months Ended June 30 2016	2015	% Change
Net interest income (FTE basis)	$1,434	$1,352	6 %	$2,922	$2,695	8 %
Noninterest income:						
Investment and brokerage services	2,598	2,749	(5)	5,134	5,472	(6)
All other income	424	466	(9)	844	910	(7)
Total noninterest income	3,022	3,215	(6)	5,978	6,382	(6)
Total revenue, net of interest expense (FTE basis)	4,456	4,567	(2)	8,900	9,077	(2)
Provision for credit losses	14	15	(7)	39	38	3
Noninterest expense	3,288	3,485	(6)	6,563	6,974	(6)
Income before income taxes (FTE basis)	1,154	1,067	8	2,298	2,065	11
Income tax expense (FTE basis)	432	398	9	852	768	11
Net income	$722	$669	8	$1,446	$1,297	11
Net interest yield (FTE basis)	2.11 %	2.16 %		2.12 %	2.13 %	
Return on average allocated capital	22	22		22	22	
Efficiency ratio (FTE basis)	73.78	76.31		73.74	76.83	

Balance Sheet

Average	Three Months Ended June 30 2016	2015	% Change	Six Months Ended June 30 2016	2015	% Change
Total loans and leases	$141,181	$131,364	7 %	$140,140	$129,275	8 %
Total earning assets	273,874	251,601	9	276,740	254,631	9
Total assets	289,646	268,908	8	292,679	272,036	8
Total deposits	254,804	239,974	6	257,643	241,758	7
Allocated capital	13,000	12,000	8	13,000	12,000	8

Period end	June 30 2016	December 31 2015	% Change
Total loans and leases	$142,633	$139,039	3 %
Total earning assets	270,974	279,597	(3)
Total assets	286,846	296,271	(3)
Total deposits	250,976	260,893	(4)

GWIM consists of two primary businesses: Merrill Lynch Global Wealth Management (MLGWM) and U.S. Trust, Bank of America Private Wealth Management (U.S. Trust).

MLGWM's advisory business provides a high-touch client experience through a network of financial advisors focused on clients with over $250,000 in total investable assets. MLGWM provides tailored solutions to meet our clients' needs through a full set of investment management, brokerage, banking and retirement products.

U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted to high net worth and ultra high net worth clients, as well as customized solutions to meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.

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Client assets managed under advisory and/or discretion of GWIM are assets under management (AUM) and are typically held in diversified portfolios. The majority of client AUM have an investment strategy with a duration of greater than one year and are, therefore, considered long-term AUM. Fees earned on long-term AUM are calculated as a percentage of total AUM. The asset management fees charged to clients per year are dependent on various factors, but are generally driven by the breadth of the client's relationship and generally range from 50 to 150 bps on their total AUM. The net client long-term AUM flows represent the net change in clients' long-term AUM balances over a specified period of time, excluding market appreciation/depreciation and other adjustments.

Client assets under advisory and/or discretion of GWIM in which the investment strategy seeks current income, while maintaining liquidity and capital preservation, are considered liquidity AUM. The duration of these strategies is primarily less than one year. The change in AUM balances from the prior-year periods is primarily the net client flows for liquidity AUM.

On April 6, 2016, the Department of Labor released its final rule regarding fiduciary advice to retirement investors. The rule will require advisors to make investment recommendations with regard to retirement assets that are in their clients' "best interest," commonly referred to as the Employee Retirement Income Security Act of 1974 fiduciary standard. The final rule and exemptions allow the requirements to be phased in beginning April 2017. We do not expect this to have a material financial impact on the Corporation's results in 2016, and we continue to evaluate the impact, if any, thereafter.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for GWIM increased $53 million to $722 million driven by a decrease in noninterest expense, partially offset by a decrease in revenue. Net interest income increased $82 million to $1.4 billion driven by growth in deposit and loan balances. Noninterest income, which primarily includes investment and brokerage services income, decreased $193 million to $3.0 billion driven by lower market valuations and lower transactional revenue, partially offset by a modest gain on the sale of BofA Global Capital Management's AUM. Noninterest expense decreased $197 million to $3.3 billion primarily due to the expiration of fully amortized advisor retention awards, as well as lower revenue-related incentives.

Return on average allocated capital remained unchanged at 22 percent. For more information on capital allocated to the business segments, see Business Segment Operations on page 24.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net income for GWIM increased $149 million to $1.4 billion driven by a decrease in noninterest expense, partially offset by a decrease in revenue. Net interest income increased $227 million to $2.9 billion, noninterest income, which primarily includes investment and brokerage services income, decreased $404 million to $6.0 billion and noninterest expense decreased $411 million to $6.6 billion driven by the same factors as described in the three-month discussion above.

Return on average allocated capital remained unchanged at 22 percent.

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Key Indicators and Metrics

(Dollars in millions, except as noted)	Three Months Ended June 30 2016	2015	Six Months Ended June 30 2016	2015
Revenue by Business				
Merrill Lynch Global Wealth Management	$3,626	$3,788	$7,273	$7,531
U.S. Trust	769	762	1,541	1,511
Other [1]	61	17	86	35
Total revenue, net of interest expense (FTE basis)	$4,456	$4,567	$8,900	$9,077
Client Balances by Business, at period end				
Merrill Lynch Global Wealth Management			$2,026,392	$2,052,636
U.S. Trust			393,089	388,829
Other [1]			—	81,318
Total client balances			$2,419,481	$2,522,783
Client Balances by Type, at period end				
Long-term assets under management			$832,394	$849,046
Liquidity assets under management			—	81,314
Assets under management			832,394	930,360
Brokerage assets			1,070,014	1,079,084
Assets in custody			120,505	138,774
Deposits			250,976	237,624
Loans and leases [2]			145,592	136,941
Total client balances			$2,419,481	$2,522,783
Assets Under Management Rollforward				
Assets under management, beginning balance	$890,663	$917,257	$900,863	$902,872
Net long-term client flows	10,055	8,593	9,456	23,247
Net liquidity client flows	(4,170)	6,023	(7,990)	4,530
Market valuation/other	(64,154)	(1,513)	(69,935)	(289)
Total assets under management, ending balance	$832,394	$930,360	$832,394	$930,360
Associates, at period end [3, 4]				
Number of financial advisors			16,664	16,313
Total wealth advisors, including financial advisors			18,159	17,734
Total client-facing professionals, including financial advisors and wealth advisors			20,562	20,231
Merrill Lynch Global Wealth Management Metric [4]				
Financial advisor productivity [5] (in thousands)	$984	$1,050	$984	$1,046
U.S. Trust Metric, at period end [4]				
Client-facing professionals			2,229	2,168

(1) Includes the results of BofA Global Capital Management, the cash management division of Bank of America, and certain administrative items. BofA Global Capital Management's AUM were sold during the three months ended June 30, 2016.

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

(3) Includes financial advisors in the Consumer Banking segment of 2,248 and 2,048 at June 30, 2016 and 2015.
(4) Headcount computation is based upon full-time equivalents.
(5) Financial advisor productivity is defined as annualized Merrill Lynch Global Wealth Management total revenue, excluding the allocation of certain ALM activities, divided by the total number of financial advisors (excluding financial advisors in the Consumer Banking segment).

Client balances decreased $103.3 billion, or four percent, to $2.4 trillion primarily driven by the transfer of approximately $80 billion of BofA Global Capital Management's AUM and lower market valuations, partially offset by net inflows.

The number of wealth advisors increased two percent, due to continued investment in the advisor development programs, improved competitive recruiting and near historically low advisor attrition levels.

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Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Revenue from MLGWM of $3.6 billion decreased four percent driven by a decline in noninterest income, partially offset by an increase in net interest income. Noninterest income decreased driven by lower market valuations and lower transactional revenue. Net interest income increased driven by growth in deposit and loan balances.

Revenue from U.S. Trust of $769 million increased one percent driven by an increase in net interest income, largely offset by a decrease in noninterest income. Net interest income increased driven by growth in deposit and loan balances. Noninterest income decreased driven by lower market valuations.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Revenue from MLGWM of $7.3 billion decreased three percent and revenue from U.S. Trust of $1.5 billion increased two percent, both driven by the same factors as described in the three-month discussion above.

Net Migration Summary

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

Net Migration Summary [1]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Total deposits, net – to (from) GWIM	$(666)	$(44)	$(1,057)	$(527)
Total loans, net – to (from) GWIM	5	(28)	15	(54)
Total brokerage, net – to (from) GWIM	(326)	(675)	(566)	(1,257)

[1] Migration occurs primarily between GWIM and Consumer Banking.

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Global Banking

(Dollars in millions)	Three Months Ended June 30 2016	2015	% Change	Six Months Ended June 30 2016	2015	% Change
Net interest income (FTE basis)	$2,421	$2,170	12 %	$4,902	$4,371	12 %
Noninterest income:						
Service charges	759	728	4	1,504	1,438	5
Investment banking fees	799	777	3	1,435	1,629	(12)
All other income	711	561	27	1,239	1,184	5
Total noninterest income	2,269	2,066	10	4,178	4,251	(2)
Total revenue, net of interest expense (FTE basis)	4,690	4,236	11	9,080	8,622	5
Provision for credit losses	203	177	15	756	273	177
Noninterest expense	2,126	2,086	2	4,297	4,235	1
Income before income taxes (FTE basis)	2,361	1,973	20	4,027	4,114	(2)
Income tax expense (FTE basis)	870	737	18	1,482	1,531	(3)
Net income	$1,491	$1,236	21	$2,545	$2,583	(1)
Net interest yield (FTE basis)	2.84 %	2.79 %		2.90 %	2.83 %	
Return on average allocated capital	16	14		14	15	
Efficiency ratio (FTE basis)	45.33	49.24		47.33	49.11	

Balance Sheet

Average	Three Months Ended June 30 2016	2015	% Change	Six Months Ended June 30 2016	2015	% Change
Total loans and leases	$330,273	$295,405	12 %	$327,402	$289,876	13 %
Total earning assets	343,225	311,674	10	340,250	311,699	9
Total assets	391,839	361,867	8	389,740	361,819	8
Total deposits	298,805	288,117	4	297,969	287,280	4
Allocated capital	37,000	35,000	6	37,000	35,000	6

Period end	June 30 2016	December 31 2015	% Change
Total loans and leases	$330,709	$319,580	3 %
Total earning assets	344,805	330,658	4
Total assets	393,380	381,975	3
Total deposits	304,577	296,162	3

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

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Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for Global Banking increased $255 million to $1.5 billion primarily driven by higher revenue, partially offset by higher noninterest expense and provision for credit losses.

Revenue increased $454 million to $4.7 billion due to higher net interest income and noninterest income. Net interest income increased $251 million to $2.4 billion driven by the impact of growth in loan and leasing-related balances. Noninterest income increased $203 million to $2.3 billion primarily due to the impact from loans and related loan hedging activities in the fair value option portfolio, higher leasing and treasury-related revenues, as well as higher advisory fees.

The provision for credit losses increased $26 million to $203 million. Noninterest expense increased $40 million to $2.1 billion primarily driven by investments in client-facing professionals in Commercial and Business Banking.

The return on average allocated capital was 16 percent, up from 14 percent, due to higher net income, partially offset by increased capital allocations. For more information on capital allocated to the business segments, see Business Segment Operations on page 24.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net income for Global Banking of $2.5 billion declined modestly as higher provision for credit losses and noninterest expense were largely offset by higher revenue.

Revenue increased $458 million to $9.1 billion primarily due to higher net interest income, partially offset by lower noninterest income. Net interest income increased $531 million to $4.9 billion driven by the same factors as described in the three-month discussion above. Noninterest income decreased $73 million to $4.2 billion primarily due to lower investment banking fees and the impact from loans and related loan hedging activities in the fair value option portfolio, partially offset by higher leasing and treasury-related revenues and card income.

The provision for credit losses increased $483 million to $756 million driven by increases in energy-related reserves. For more information on our energy exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 89. Noninterest expense of $4.3 billion remained relatively unchanged as investments in client-facing professionals in Commercial and Business Banking and higher severance costs were offset by lower revenue-related expenses.

The return on average allocated capital was 14 percent, down from 15 percent, due to increased capital allocations and lower net income.

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Global Corporate, Global Commercial and Business Banking

Global Corporate, Global Commercial and Business Banking each include Business Lending and Global Transaction Services activities. Business Lending includes various lending-related products and services, and related hedging activities, including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Global Transaction Services includes deposits, treasury management, credit card, foreign exchange and short-term investment products. The table below presents a summary of the results, which exclude certain capital markets activity in Global Banking.

Global Corporate, Global Commercial and Business Banking

	Three Months Ended June 30							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Business Lending	$1,066	$846	$1,058	$1,000	$93	$89	$2,217	$1,935
Global Transaction Services	724	703	675	635	183	169	1,582	1,507
Total revenue, net of interest expense	$1,790	$1,549	$1,733	$1,635	$276	$258	$3,799	$3,442
Balance Sheet								
Average								
Total loans and leases	$150,019	$131,528	$162,710	$146,725	$17,496	$17,097	$330,225	$295,350
Total deposits	139,844	136,872	124,529	118,745	34,433	32,505	298,806	288,122
	Six Months Ended June 30							
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Business Lending	$2,081	$1,867	$2,061	$1,908	$190	$178	$4,332	$3,953
Global Transaction Services	1,432	1,351	1,368	1,277	367	333	3,167	2,961
Total revenue, net of interest expense	$3,513	$3,218	$3,429	$3,185	$557	$511	$7,499	$6,914
Balance Sheet								
Average								
Total loans and leases	$148,415	$128,824	$161,604	$144,022	$17,346	$16,999	$327,365	$289,845
Total deposits	138,740	135,382	124,925	119,682	34,307	32,219	297,972	287,283
Period end								
Total loans and leases	$149,474	$136,256	$163,655	$148,077	$17,548	$17,163	$330,677	$301,496
Total deposits	141,795	137,462	127,996	121,664	34,787	33,140	304,578	292,266

Business Lending revenue increased $282 million and $379 million for the three and six months ended June 30, 2016 compared to the same periods in 2015 due to the impact of loan growth, as well as the impact from loans and related loan hedging activities in the fair value option portfolio.

Global Transaction Services revenue increased $75 million and $206 million for the three and six months ended June 30, 2016 compared to the same periods in 2015 primarily due to higher net interest income driven by the beneficial impact of an increase in investable assets as a result of higher deposits, and growth in treasury services and card income.

Average loans and leases increased 12 percent and 13 percent for the three and six months ended June 30, 2016 compared to the same periods in 2015 driven by growth in the commercial and industrial, commercial real estate and leasing portfolios. Average deposits increased four percent for both the three and six months ended June 30, 2016 compared to the same periods in 2015 due to continued portfolio growth with new and existing clients.

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Global Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of certain investment banking and underwriting activities are shared primarily between Global Banking and Global Markets under an internal revenue-sharing arrangement. To provide a complete discussion of our consolidated investment banking fees, the following table presents total Corporation investment banking fees and the portion attributable to Global Banking.

Investment Banking Fees

	Three Months Ended June 30				Six Months Ended June 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Products								
Advisory	$313	$247	$333	$276	$618	$634	$679	$704
Debt issuance	390	371	889	887	655	706	1,558	1,668
Equity issuance	96	159	232	417	162	289	420	762
Gross investment banking fees	799	777	1,454	1,580	1,435	1,629	2,657	3,134
Self-led deals	(14)	(17)	(46)	(54)	(25)	(39)	(96)	(121)
Total investment banking fees	$785	$760	$1,408	$1,526	$1,410	$1,590	$2,561	$3,013

Total Corporation investment banking fees of $1.4 billion, excluding self-led deals, primarily included within Global Banking and Global Markets, decreased eight percent for the three months ended June 30, 2016 compared to the same period in 2015 driven by lower equity issuance fees, partially offset by higher advisory fees. Total Corporation investment banking fees of $2.6 billion decreased 15 percent for the six months ended June 30, 2016 compared to the same period in 2015 driven by lower fees across all products due to a significant decline in overall market fee pools.

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Global Markets

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2016	2015	% Change	2016	2015	% Change
Net interest income (FTE basis)	$1,093	$988	11 %	$2,273	$1,961	16 %
Noninterest income:						
Investment and brokerage services	525	556	(6)	1,093	1,129	(3)
Investment banking fees	603	718	(16)	1,097	1,348	(19)
Trading account profits	1,872	1,703	10	3,467	3,841	(10)
All other income (loss)	220	(15)	n/m	330	(138)	n/m
Total noninterest income	3,220	2,962	9	5,987	6,180	(3)
Total revenue, net of interest expense (FTE basis)	4,313	3,950	9	8,260	8,141	1
Provision for credit losses	(5)	6	n/m	4	27	(85)
Noninterest expense	2,582	2,748	(6)	5,032	5,909	(15)
Income before income taxes (FTE basis)	1,736	1,196	45	3,224	2,205	46
Income tax expense (FTE basis)	620	410	51	1,138	755	51
Net income	$1,116	$786	42	$2,086	$1,450	44
Return on average allocated capital	12 %	9 %		11 %	8 %	
Efficiency ratio (FTE basis)	59.88	69.56		60.93	72.58	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2016	2015	% Change	2016	2015	% Change
Trading-related assets:						
Trading account securities	$178,047	$197,117	(10)%	$182,989	$195,313	(6)%
Reverse repurchases	92,805	109,293	(15)	89,108	112,221	(21)
Securities borrowed	89,779	81,091	11	85,293	79,909	7
Derivative assets	50,654	54,674	(7)	52,083	55,540	(6)
Total trading-related assets [(1)]	411,285	442,175	(7)	409,473	442,983	(8)
Total loans and leases	69,620	61,819	13	69,452	59,224	17
Total earning assets [(1)]	422,815	433,254	(2)	420,506	432,579	(3)
Total assets	580,701	599,985	(3)	580,963	597,801	(3)
Total deposits	34,518	39,051	(12)	35,202	39,169	(10)
Allocated capital	37,000	35,000	6	37,000	35,000	6

Period end	June 30 2016	December 31 2015	% Change
Total trading-related assets [(1)]	$405,037	$373,926	8 %
Total loans and leases	70,766	73,208	(3)
Total earning assets [(1)]	416,325	384,046	8
Total assets	577,428	548,790	5
Total deposits	33,506	37,038	(10)

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

n/m = not meaningful

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Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets product coverage includes securities and derivative products in both the primary and secondary markets. Global Markets provides market-making, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage risk in a broad range of financial products including government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, syndicated loans, mortgage-backed securities (MBS), commodities and asset-backed securities (ABS). The economics of certain investment banking and underwriting activities are shared primarily between Global Markets and Global Banking under an internal revenue-sharing arrangement. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For more information on investment banking fees on a consolidated basis, see page 39.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for Global Markets increased $330 million to $1.1 billion. Net DVA losses were $164 million compared to losses of $199 million. Excluding net DVA, net income increased $309 million to $1.2 billion primarily driven by higher sales and trading revenue and lower noninterest expense, partially offset by lower equity capital markets investment banking fees. Sales and trading revenue, excluding net DVA, increased $387 million primarily driven by stronger performance globally across rates and currencies and improved credit market conditions. Noninterest expense decreased $166 million to $2.6 billion largely due to lower operating and support costs.

Average earning assets decreased $10.4 billion to $422.8 billion largely driven by a decrease in match book financing activity and trading inventory, partially offset by higher loans.

The return on average allocated capital was 12 percent, up from nine percent, reflecting an increase in net income, partially offset by an increase in allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 24.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net income for Global Markets increased $636 million to $2.1 billion. Net DVA losses were $10 million compared to losses of $600 million. Excluding net DVA, net income increased $270 million to $2.1 billion primarily driven by lower noninterest expense, partially offset by lower sales and trading revenue and investment banking fees. Sales and trading revenue, excluding net DVA, decreased $218 million primarily driven by challenging credit market conditions in early 2016 as well as reduced client activity within equities in Asia. Noninterest expense decreased $877 million to $5.0 billion largely due to lower litigation expense and lower revenue-related expenses.

Average earning assets decreased $12.1 billion to $420.5 billion largely driven by a decrease in match book financing activity due to a reduction in client demand and continuing balance sheet optimization efforts across Global Markets. Period-end trading-related assets increased $31.1 billion from December 31, 2015 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity.

The return on average allocated capital was 11 percent, up from eight percent, reflecting an increase in net income, partially offset by an increase in allocated capital.

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Sales and Trading Revenue

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Sales and trading revenue is segregated into fixed-income (government debt obligations, investment and non-investment grade corporate debt obligations, commercial MBS, residential mortgage-backed securities (RMBS), collateralized loan obligations (CLOs), interest rate and credit derivative contracts), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equities (equity-linked derivatives and cash equity activity). The table below 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 table below 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 clarity in assessing the underlying performance of these businesses. The explanations for period-over-period changes in sales and trading, Fixed-income, currencies and commodities (FICC) and Equities results, as set forth below, are the same whether or not net DVA is included.

Sales and Trading Revenue [1, 2]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Sales and trading revenue				
Fixed-income, currencies and commodities	$2,458	$1,942	$4,861	$4,295
Equities	1,082	1,176	2,119	2,313
Total sales and trading revenue	$3,540	$3,118	$6,980	$6,608
Sales and trading revenue, excluding net DVA [3]				
Fixed-income, currencies and commodities	$2,618	$2,142	$4,881	$4,887
Equities	1,086	1,175	2,109	2,321
Total sales and trading revenue, excluding net DVA [3]	$3,704	$3,317	$6,990	$7,208

(1) Includes FTE adjustments of $45 million and $89 million for the three and six months ended June 30, 2016 compared to $47 million and $94 million for the same periods in 2015. For more information on sales and trading revenue, see Note 2 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of $121 million and $281 million for the three and six months ended June 30, 2016 compared to $133 million and $208 million for the same periods in 2015.

(3) FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net DVA losses were $160 million and $20 million for the three and six months ended June 30, 2016 compared to net DVA losses of $200 million and $592 million for the same periods in 2015. Equities net DVA losses were $4 million and gains were $10 million for the three and six months ended June 30, 2016 compared to net DVA gains of $1 million and losses of $8 million for the same periods in 2015.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

FICC revenue, excluding net DVA, increased $476 million to $2.6 billion, due to stronger performance globally across rates and currencies products, in particular with increased client activity in shorter dated derivatives, and strong financing activity as well as an improved sentiment in local currency trading in Asia and Latin America. A general rally in credit markets improved performance; in particular, secondary loan trading increased and municipal bond activity benefited from strong retail demand. Mortgage results benefited from higher loan balances and credit spreads tightening in reaction to the overall improvement in interest rates. Equities revenue, excluding net DVA, decreased $89 million to $1.1 billion reflecting lower levels of client activity in Asia compared with a strong year-ago period, which benefited from increased market volumes relating to stock market rallies in the region.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

FICC revenue, excluding net DVA, remained relatively unchanged as rates products improved on increased customer flow, offset by reduced performance in G10 currencies, compared to a particularly favorable trading environment in the first half of 2015. Equities revenue, excluding net DVA, decreased $212 million to $2.1 billion primarily driven by the same factors as described in the three-month discussion above, as well as weaker trading performance in the challenging market conditions in early 2016.

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All Other

(Dollars in millions)	Three Months Ended June 30 2016	2015	% Change	Six Months Ended June 30 2016	2015	% Change
Net interest income (FTE basis)	$(788)	$1,131	n/m	$(1,823)	$ 1,237	n/m
Noninterest income:						
Card income	55	65	(15)%	99	132	(25)%
Mortgage banking income	44	639	(93)	286	863	(67)
Gains on sales of debt securities	267	162	65	493	425	16
All other loss	(280)	(328)	(15)	(612)	(661)	(7)
Total noninterest income	86	538	(84)	266	759	(65)
Total revenue, net of interest expense (FTE basis)	(702)	1,669	n/m	(1,557)	1,996	n/m
Provision (benefit) for credit losses	38	112	(66)	(83)	68	n/m
Noninterest expense	1,081	1,002	8	3,463	3,298	5
Income (loss) before income taxes (FTE basis)	(1,821)	555	n/m	(4,937)	(1,370)	n/m
Income tax benefit (FTE basis)	(1,006)	(226)	n/m	(2,325)	(1,153)	102
Net income (loss)	$(815)	$781	n/m	$(2,612)	$ (217)	n/m

Balance Sheet

Average	Three Months Ended June 30 2016	2015	% Change	Six Months Ended June 30 2016	2015	% Change
Total loans and leases	$115,675	$156,886	(26)%	$118,919	$ 162,791	(27)%
Total assets [(1)]	260,621	300,851	(13)	261,569	300,530	(13)
Total deposits	28,690	26,674	8	27,724	24,824	12

Period end	June 30 2016	December 31 2015	% Change
Total loans and leases	$111,923	$ 126,305	(11)%
Total assets [(1)]	260,485	271,853	(4)
Total deposits	27,575	25,334	9

(1) In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were $499.1 billion and $496.3 billion for the three and six months ended June 30, 2016 compared to $460.4 billion and $464.6 billion for the same periods in 2015, and $492.0 billion and $489.0 billion at June 30, 2016 and December 31, 2015.

n/m = not meaningful

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All Other consists of ALM activities, equity investments, the international consumer card business, non-core mortgage loans and servicing activities, liquidating businesses, residual expense allocations and other. ALM activities encompass certain residential mortgages, debt securities, interest rate and foreign currency risk management activities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Note 18 – Business Segment Information to the Consolidated Financial Statements. Equity investments include our merchant services joint venture as well as Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other alternative investments. For more information on our merchant services joint venture, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

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. Residential mortgage loans that are held for interest rate or liquidity risk management purposes 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 58 and Interest Rate Risk Management for the Banking Book on page 106. During the six months ended June 30, 2016, residential mortgage loans held for ALM activities decreased $5.2 billion to $37.9 billion at June 30, 2016 primarily as a result of sales, 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 six months ended June 30, 2016, total non-core loans decreased $8.3 billion to $60.4 billion at June 30, 2016 due largely to payoffs and paydowns, as well as loan sales.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net income for All Other decreased $1.6 billion to a net loss of $815 million due to lower net interest income, lower mortgage banking income, lower gains on sales of consumer real estate loans and an increase in noninterest expense, partially offset by higher gains on sales of debt securities and a decrease in the provision for credit losses. Net interest income decreased $1.9 billion primarily driven by negative market-related adjustments on debt securities. Negative market-related adjustments on debt securities were $974 million compared to a positive $669 million in the prior-year period. Gains on the sales of loans, including nonperforming and other delinquent loans, net of hedges, were $21 million compared to gains of $359 million in the prior-year period.

The provision for credit losses decreased $74 million to $38 million primarily driven by continued portfolio improvement within the PCI portfolio.

Noninterest expense increased $79 million to $1.1 billion driven by higher litigation expense. The income tax benefit was $1.0 billion compared to a benefit of $226 million, driven by the change in the pretax loss. In addition, both periods included income tax benefit adjustments to eliminate the FTE treatment in noninterest income of certain tax credits recorded in Global Banking.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

The net loss for All Other increased $2.4 billion to $2.6 billion due to lower net interest income, lower mortgage banking income, lower gains on sales of consumer real estate loans and an increase in noninterest expense, partially offset by an improvement in the provision for credit losses. Net interest income decreased $3.1 billion primarily driven by negative market-related adjustments on debt securities. Negative market-related adjustments on debt securities were $2.2 billion compared to a positive $185 million in the prior-year period. Gains on the sales of loans, including nonperforming and other delinquent loans, net of hedges, were $178 million compared to gains of $576 million in the prior-year period.

The provision for credit losses improved $151 million to a benefit of $83 million primarily driven by continued portfolio improvement within the PCI portfolio.

Noninterest expense increased $165 million to $3.5 billion driven by the same factors as described in the three-month discussion above. The income tax benefit was $2.3 billion compared to a benefit of $1.2 billion, driven by the change in the pretax loss. In addition, both periods included income tax benefit adjustments to eliminate the FTE treatment in noninterest income of certain tax credits recorded in Global Banking.

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Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For more information on obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 46 of the MD&A of the Corporation's 2015 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 2015 Annual Report on Form 10-K.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of RMBS guaranteed by the government-sponsored enterprises (GSEs), which include Freddie Mac (FHLMC) and Fannie Mae (FNMA), or by the Government National Mortgage Association (GNMA) in the case of Federal Housing Administration (FHA)-insured, U.S. Department of Veterans Affairs-guaranteed and Rural Housing Service-guaranteed mortgage loans, and sell pools of first-lien residential mortgage loans in the form of whole loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations or in the form of whole loans. In connection with these transactions, we or certain of our subsidiaries or legacy companies made various representations and warranties. Breaches of these representations and warranties have resulted in and may continue to result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to investors, guarantors, insurers or other parties (collectively, repurchases).

We have vigorously contested any request for repurchase where we have concluded that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve legacy mortgage-related issues, we have reached settlements, certain of which have been for significant amounts, in lieu of a loan-by-loan review process, including with the GSEs, four monoline insurers and Bank of New York Mellon (BNY Mellon), as trustee for certain securitization trusts.

For more information on accounting for and other information related to representations and warranties, repurchase claims and related exposures, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements, Off-balance Sheet Arrangements and Contractual Obligations in the MD&A of the Corporation's 2015 Annual Report on Form 10-K, Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Unresolved Repurchase Claims

Unresolved representations and warranties repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, mortgage insurance (MI) or mortgage guarantee payments. Claims received from a counterparty remain outstanding until the underlying loan is repurchased, the claim is rescinded by the counterparty, we determine that the applicable statute of limitations has expired, or representations and warranties claims with respect to the applicable trust are settled, and fully and finally released. We do not include duplicate claims in the amounts disclosed.

At June 30, 2016, we had $18.3 billion of unresolved repurchase claims, predominantly related to subprime and pay option first-lien loans, and home equity loans, compared to $18.4 billion at December 31, 2015. The notional amount of unresolved repurchase claims at both June 30, 2016 and December 31, 2015 included $3.5 billion of claims related to loans in specific private-label securitization groups or tranches where we own substantially all of the outstanding securities. At both June 30, 2016 and December 31, 2015, for loans originated from 2004 through 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others was $16.7 billion. At June 30, 2016 and December 31, 2015, the notional amount of unresolved repurchase claims submitted by the GSEs for loans originated prior to 2009 was $7 million and $14 million. During the six months ended June 30, 2016, we continued to have limited loan-level representations and warranties repurchase claims experience with the monoline insurers due to bulk settlements in prior years and ongoing litigation with a single monoline insurer. For more information on unresolved repurchase claims, see Off-Balance Sheet Arrangements and Contractual Obligations – Unresolved Repurchase Claims on page 47 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

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Liability for Representations and Warranties and Corporate Guarantees

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income in the Consolidated Statement of Income. At June 30, 2016 and December 31, 2015, the liability for representations and warranties was $2.7 billion and $11.3 billion. The reduction in the liability was primarily the result of an $8.5 billion cash payment in February 2016 to BNY Mellon as part of the settlement with BNY Mellon. For the three and six months ended June 30, 2016, the representations and warranties provision was $17 million and $59 million compared to a benefit of $205 million and $121 million for the same periods in 2015.

Our liability for representations and warranties is necessarily dependent on, and limited by, a number of factors including for private-label securitizations, the implied repurchase experience based on the settlement with BNY Mellon, as well as certain other assumptions and judgmental factors. Where relevant, we also consider more recent experience, such as claim activity, notification of potential indemnification obligations, our experience with various counterparties, the New York Court of Appeals' ACE Securities Corp. v. DB Structured Products, Inc. (ACE) decision, other recent court decisions related to the statute of limitations, and other facts and circumstances, such as bulk settlements, as we believe appropriate. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if future experiences are different from historical experience or our understandings, interpretations or assumptions. For more information on the settlement with BNY Mellon, and the ACE decision and its impact on unresolved repurchase claims, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to $2 billion over existing accruals at June 30, 2016. We treat claims that are time-barred as resolved and do not consider such claims in the estimated range of possible loss. The estimated range of possible loss reflects principally exposures related to loans in private-label securitization trusts. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

For more information on the methodology used to estimate the representations and warranties liability, the corresponding estimated range of possible loss and the types of losses not considered in such estimates, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K and, for more information related to the sensitivity of the assumptions used to estimate our liability for representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability on page 104 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Other Mortgage-related Matters

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny and investigations related to our past and current origination, servicing, transfer of servicing and servicing rights, servicing compliance obligations, foreclosure activities, and MI and captive reinsurance practices with mortgage insurers. The ongoing environment of additional regulation, increased regulatory compliance obligations, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory environment, has resulted in increased operational and compliance costs and may limit our ability to continue providing certain products and services. For more information on management's estimate of the aggregate range of possible loss for certain litigation matters and on regulatory investigations, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

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Managing Risk

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

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

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

For more information on our risk management activities, including our Risk Framework, see pages 49 through 100 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K. For information on our strategic, compliance, operational and reputational risk management, see page 53 and pages 99 through 100 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

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Capital Management

The Corporation manages its capital position to ensure 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, ensure obligations to creditors and counterparties are met, 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 conduct an Internal Capital Adequacy Assessment Process (ICAAP) on a periodic basis. The ICAAP is a forward-looking assessment of our projected capital needs and resources, incorporating earnings, balance sheet and risk forecasts under baseline and adverse economic and market conditions. We utilize periodic stress tests to assess the potential impacts to our balance sheet, earnings, regulatory capital and liquidity under a variety of stress scenarios. We perform qualitative risk assessments to identify and assess material risks not adequately captured in our forecasts or stress tests. We assess the potential capital impacts of proposed changes to regulatory capital requirements. Management evaluates ICAAP results and provides documented quarterly assessments of the adequacy of our capital guidelines and capital position to the Board or its committees.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. For additional information, see Business Segment Operations on page 24.

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.

In April 2016, we submitted our 2016 CCAR capital plan and related supervisory stress tests. The 2016 CCAR capital plan included a request to repurchase $5.0 billion of common stock over four quarters beginning in the third quarter of 2016, and to increase the quarterly common stock dividend from $0.05 per share to $0.075 per share. On June 29, 2016, following the Federal Reserve's non-objection to our 2016 CCAR capital plan, the Board authorized the common stock repurchase beginning July 1, 2016. The common stock repurchase authorization includes both common stock and warrants, and is net of shares awarded under the Corporation's equity-based compensation plans. 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 one percent of Tier 1 capital and which were not contemplated in our capital plan, subject to the Federal Reserve's non-objection.

As of June 30, 2016, in connection with our 2015 CCAR capital plan that began in the second quarter of 2015, we repurchased $4.0 billion of common stock. During the six months ended June 30, 2016, we also repurchased $800 million of additional common stock outside of the scope of the 2015 CCAR capital plan to offset share count dilution resulting from equity incentive compensation awarded to retirement-eligible employees.

Regulatory Capital

As a financial services holding company, we are subject to regulatory capital rules issued by U.S. banking regulators. On January 1, 2014, we became subject to Basel 3, which includes certain transition provisions through January 1, 2019. The Corporation and its primary affiliated banking entity, BANA, are Advanced approaches institutions under Basel 3.

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Basel 3 Overview

Basel 3 updated the composition of capital and established a Common equity tier 1 capital ratio. Common equity tier 1 capital primarily includes common stock, retained earnings and accumulated OCI. Basel 3 revised minimum capital ratios and buffer requirements, added a SLR, and addressed the adequately capitalized minimum requirements under the Prompt Corrective Action (PCA) framework. Finally, Basel 3 established two methods of calculating risk-weighted assets, the Standardized approach and the Advanced approaches. As an Advanced approaches institution, we are required to report regulatory risk-based capital ratios and risk-weighted assets under both the Standardized and Advanced approaches. The approach that yields the lower ratio is used to assess capital adequacy including under the PCA framework. For additional information, see Capital Management – Standardized Approach and Capital Management – Advanced Approaches on page 50.

Regulatory Capital Composition

Basel 3 requires certain deductions from and adjustments to capital, which are primarily those related to goodwill, deferred tax assets, intangibles, MSRs and defined benefit pension fund assets. Also, any assets that are a direct deduction from the computation of capital are excluded from risk-weighted assets and adjusted average total assets. Basel 3 also provides for the inclusion in capital of net unrealized gains and losses on debt and certain marketable equity securities recorded in accumulated OCI. These changes are impacted by, among other factors, fluctuations in interest rates, earnings performance and corporate actions. Under Basel 3 regulatory capital transition provisions, changes to the composition of regulatory capital are generally recognized in 20 percent annual increments, and will be fully recognized as of January 1, 2018.

Table 15 summarizes how certain regulatory capital deductions and adjustments have been or will be transitioned from 2014 through 2018 for Common equity tier 1 and Tier 1 capital.

Table 15
Summary of Certain Basel 3 Regulatory Capital Transition Provisions

Beginning on January 1 of each year	2014	2015	2016	2017	2018
Common equity tier 1 capital					
Percent of total amount deducted from Common equity tier 1 capital includes:	20%	40%	60%	80%	100%
Deferred tax assets arising from net operating loss and tax credit carryforwards; intangibles, other than mortgage servicing rights and goodwill; defined benefit pension fund net assets; net unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value; direct and indirect investments in our own Common equity tier 1 capital instruments; certain amounts exceeding the threshold by 10 percent individually and 15 percent in aggregate					
Percent of total amount used to adjust Common equity tier 1 capital includes [1]:	80%	60%	40%	20%	0%
Net unrealized gains (losses) on debt and certain marketable equity securities recorded in accumulated OCI; employee benefit plan adjustments recorded in accumulated OCI					
Tier 1 capital					
Percent of total amount deducted from Tier 1 capital includes:	80%	60%	40%	20%	0%
Deferred tax assets arising from net operating loss and tax credit carryforwards; defined benefit pension fund net assets; net unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value					

(1) Represents the phase-out percentage of the exclusion by year (e.g., 60 percent of net unrealized gains (losses) on debt and certain marketable equity securities recorded in accumulated OCI will be included in 2016).

Additionally, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and transitioned from Tier 2 capital beginning in 2016 with the full exclusion in 2022. As of June 30, 2016, our qualifying Trust Securities were $3.4 billion, approximately 22 bps of the Total capital ratio.

Minimum Capital Requirements

Minimum capital requirements and related buffers are being phased in from January 1, 2014 through January 1, 2019. Effective January 1, 2015, the PCA framework was also amended to reflect the requirements of Basel 3. The PCA framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for "well-capitalized" banking organizations, which included BANA at June 30, 2016.

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On January 1, 2016, we became subject to a capital conservation buffer, a countercyclical capital buffer and a global systemically important bank (G-SIB) surcharge which will be 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 G-SIB surcharge in order to avoid certain restrictions on capital distributions and discretionary bonus payments. The buffers and surcharge must be composed solely of Common equity tier 1 capital. Under the phase-in provisions, in 2016 we must maintain a capital conservation buffer greater than 0.625 percent plus a G-SIB surcharge of 0.75 percent. The countercyclical capital buffer is currently set at zero. U.S. banking regulators must jointly decide on any increase in the countercyclical capital buffer, after which time institutions will have up to one year for implementation. The G-SIB surcharge is calculated on an annual basis and determined by using the higher of two scores based on distinct systemic indicator-based methodologies. Method 1 is consistent with the approach prescribed by the Basel Committee on Banking Supervision (Basel Committee) and uses indicators for size, complexity, cross-jurisdictional activity, inter-connectedness and substitutability/financial institution infrastructure to determine a score relative to the global banking industry. Method 2 replaces the substitutability/financial institution infrastructure indicator with a measure of short-term wholesale funding and then determines the overall score by applying a fixed multiplier for each of the other systemic indicators. Once fully phased in, we estimate that our G-SIB surcharge will be 3.0 percent under method 2 and 1.5 percent under method 1. The G-SIB surcharge may differ from this estimate over time.

Standardized Approach

Total risk-weighted assets under the Basel 3 Standardized approach consist of credit risk and market risk measures. Credit risk-weighted assets are measured by applying fixed risk weights to on- and off-balance sheet exposures (excluding securitizations), determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development country risk code and maturity, among others. Off-balance sheet exposures primarily include financial guarantees, unfunded lending commitments, letters of credit and potential future derivative exposures. Market risk applies to covered positions which include trading assets and liabilities, foreign exchange exposures and commodity exposures. Market risk capital is modeled for general market risk and specific risk for products where specific risk regulatory approval has been granted; in the absence of specific risk model approval, standard specific risk charges apply. For securitization exposures, risk-weighted assets are determined using the Simplified Supervisory Formula Approach (SSFA). Under the Standardized approach, no distinction is made for variations in credit quality for corporate exposures, and the economic benefit of collateral is restricted to a limited list of eligible securities and cash.

Advanced Approaches

In addition to the credit risk and market risk measures, Basel 3 Advanced approaches include measures of operational risk and risks related to the credit valuation adjustment (CVA) for over-the-counter (OTC) derivative exposures. The Advanced approaches rely on internal analytical models to measure risk weights for credit risk exposures and allow the use of models to estimate the exposure at default (EAD) for certain exposure types. Market risk capital measurements are consistent with the Standardized approach, except for securitization exposures. For both trading and non-trading securitization exposures, institutions are permitted to use the Supervisory Formula Approach (SFA) and would use the SSFA if the SFA is unavailable for a particular exposure. Non-securitization credit risk exposures are measured using internal ratings-based models to determine the applicable risk weight by estimating the probability of default, loss-given default (LGD) and, in certain instances, EAD. The internal analytical models primarily rely on internal historical default and loss experience. Operational risk is measured using internal analytical models which rely on both internal and external operational loss experience and data. The calculations require management to make estimates, assumptions and interpretations, including with respect to the probability of future events based on historical experience. Actual results could differ from those estimates and assumptions. Under the Federal Reserve's reservation of authority, they may require us to hold an amount of capital greater than otherwise required under the capital rules if they determine that our risk-based capital requirement using our internal analytical models is not commensurate with our credit, market, operational or other risks.

Supplementary Leverage Ratio

Basel 3 also requires Advanced approaches institutions to disclose a SLR. The numerator of the SLR is quarter-end Basel 3 Tier 1 capital. The denominator is total leverage exposure based on the daily average of the sum of on-balance sheet exposures less permitted Tier 1 deductions, as well as the simple average of certain off-balance sheet exposures, as of the end of each month in a quarter. Off-balance sheet exposures primarily include undrawn lending commitments, letters of credit, potential future derivative exposures and repo-style transactions. Total leverage exposure includes the effective notional principal amount of credit derivatives and similar instruments through which credit protection is sold. The credit conversion factors (CCFs) applied to certain off-balance sheet exposures conform to the graduated CCF utilized under the Basel 3 Standardized approach, but are subject to a minimum 10 percent CCF. Effective January 1, 2018, the Corporation will be required to maintain a minimum SLR of 3.0 percent, plus a leverage buffer of 2.0 percent, in order to avoid certain restrictions on capital distributions and discretionary bonuses. Insured depository institution subsidiaries of BHCs, including BANA, will be required to maintain a minimum 6.0 percent SLR to be considered "well capitalized" under the PCA framework.

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Capital Composition and Ratios

Table 16 presents Bank of America Corporation's transition and fully phased-in capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at June 30, 2016 and December 31, 2015. Fully phased-in estimates are non-GAAP financial measures. For reconciliations to GAAP financial measures, see Table 19. As of June 30, 2016 and December 31, 2015, the Corporation meets the definition of "well capitalized" under current regulatory requirements.

Table 16
Bank of America Corporation Regulatory Capital under Basel 3 [(1)]

	June 30, 2016					
	Transition			Fully Phased-in		
(Dollars in millions)	Standardized Approach	Advanced Approaches	Regulatory Minimum [(2, 3)]	Standardized Approach	Advanced Approaches [(4)]	Regulatory Minimum [(5)]
Risk-based capital metrics:						
Common equity tier 1 capital	$166,173	$166,173		$161,831	$161,831	
Tier 1 capital	187,209	187,209		186,633	186,633	
Total capital [(6)]	226,949	217,828		222,928	213,807	
Risk-weighted assets (in billions)	1,396	1,562		1,414	1,542	
Common equity tier 1 capital ratio	11.9 %	10.6 %	5.875 %	11.4 %	10.5 %	10.0 %
Tier 1 capital ratio	13.4	12.0	7.375	13.2	12.1	11.5
Total capital ratio	16.3	13.9	9.375	15.8	13.9	13.5
Leverage-based metrics:						
Adjusted quarterly average assets (in billions) [(7)]	$2,109	$2,109		$2,110	$2,110	
Tier 1 leverage ratio	8.9 %	8.9 %	4.0	8.8 %	8.8 %	4.0
SLR leverage exposure (in billions)					$2,694	
SLR					6.9 %	5.0
	December 31, 2015					
Risk-based capital metrics:						
Common equity tier 1 capital	$163,026	$163,026		$154,084	$154,084	
Tier 1 capital	180,778	180,778		175,814	175,814	
Total capital [(6)]	220,676	210,912		211,167	201,403	
Risk-weighted assets (in billions)	1,403	1,602		1,427	1,575	
Common equity tier 1 capital ratio	11.6 %	10.2 %	4.5 %	10.8 %	9.8 %	10.0 %
Tier 1 capital ratio	12.9	11.3	6.0	12.3	11.2	11.5
Total capital ratio	15.7	13.2	8.0	14.8	12.8	13.5
Leverage-based metrics:						
Adjusted quarterly average assets (in billions) [(7)]	$2,103	$2,103		$2,102	$2,102	
Tier 1 leverage ratio	8.6 %	8.6 %	4.0	8.4 %	8.4 %	4.0
SLR leverage exposure (in billions)					$2,727	
SLR					6.4 %	5.0

(1) As an Advanced approaches institution, we are required to report regulatory capital risk-weighted assets and ratios under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy, and was the Advanced approaches at June 30, 2016 and December 31, 2015.

(2) The June 30, 2016 amount includes a transition capital conservation buffer of 0.625 percent and a transition G-SIB surcharge of 0.75 percent. The 2016 countercyclical capital buffer is zero.

(3) To be "well capitalized" under the current U.S. banking regulatory agency definitions, we must maintain a higher Total capital ratio of 10 percent.

(4) Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the internal models methodology (IMM). As of June 30, 2016, we did not have regulatory approval for the IMM model.

(5) Fully phased-in regulatory capital minimums assume a capital conservation buffer of 2.5 percent and estimated G-SIB surcharge of 3.0 percent. The estimated fully phased-in countercyclical capital buffer is zero. We will be subject to fully phased-in regulatory minimums on January 1, 2019. The fully phased-in SLR minimum assumes a leverage buffer of 2.0 percent and is applicable on January 1, 2018.

(6) 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.

(7) Reflects adjusted average total assets for the three months ended June 30, 2016 and December 31, 2015.

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Common equity tier 1 capital under Basel 3 Advanced – Transition was $166.2 billion at June 30, 2016, an increase of $3.1 billion compared to December 31, 2015 driven by earnings and an increase in accumulated OCI, partially offset by dividends, common stock repurchases and the impact of certain transition provisions under the Basel 3 rules. For more information on Basel 3 transition provisions, see Table 15. During the six months ended June 30, 2016, Total capital increased $6.9 billion primarily driven by the same factors that drove the increase in Common equity tier 1 capital as well as issuances of preferred stock and subordinated debt.

Risk-weighted assets decreased $41 billion during the six months ended June 30, 2016 to $1,562 billion primarily due to lower market risk, lower exposures and improved credit quality on retail products.

Table 17 presents the capital composition as measured under Basel 3 – Transition at June 30, 2016 and December 31, 2015.

Table 17
Capital Composition under Basel 3 – Transition[1]

(Dollars in millions)	June 30 2016	December 31 2015
Total common shareholders' equity	$241,849	$ 233,932
Goodwill	(69,194)	(69,215)
Deferred tax assets arising from net operating loss and tax credit carryforwards	(5,245)	(3,434)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,173	1,774
Net unrealized (gains) losses on debt and equity securities and net (gains) losses on derivatives recorded in accumulated OCI, net-of-tax	(605)	1,220
Intangibles, other than mortgage servicing rights and goodwill	(1,359)	(1,039)
DVA related to liabilities and derivatives	157	204
Other	(603)	(416)
Common equity tier 1 capital	166,173	163,026
Qualifying preferred stock, net of issuance cost	25,220	22,273
Deferred tax assets arising from net operating loss and tax credit carryforwards	(3,496)	(5,151)
Trust preferred securities	—	1,430
Defined benefit pension fund assets	(378)	(568)
DVA related to liabilities and derivatives under transition	104	307
Other	(414)	(539)
Total Tier 1 capital	187,209	180,778
Long-term debt qualifying as Tier 2 capital	23,757	22,579
Eligible credit reserves included in Tier 2 capital	3,466	3,116
Nonqualifying capital instruments subject to phase out from Tier 2 capital	3,408	4,448
Other	(12)	(9)
Total Basel 3 capital	$217,828	$ 210,912

(1) As an Advanced approaches institution, we are required to report regulatory capital risk-weighted assets and ratios under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy, and was the Advanced approaches at June 30, 2016 and December 31, 2015.

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Table 18 presents the components of our risk-weighted assets as measured under Basel 3 – Transition at June 30, 2016 and December 31, 2015.

Table 18
Risk-weighted assets under Basel 3 – Transition

	June 30, 2016		December 31, 2015	
(Dollars in billions)	Standardized Approach	Advanced Approaches	Standardized Approach	Advanced Approaches
Credit risk	$1,328	$ 920	$1,314	$ 940
Market risk	68	65	89	86
Operational risk	n/a	500	n/a	500
Risks related to CVA	n/a	77	n/a	76
Total risk-weighted assets	$1,396	$ 1,562	$1,403	$ 1,602

n/a = not applicable

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Table 19 presents a reconciliation of regulatory capital in accordance with Basel 3 Standardized – Transition to the Basel 3 Standardized approach fully phased-in estimates and Basel 3 Advanced approaches fully phased-in estimates at June 30, 2016 and December 31, 2015.

Table 19
Regulatory Capital Reconciliations between Basel 3 Transition to Fully Phased-in [1]

(Dollars in millions)	June 30 2016	December 31 2015
Common equity tier 1 capital (transition)	$166,173	$163,026
Deferred tax assets arising from net operating loss and tax credit carryforwards phased in during transition	(3,496)	(5,151)
Accumulated OCI phased in during transition	359	(1,917)
Intangibles phased in during transition	(907)	(1,559)
Defined benefit pension fund assets phased in during transition	(378)	(568)
DVA related to liabilities and derivatives phased in during transition	104	307
Other adjustments and deductions phased in during transition	(24)	(54)
Common equity tier 1 capital (fully phased-in)	161,831	154,084
Additional Tier 1 capital (transition)	21,036	17,752
Deferred tax assets arising from net operating loss and tax credit carryforwards phased out during transition	3,496	5,151
Trust preferred securities phased out during transition	—	(1,430)
Defined benefit pension fund assets phased out during transition	378	568
DVA related to liabilities and derivatives phased out during transition	(104)	(307)
Other transition adjustments to additional Tier 1 capital	(4)	(4)
Additional Tier 1 capital (fully phased-in)	24,802	21,730
Tier 1 capital (fully phased-in)	186,633	175,814
Tier 2 capital (transition)	30,619	30,134
Nonqualifying capital instruments phased out during transition	(3,408)	(4,448)
Other transition adjustments to Tier 2 capital	9,084	9,667
Tier 2 capital (fully phased-in)	36,295	35,353
Basel 3 Standardized approach Total capital (fully phased-in)	222,928	211,167
Change in Tier 2 qualifying allowance for credit losses	(9,121)	(9,764)
Basel 3 Advanced approaches Total capital (fully phased-in)	$213,807	$201,403
Risk-weighted assets – As reported to Basel 3 (fully phased-in)		
Basel 3 Standardized approach risk-weighted assets as reported	$1,396,277	$1,403,293
Changes in risk-weighted assets from reported to fully phased-in	17,689	24,089
Basel 3 Standardized approach risk-weighted assets (fully phased-in)	$1,413,966	$1,427,382
Basel 3 Advanced approaches risk-weighted assets as reported	$1,561,567	$1,602,373
Changes in risk-weighted assets from reported to fully phased-in	(19,600)	(27,690)
Basel 3 Advanced approaches risk-weighted assets (fully phased-in) [2]	$1,541,967	$1,574,683

(1) As an Advanced approaches institution, we are required to report regulatory capital risk-weighted assets and ratios under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy, and was the Advanced approaches at June 30, 2016 and December 31, 2015.

(2) Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the IMM. As of June 30, 2016, we did not have regulatory approval for the IMM model.

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Bank of America, N.A. Regulatory Capital

Table 20 presents transition regulatory capital information for BANA in accordance with Basel 3 Standardized and Advanced approaches as measured at June 30, 2016 and December 31, 2015.

Table 20
Bank of America, N.A. Regulatory Capital under Basel 3

	June 30, 2016					
	Standardized Approach			Advanced Approaches		
(Dollars in millions)	Ratio	Amount	Minimum Required (1)	Ratio	Amount	Minimum Required (1)
Common equity tier 1 capital	13.0%	$151,078	6.5 %	14.3%	$151,078	6.5 %
Tier 1 capital	13.0	151,078	8.0	14.3	151,078	8.0
Total capital	14.2	165,264	10.0	14.8	156,626	10.0
Tier 1 leverage	9.5	151,078	5.0	9.5	151,078	5.0
	December 31, 2015					
Common equity tier 1 capital	12.2%	$144,869	6.5 %	13.1%	$144,869	6.5 %
Tier 1 capital	12.2	144,869	8.0	13.1	144,869	8.0
Total capital	13.5	159,871	10.0	13.6	150,624	10.0
Tier 1 leverage	9.2	144,869	5.0	9.2	144,869	5.0

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

Regulatory Developments

Minimum Total Loss-Absorbing Capacity

On October 30, 2015, the Federal Reserve issued a notice of proposed rulemaking (NPR) to establish external total loss-absorbing capacity (TLAC) requirements to improve the resolvability and resiliency of large, interconnected BHCs. Under the proposal, U.S. G-SIBs would be required to maintain a minimum external TLAC of the greater of: (1) 16 percent of risk-weighted assets in 2019, increasing to 18 percent of risk-weighted assets in 2022 (plus additional TLAC equal to enough Common equity tier 1 capital as a percentage of risk-weighted assets to cover the capital conservation buffer, any applicable countercyclical capital buffer plus the applicable method 1 G-SIB surcharge), or (2) 9.5 percent of the denominator of the SLR. In addition, U.S. G-SIBs must meet a minimum long-term debt requirement equal to the greater of: (1) 6.0 percent of risk-weighted assets plus the applicable method 2 G-SIB surcharge, or (2) 4.5 percent of the denominator of the SLR.

Revisions to Approaches for Measuring Risk-weighted Assets

The Basel Committee has several open proposals to revise key methodologies for measuring risk-weighted assets. The proposals include a standardized approach for credit risk, standardized approach for operational risk, revisions to the CVA risk framework and constraints on the use of internal models. The Basel Committee has also finalized a revised standardized model for counterparty credit risk, revisions to the securitization framework and its fundamental review of the trading book, which updates both modeled and standardized approaches for market risk measurement. These revisions are to be coupled with a proposed capital floor framework to limit the extent to which banks can reduce risk-weighted asset levels through the use of internal models, both at the input parameter and aggregate risk-weighted asset level. The Basel Committee expects to finalize the outstanding proposals by the end of 2016. Once the proposals are finalized, U.S. banking regulators may update the U.S. Basel 3 rules to incorporate the Basel Committee revisions.

Single-Counterparty Credit Limits

On March 4, 2016, the Federal Reserve issued an NPR to establish Single-Counterparty Credit Limits (SCCL) for large U.S. BHCs. The SCCL rule is designed to complement and serve as a backstop to risk-based capital requirements to ensure that the maximum possible loss that a bank could incur due to a single counterparty's default would not endanger the bank's survival. Under the proposal, U.S. BHCs must calculate SCCL by dividing the net aggregate credit exposure to a given counterparty by a bank's eligible Tier 1 capital base, ensuring that exposure to G-SIBs and other nonbank systemically important financial institutions do not breach 15 percent and exposures to other counterparties do not breach 25 percent.

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Broker-dealer Regulatory Capital and Securities Regulation

The Corporation's principal U.S. broker-dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith, Inc. (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 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 June 30, 2016, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $11.4 billion and exceeded the minimum requirement of $1.5 billion by $9.9 billion. MLPCC's net capital of $3.1 billion exceeded the minimum requirement of $534 million by $2.6 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 Securities and Exchange Commission in the event its tentative net capital is less than $5.0 billion. At June 30, 2016, 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 June 30, 2016, MLI's capital resources were $35.0 billion which exceeded the minimum requirement of $16.4 billion.

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Common and Preferred Stock Dividends

For a summary of our declared quarterly cash dividends on common stock during the second quarter of 2016 and through August 1, 2016, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 21 is a summary of our cash dividend declarations on preferred stock during the second quarter of 2016 and through August 1, 2016. During the second quarter of 2016, we declared $361 million of cash dividends on preferred stock. For more information on preferred stock, see Note 11 – Shareholders' Equity to the Consolidated Financial Statements.

Table 21
Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B [1]	$ 1	April 27, 2016	July 11, 2016	July 25, 2016	7.00 %	$1.75
		July 27, 2016	October 11, 2016	October 25, 2016	7.00	1.75
Series D [2]	$ 654	April 15, 2016	May 31, 2016	June 14, 2016	6.204 %	$0.38775
		July 7, 2016	August 31, 2016	September 14, 2016	6.204	0.38775
Series E [2]	$ 317	April 15, 2016	April 29, 2016	May 16, 2016	Floating	$0.25000
		July 7, 2016	July 29, 2016	August 15, 2016	Floating	0.25556
Series F	$ 141	April 15, 2016	May 31, 2016	June 15, 2016	Floating	$1,022.22222
		July 7, 2016	August 31, 2016	September 15, 2016	Floating	1,022.22222
Series G	$ 493	April 15, 2016	May 31, 2016	June 15, 2016	Adjustable	$1,022.22222
		July 7, 2016	August 31, 2016	September 15, 2016	Adjustable	1,022.22222
Series I [2]	$ 365	April 15, 2016	June 15, 2016	July 1, 2016	6.625 %	$0.4140625
		July 7, 2016	September 15, 2016	October 3, 2016	6.625	0.4140625
Series K [3, 4]	$ 1,544	July 7, 2016	July 15, 2016	August 1, 2016	Fixed-to-floating	$40.00
Series L	$ 3,080	June 17, 2016	July 1, 2016	August 1, 2016	7.25 %	$18.125
Series M [3, 4]	$ 1,310	April 15, 2016	April 30, 2016	May 16, 2016	Fixed-to-floating	$40.625
Series T	$ 5,000	April 27, 2016	June 25, 2016	July 11, 2016	6.00 %	$1,500.00
		July 27, 2016	September 25, 2016	October 11, 2016	6.00	1,500.00
Series U [3, 4]	$ 1,000	April 15, 2016	May 15, 2016	June 1, 2016	Fixed-to-floating	$26.00
Series V [3, 4]	$ 1,500	April 15, 2016	June 1, 2016	June 17, 2016	Fixed-to-floating	$25.625
Series W [2]	$ 1,100	April 15, 2016	May 15, 2016	June 9, 2016	6.625 %	$0.4140625
		July 7, 2016	August 15, 2016	September 9, 2016	6.625	0.4140625
Series X [3, 4]	$ 2,000	July 7, 2016	August 15, 2016	September 6, 2016	Fixed-to-floating	$31.25
Series Y [2]	$ 1,100	June 17, 2016	July 1, 2016	July 27, 2016	6.50 %	$0.40625
Series AA [3, 4]	$ 1,900	July 7, 2016	September 1, 2016	September 19, 2016	Fixed-to-floating	$30.50
Series CC [2]	$ 1,100	June 17, 2016	July 1, 2016	July 29, 2016	6.20 %	$0.3875
	$ 1,000	July 7, 2016	August 15, 2016		Fixed-to-floating	$31.50

Series DD (3, 4)				September 12, 2016			
Series EE (2)	$ 900	June 17, 2016	July 1, 2016	July 25, 2016	6.00	%	$0.375

(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.

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Table 21
Preferred Stock Cash Dividend Summary (continued)

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series 1 [5]	$ 98	April 15, 2016	May 15, 2016	May 31, 2016	Floating	$0.18750
		July 7, 2016	August 15, 2016	August 30, 2016	Floating	0.18750
Series 2 [5]	$ 299	April 15, 2016	May 15, 2016	May 31, 2016	Floating	$0.18750
		July 7, 2016	August 15, 2016	August 30, 2016	Floating	0.19167
Series 3 [5]	$ 653	April 15, 2016	May 15, 2016	May 31, 2016	6.375 %	$0.3984375
		July 7, 2016	August 15, 2016	August 29, 2016	6.375	0.3984375
Series 4 [5]	$ 210	April 15, 2016	May 15, 2016	May 31, 2016	Floating	$0.25000
		July 7, 2016	August 15, 2016	August 30, 2016	Floating	0.25556
Series 5 [5]	$ 422	April 15, 2016	May 1, 2016	May 23, 2016	Floating	$0.25000
		July 7, 2016	August 1, 2016	August 22, 2016	Floating	0.25556

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

Liquidity Risk

Funding and Liquidity Risk Management

Liquidity risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers with the appropriate funding sources under a range of economic conditions. Our primary liquidity risk management objective is to meet all contractual and contingent financial obligations at all times, including during periods of stress. 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 asset-liability management 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 within Corporate Treasury 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 on page 60 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain liquidity available to Bank of America Corporation, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. Our liquidity buffer, or GELS, is comprised of assets that are readily available to the parent company and selected subsidiaries, including bank and broker-dealer subsidiaries, even during stressed market conditions. Our cash is primarily on deposit with the Federal Reserve and, to a lesser extent, central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed conditions, through repurchase agreements or outright sales. We hold our GELS in legal entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities. Our GELS 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. For more information on the final rules, see Liquidity Risk – Basel 3 Liquidity Standards on page 60.

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Our GELS were $515 billion and $504 billion at June 30, 2016 and December 31, 2015 and were as shown in Table 22.

Table 22
Global Excess Liquidity Sources

(Dollars in billions)	June 30 2016	December 31 2015	Average for Three Months Ended June 30, 2016
Parent company	$ 85	$ 96	$ 88
Bank subsidiaries	386	361	384
Other regulated entities	44	47	46
Total Global Excess Liquidity Sources	$ 515	$ 504	$ 518

As shown in Table 22, parent company GELS totaled $85 billion and $96 billion at June 30, 2016 and December 31, 2015. The decrease in parent company liquidity was primarily due to the BNY Mellon settlement payment in the first quarter of 2016. Typically, parent company liquidity is in the form of cash deposited with BANA.

GELS available to our bank subsidiaries totaled $386 billion and $361 billion at June 30, 2016 and December 31, 2015. The increase in bank subsidiaries' liquidity was primarily due to deposit inflows. GELS at bank subsidiaries exclude the cash deposited by the parent company. 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 $282 billion and $252 billion at June 30, 2016 and December 31, 2015. 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 can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

GELS available to our other regulated entities, comprised primarily of broker-dealer subsidiaries, totaled $44 billion and $47 billion at June 30, 2016 and December 31, 2015. 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 23 presents the composition of GELS at June 30, 2016 and December 31, 2015.

Table 23
Global Excess Liquidity Sources Composition

(Dollars in billions)	June 30 2016	December 31 2015
Cash on deposit	$ 133	$ 119
U.S. Treasury securities	36	38
U.S. agency securities and mortgage-backed securities	329	327

Non-U.S. government and supranational securities	17	20
Total Global Excess Liquidity Sources	$ 515	$ 504

Time-to-required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. One metric we use to evaluate the appropriate level of liquidity at the parent company is "time-to-required funding." 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's 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. Our time-to-required funding was 35 months at June 30, 2016.

We also utilize liquidity stress analysis to assist us in determining the appropriate amounts of liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. The liquidity stress testing process is an integral part of analyzing our potential

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contractual and contingent cash outflows beyond the outflows considered in the time-to-required funding analysis. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. The scenarios we consider and utilize incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries, and are based on historical experience, regulatory guidance, and both expected and unexpected future events.

The types of potential contractual and contingent cash outflows we consider in our scenarios may include, but are not limited to, upcoming contractual maturities of unsecured debt and reductions in new debt issuance; diminished access to secured financing markets; potential deposit withdrawals; increased draws on loan commitments, liquidity facilities and letters of credit; additional collateral that counterparties could call if our credit ratings were downgraded; collateral and margin requirements arising from market value changes; and potential liquidity required to maintain businesses and finance customer activities. Changes in certain market factors including, but not limited to, credit rating downgrades, could negatively impact potential contractual and contingent outflows and the related financial instruments, and in some cases these impacts could be material to our financial results.

We consider all sources of funds that we could access during each stress scenario and focus particularly on matching available sources with corresponding liquidity requirements by legal entity. We also use the stress modeling results to manage our asset-liability profile and establish limits and guidelines on certain funding sources and businesses.

Basel 3 Liquidity Standards

There are two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the LCR and the Net Stable Funding Ratio (NSFR).

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. An initial minimum LCR of 80 percent was required as of January 2015, increased to 90 percent as of January 2016 and will increase to 100 percent in January 2017. These minimum requirements are applicable to the Corporation on a consolidated basis and to our insured depository institutions. As of June 30, 2016, we estimate that the consolidated Corporation was above the 2017 LCR requirements. The Corporation's LCR may fluctuate from period to period due to normal business flows from customer activity.

In 2014, the Basel Committee issued a final standard for the NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. In April 2016, U.S. banking regulators issued a proposal for an NSFR requirement applicable to U.S. financial institutions. The U.S. NSFR would apply to the Corporation on a consolidated basis and to our insured depository institutions beginning on January 1, 2018. We expect to meet the NSFR requirement within the regulatory timeline.

Diversified Funding Sources

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a centralized, globally coordinated funding strategy. We diversify our funding globally across products, programs, markets, currencies and investor groups.

The primary benefits of our centralized funding strategy include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.

We fund a substantial portion of our lending activities through our deposits, which were $1.22 trillion and $1.20 trillion at June 30, 2016 and December 31, 2015. Deposits are primarily generated by our Consumer Banking, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

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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. We believe funding these activities in the secured financing markets is more cost-efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate. For more information on secured financing agreements, see Note 9 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings to the Consolidated Financial Statements.

We issue long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

During the three and six months ended June 30, 2016, we issued $9.6 billion and $15.9 billion of long-term debt, consisting of $7.3 billion and $11.6 billion for Bank of America Corporation, $885 million and $931 million for Bank of America, N.A. and $1.4 billion and $3.4 billion of other debt.

Table 24 presents the carrying value of aggregate annual contractual maturities of long-term debt as of June 30, 2016. During the six months ended June 30, 2016, we had total long-term debt maturities and purchases of $27.9 billion consisting of $13.9 billion for Bank of America Corporation, $8.5 billion for Bank of America, N.A. and $5.5 billion of other debt.

Table 24
Long-term Debt By Maturity

(Dollars in millions)	Remainder of 2016	2017	2018	2019	2020	Thereafter	Total
Bank of America Corporation							
Senior notes	$ 9,012	$ 18,375	$ 20,150	$ 16,961	$ 11,630	$ 48,945	$ 125,073
Senior structured notes	1,682	3,460	2,697	1,407	975	7,797	18,018
Subordinated notes	1,774	5,026	2,753	1,494	3	21,605	32,655
Junior subordinated notes	—	—	—	—	—	5,850	5,850
Total Bank of America Corporation	12,468	26,861	25,600	19,862	12,608	84,197	181,596
Bank of America, N.A.							
Senior notes	2,499	3,650	5,801	—	—	19	11,969
Subordinated notes	—	3,381	—	1	—	1,833	5,215
Advances from Federal Home Loan Banks	501	9	9	14	12	121	666
Securitizations and other Bank VIEs (1)	45	3,544	2,300	3,200	—	131	9,220
Other	2	2,708	118	96	18	127	3,069
Total Bank of America, N.A.	3,047	13,292	8,228	3,311	30	2,231	30,139
Other debt							
Structured liabilities	1,418	3,446	1,016	1,101	1,034	7,569	15,584
Nonbank VIEs (1)	457	244	30	16	—	1,496	2,243
Other	—	1	—	—	—	54	55
Total other debt	1,875	3,691	1,046	1,117	1,034	9,119	17,882

Total long-term debt	$ 17,390	$43,844	$34,874	$24,290	$13,672	$ 95,547	$229,617

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

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Table 25 presents our long-term debt by major currency at June 30, 2016 and December 31, 2015.

Table 25
Long-term Debt By Major Currency

(Dollars in millions)	June 30 2016	December 31 2015
U.S. Dollar	$185,444	$ 190,381
Euro	27,274	29,797
British Pound	6,716	7,080
Japanese Yen	4,325	3,099
Australian Dollar	2,443	2,534
Canadian Dollar	1,121	1,428
Swiss Franc	623	872
Other	1,671	1,573
Total long-term debt	$229,617	$ 236,764

Total long-term debt decreased $7.1 billion, or three percent, during the six months ended June 30, 2016 primarily due to maturities outpacing issuances, partially offset by changes in basis adjustments on debt in fair value hedge relationships and the impact of revaluation of non-U.S. Dollar debt. These impacts were substantially offset through derivative hedge transactions. 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 more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K and for more information regarding funding and liquidity risk management, see page 60 of the MD&A of the Corporation's 2015 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 further details on our ALM activities, see Interest Rate Risk Management for the Banking Book on page 106.

We may also issue unsecured debt in the form of structured notes for client purposes. During the three and six months ended June 30, 2016, we issued $1.5 billion and $3.4 billion of structured notes, a majority of which was issued by Bank of America Corporation. Structured notes 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.

Contingency Planning

We maintain contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity. These policies and plans are based on stress scenarios and include potential funding strategies and communication and notification procedures that we would implement in the event we experienced stressed liquidity conditions. We periodically review and test the contingency funding plans to validate efficacy and assess readiness.

Our U.S. bank subsidiaries can access contingency funding through the Federal Reserve Discount Window. Certain non-U.S. subsidiaries have access to central bank facilities in the jurisdictions in which they operate. While we do not rely on these sources in our liquidity modeling, we maintain the policies, procedures and governance processes that would enable us to access these sources if necessary.

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Credit Ratings

Our borrowing costs and ability to raise funds are impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including OTC derivatives. Thus, it is our objective to maintain high-quality credit ratings, and management maintains an active dialogue with the major rating agencies.

Credit ratings and outlooks are opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the rating agencies, and they consider a number of factors, including our own financial strength, performance, prospects and operations, as well as factors not under our control. The rating agencies could make adjustments to our ratings at any time, and they provide no assurances that they will maintain our ratings at current levels.

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the markets in which we compete; our various risk exposures and risk management policies and activities; pending litigation and other contingencies or potential tail risks; our reputation; our liquidity position, diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; our corporate governance; the sovereign credit ratings of the U.S. government; current or future regulatory and legislative initiatives; and the agencies' views on whether the U.S. government would provide meaningful support to the Corporation or its subsidiaries in a crisis.

Table 26 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 2015 Annual Report on Form 10-K. For more information on credit ratings, see Liquidity Risk – Credit Ratings on page 63 of the MD&A of the Corporation's 2015 Annual Report on Form 10-K.

Table 26
Senior Debt Ratings

	Moody's Investors Service			Standard & Poor's			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term [1]	Outlook	Long-term	Short-term	Outlook
Bank of America Corporation	Baa1	P-2	Stable	BBB+	A-2	Stable	A	F1	Stable
Bank of America, N.A.	A1	P-1	Stable	A	A-1	CreditWatch Positive	A+	F1	Stable
Merrill Lynch, Pierce, Fenner & Smith, Inc.	NR	NR	NR	A	A-1	CreditWatch Positive	A+	F1	Stable
Merrill Lynch	NR	NR	NR	A	A-1	CreditWatch Positive	A	F1	Positive

International

[(1)] Standard & Poor's Ratings Services short-term ratings are not on CreditWatch.

NR = not rated

A reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations may have a material adverse effect on our liquidity, potential loss of access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of downgrades of our or our rated subsidiaries' credit ratings, the counterparties to those agreements may require us to provide additional collateral, or to terminate these contracts or agreements, which could cause us to sustain losses and/or adversely impact our liquidity. If the short-term credit ratings of our parent company, bank or broker-dealer subsidiaries were downgraded by one or more levels, the potential loss of access to short-term funding sources such as repo financing and the effect on our incremental cost of funds could be material.

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit rating downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a company's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time-to-required Funding and Stress Modeling on page 59.

For more information on the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit rating downgrade, see Note 2 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

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Credit Risk Management

Overall credit quality remained strong in the second quarter of 2016. Consumer portfolios continued to improve driven by lower U.S. unemployment and improving home prices. Overall, commercial portfolios, outside of the energy sector, remained strong. Additionally, our proactive credit risk management activities positively impacted our credit portfolio as nonperforming loans and leases and delinquencies continued to improve. For additional information, see Executive Summary – Second Quarter 2016 Economic and Business Environment on page 4.

We proactively refine our underwriting and credit risk management practices as well as credit standards to meet the changing economic environment. To mitigate losses and enhance customer support in our consumer businesses, we have in place collection programs and loan modification and customer assistance infrastructures. We utilize a number of actions to mitigate losses in the commercial businesses including increasing the frequency and intensity of portfolio monitoring, hedging activity and our practice of transferring management of deteriorating commercial exposures to independent special asset officers as credits enter criticized categories.

We have non-U.S. exposure largely in Europe and Asia Pacific. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 93 and Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K.

Utilized energy exposure represents approximately two percent of total loans and leases, and we continue to proactively monitor energy and energy-related exposures as well as any ancillary impacts on our customers and clients. For more information on our exposures and related risks in the energy sector, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 89 as well as Table 51.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 65, Commercial Portfolio Credit Risk Management on page 81, Non-U.S. Portfolio on page 93, Provision for Credit Losses on page 95, Allowance for Credit Losses on page 95, and Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

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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. These models are a component of our consumer credit risk management process and 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 the U.S. unemployment rate and home prices continued during the three and six months ended June 30, 2016 resulting in improved credit quality and lower credit losses across most major consumer portfolios compared to the same periods in 2015. The 30 and 90 days or more past due balances declined across nearly all consumer loan portfolios during the six months ended June 30, 2016 as a result of improved delinquency trends.

Improved credit quality, continued loan balance run-off and sales across the consumer portfolio drove an $842 million decrease in the consumer allowance for loan and lease losses during the six months ended June 30, 2016 to $6.5 billion at June 30, 2016. For additional information, see Allowance for Credit Losses on page 95.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, 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 representations and warranties related to our residential mortgage and home equity portfolios, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 45 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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Table 27 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 27, PCI loans are also shown separately in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 27
Consumer Loans and Leases

	Outstandings		Purchased Credit-impaired Loan Portfolio	
(Dollars in millions)	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Residential mortgage [(1)]	$ 185,943	$ 187,911	$ 11,107	$ 12,066
Home equity	71,587	75,948	4,121	4,619
U.S. credit card	88,103	89,602	n/a	n/a
Non-U.S. credit card	9,380	9,975	n/a	n/a
Direct/Indirect consumer [(2)]	92,746	88,795	n/a	n/a
Other consumer [(3)]	2,284	2,067	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	450,043	454,298	15,228	16,685
Loans accounted for under the fair value option [(4)]	1,844	1,871	n/a	n/a
Total consumer loans and leases	$ 451,887	$ 456,169	$ 15,228	$ 16,685

(1) Outstandings include pay option loans of $2.1 billion and $2.3 billion at June 30, 2016 and December 31, 2015. We no longer originate pay option loans.

(2) Outstandings include auto and specialty lending loans of $47.0 billion and $42.6 billion, unsecured consumer lending loans of $696 million and $886 million, U.S. securities-based lending loans of $40.1 billion and $39.8 billion, non-U.S. consumer loans of $3.4 billion and $3.9 billion, student loans of $531 million and $564 million and other consumer loans of $1.1 billion and $1.0 billion at June 30, 2016 and December 31, 2015.

(3) Outstandings include consumer finance loans of $512 million and $564 million, consumer leases of $1.6 billion and $1.4 billion and consumer overdrafts of $191 million and $146 million at June 30, 2016 and December 31, 2015.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of $1.5 billion and $1.6 billion and home equity loans of $354 million and $250 million at June 30, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

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Table 28 presents 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 non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy 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 FHA or individually insured under long-term standby agreements with FNMA and FHLMC (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 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.

Table 28
Consumer Credit Quality

	Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Residential mortgage [1]	$3,592	$ 4,803	$5,659	$ 7,150
Home equity	3,085	3,337	—	—
U.S. credit card	n/a	n/a	693	789
Non-U.S. credit card	n/a	n/a	69	76
Direct/Indirect consumer	27	24	26	39
Other consumer	1	1	2	3
Total [2]	$6,705	$ 8,165	$6,449	$ 8,057
Consumer loans and leases as a percentage of outstanding consumer loans and leases [2]	1.49 %	1.80 %	1.43 %	1.77 %
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios [2]	1.66	2.04	0.20	0.23

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At June 30, 2016 and December 31, 2015, residential mortgage included $3.3 billion and $4.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and $2.4 billion and $2.9 billion of loans on which interest was still accruing.

(2) Balances exclude consumer loans accounted for under the fair value option. At June 30, 2016 and December 31, 2015, $238 million and $293 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 29 presents net charge-offs and related ratios for consumer loans and leases.

Table 29
Consumer Net Charge-offs and Related Ratios

	Net Charge-offs [1]				Net Charge-off Ratios [1, 2]			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Residential mortgage	$34	$177	$125	$374	0.07%	0.35%	0.14%	0.36%

Home equity	126	151	238	323	0.70	0.73	0.65	0.78
U.S. credit card	573	584	1,160	1,205	2.66	2.68	2.68	2.76
Non-U.S. credit card	46	51	91	95	1.85	2.03	1.85	1.91
Direct/Indirect consumer	23	24	57	58	0.10	0.11	0.13	0.14
Other consumer	47	33	95	82	8.40	7.00	8.73	8.91
Total	$849	$1,020	$1,766	$2,137	0.76	0.87	0.79	0.91

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

(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.

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Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.10 percent and 0.18 percent for residential mortgage, 0.74 percent and 0.69 percent for home equity, and 0.85 percent and 0.89 percent for the total consumer portfolio for the three and six months ended June 30, 2016, respectively. Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.52 percent and 0.55 percent for residential mortgage, 0.78 percent and 0.83 percent for home equity, and 1.00 percent and 1.05 percent for the total consumer portfolio for the three and six months ended June 30, 2015, respectively. These are the only product classifications that include PCI and fully-insured loans for these periods.

Net charge-offs, as shown in Tables 29 and 30, exclude write-offs in the PCI loan portfolio of $37 million and $76 million in residential mortgage for the three and six months ended June 30, 2016 compared to $264 million and $452 million for the same periods in 2015. Net charge-offs, as shown in Tables 29 and 30, exclude write-offs in the PCI loan portfolio of $45 million and $111 million in home equity for the three and six months ended June 30, 2016 compared to $26 million and $126 million for the same periods in 2015. Net charge-off ratios including the PCI write-offs were 0.15 percent and 0.22 percent for residential mortgage for the three and six months ended June 30, 2016 compared to 0.86 percent and 0.80 percent for the same periods in 2015. Net charge-off ratios including the PCI write-offs were 0.95 percent for home equity for both the three and six months ended June 30, 2016 compared to 0.86 percent and 1.08 percent for the same periods in 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

Table 30 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 portfolio within the consumer real estate portfolio.

Following the realignment of our business segments effective April 1, 2016, we now categorize consumer real estate loans as core and non-core on the basis of 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. Loans held in legacy private-label securitizations, government-insured loans originated prior to 2010, loan products no longer originated, and loans originated prior to 2010 and classified as nonperforming or modified in a TDR prior to 2016 are generally characterized as non-core loans, and are principally run-off portfolios. Core loans as reported within Table 30 include loans held in the Consumer Banking and GWIM segments, as well as loans held for ALM activities in All Other. For more information on core and non-core loans, see Note 1 – Summary of Significant Accounting Principles and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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Table 30
Consumer Real Estate Portfolio [1]

	Outstandings		Nonperforming		Net Charge-offs [2]			
	June 30 2016	December 31 2015	June 30 2016	December 31 2015	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)					2016	2015	2016	2015
Core portfolio								
Residential mortgage	$146,100	$ 141,795	$1,492	$ 1,825	$7	$21	$(11)	$66
Home equity	52,477	54,917	937	974	28	45	46	80
Total core portfolio	198,577	196,712	2,429	2,799	35	66	35	146
Non-core portfolio								
Residential mortgage	39,843	46,116	2,100	2,978	27	156	136	308
Home equity	19,110	21,031	2,148	2,363	98	106	192	243
Total non-core portfolio	58,953	67,147	4,248	5,341	125	262	328	551
Consumer real estate portfolio								
Residential mortgage	185,943	187,911	3,592	4,803	34	177	125	374
Home equity	71,587	75,948	3,085	3,337	126	151	238	323
Total consumer real estate portfolio	$257,530	$ 263,859	$6,677	$ 8,140	$160	$328	$363	$697

	Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses			
	June 30 2016	December 31 2015	Three Months Ended June 30		Six Months Ended June 30	
			2016	2015	2016	2015
Core portfolio						
Residential mortgage	$281	$ 319	$—	$(21)	$(53)	$(4)
Home equity	626	664	8	23	8	4
Total core portfolio	907	983	8	2	(45)	—
Non-core portfolio						
Residential mortgage	911	1,181	(50)	33	(54)	(73)
Home equity	1,391	1,750	37	73	(56)	153
Total non-core portfolio	2,302	2,931	(13)	106	(110)	80
Consumer real estate portfolio						
Residential mortgage	1,192	1,500	(50)	12	(107)	(77)
Home equity	2,017	2,414	45	96	(48)	157
Total consumer real estate portfolio	$3,209	$ 3,914	$(5)	$108	$(155)	$80

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $1.5 billion and $1.6 billion and home equity loans of $354 million and $250 million at June 30, 2016 and December 31, 2015. For more information on the fair value option, 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 on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

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 76.

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Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 41 percent of consumer loans and leases at June 30, 2016. Approximately 42 percent of the residential mortgage portfolio 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. Approximately 32 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages originated for the home purchase and refinancing needs of our wealth management clients and the remaining portion of the portfolio is primarily in Consumer Banking.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, decreased $2.0 billion during the six months ended June 30, 2016 due to loan sales of $4.5 billion and runoff, partially offset by the retention of new originations. Loan sales primarily included $2.7 billion of loans in consolidated agency residential mortgage securitization vehicles and $1.3 billion of nonperforming and other delinquent loans.

At June 30, 2016 and December 31, 2015, the residential mortgage portfolio included $31.5 billion and $37.1 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term standby agreements that provide for the transfer of credit risk to FNMA and FHLMC. At June 30, 2016 and December 31, 2015, $26.4 billion and $33.4 billion had FHA insurance with the remainder protected by long-term standby agreements. At June 30, 2016 and December 31, 2015, $8.8 billion and $11.2 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

Table 31 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, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, 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 76.

Table 31
Residential Mortgage – Key Credit Statistics

(Dollars in millions)	Reported Basis [1]		Excluding Purchased Credit-impaired and Fully-insured Loans	
	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Outstandings	$185,943	$187,911	$143,357	$138,768
Accruing past due 30 days or more	8,942	11,423	1,464	1,568
Accruing past due 90 days or more	5,659	7,150	—	—
Nonperforming loans	3,592	4,803	3,592	4,803
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	6 %	7 %	4 %	5 %
Refreshed LTV greater than 100	7	8	4	4
	10	13	5	6

Refreshed FICO score below 620				
2006 and 2007 vintages [2]	16	17	15	17

	Reported Basis				Excluding Purchased Credit-impaired and Fully-insured Loans			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015	2016	2015	2016	2015
Net charge-off ratio [3]	0.07%	0.35%	0.14%	0.36%	0.10 %	0.52 %	0.18 %	0.55 %

(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 account for $1.2 billion, or 33 percent, and $1.6 billion, or 34 percent of nonperforming residential mortgage loans at June 30, 2016 and December 31, 2015. For the three and six months ended June 30, 2016, these vintages accounted for $9 million, or 26 percent, and $16 million, or 13 percent of total residential mortgage net charge-offs. For the three and six months ended June 30, 2015, these vintages accounted for $71 million, or 40 percent, and $118 million, or 32 percent of total residential mortgage net charge-offs.

(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.

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Nonperforming residential mortgage loans decreased $1.2 billion during the six months ended June 30, 2016 as outflows, including sales of $951 million, outpaced new inflows. Of the nonperforming residential mortgage loans at June 30, 2016, $1.2 billion, or 32 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, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, $1.6 billion, or 45 percent of nonperforming residential mortgage 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 $104 million during the six months ended June 30, 2016.

Net charge-offs decreased $143 million to $34 million for the three months ended June 30, 2016, or 0.10 percent of total average residential mortgage loans, compared to net charge-offs of $177 million, or 0.52 percent, for the same period in 2015. Net charge-offs decreased $249 million to $125 million for the six months ended June 30, 2016, or 0.18 percent of total average residential mortgage loans, compared to net charge-offs of $374 million, or 0.55 percent, for the same period in 2015. These decreases in net charge-offs were primarily driven by charge-offs related to the consumer relief portion of the settlement with the DoJ of $145 million and $330 million in the prior-year periods, partially offset by charge-offs of $0 and $42 million related to nonperforming loan sales during the three and six months ended June 30, 2016 compared to recoveries of $22 million and $62 million for the same periods in 2015. Excluding these items, net charge-offs declined driven by favorable portfolio trends and decreased write-downs on loans greater than 180 days past due, which were written down to the estimated fair value of the collateral, less costs to sell, due in part to improvement in home prices and the U.S. economy.

Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed LTV represented four percent and five percent of the residential mortgage portfolio at June 30, 2016 and December 31, 2015. Loans with a refreshed LTV greater than 100 percent represented four percent of the residential mortgage loan portfolio at both June 30, 2016 and December 31, 2015. Of the loans with a refreshed LTV greater than 100 percent, 98 percent were performing at both June 30, 2016 and December 31, 2015. 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 primarily due to home price deterioration since 2006, partially offset by subsequent appreciation. Loans to borrowers with refreshed FICO scores below 620 represented five percent and six percent of the residential mortgage portfolio at June 30, 2016 and December 31, 2015.

Of the $143.4 billion in total residential mortgage loans outstanding at June 30, 2016, as shown in Table 32, 39 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $11.6 billion, or 21 percent, at June 30, 2016. 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 June 30, 2016, $215 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $1.5 billion, or one percent for the entire residential mortgage portfolio. In addition, at June 30, 2016, $581 million, or five percent of outstanding interest-only residential mortgage loans that had entered the amortization period were nonperforming, of which $287 million were contractually current, compared to $3.6 billion, or three percent for the entire residential mortgage portfolio, of which $1.2 billion 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 75 percent of these loans that have yet to enter the amortization period will not be required to make a fully-amortizing payment until 2019 or later.

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Table 32 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 15 percent and 14 percent of outstandings at June 30, 2016 and December 31, 2015. For the three and six months ended June 30, 2016, loans within this MSA contributed net charge-offs of $2 million and net recoveries of $1 million within the residential mortgage portfolio compared to net recoveries of $0 and $5 million for the same periods in 2015. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstandings at both June 30, 2016 and December 31, 2015. For the three and six months ended June 30, 2016, loans within this MSA contributed net charge-offs of $5 million and $27 million within the residential mortgage portfolio compared to net charge-offs of $34 million and $73 million for the same periods in 2015.

Table 32
Residential Mortgage State Concentrations

	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2]			
	June 30 2016	December 31 2015	June 30 2016	December 31 2015	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)					2016	2015	2016	2015
California	$52,883	$ 48,865	$710	$ 977	$(7)	$2	$(30)	$(7)
New York [3]	13,084	12,696	344	399	4	22	18	35
Florida [3]	9,969	10,001	377	534	2	22	17	46
Texas	6,328	6,208	150	185	2	4	8	9
Massachusetts	4,955	4,799	87	118	1	—	4	—
Other U.S./Non-U.S.	56,138	56,199	1,924	2,590	32	127	108	291
Residential mortgage loans [4]	$143,357	$ 138,768	$3,592	$ 4,803	$34	$177	$125	$374
Fully-insured loan portfolio	31,479	37,077						
Purchased credit-impaired residential mortgage loan portfolio [5]	11,107	12,066						
Total residential mortgage loan portfolio	$185,943	$ 187,911						

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

(2) Net charge-offs exclude $37 million and $76 million of write-offs in the residential mortgage PCI loan portfolio for the three and six months ended June 30, 2016 compared to $264 million and $452 million for the same periods in 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

(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 June 30, 2016 and December 31, 2015, 48 percent and 47 percent of PCI residential mortgage loans were in California. There were no other significant single state concentrations.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was $7.8 billion and $8.0 billion at June 30, 2016 and December 31, 2015, or six percent of the residential mortgage portfolio. The CRA portfolio included $403 million and $552 million of nonperforming loans at June 30, 2016 and December 31, 2015, representing 11 percent of total nonperforming residential mortgage loans. Net charge-offs in the CRA portfolio were $21 million and $71 million for the six months ended June 30, 2016 and 2015, or 17 percent and 19 percent of total net charge-offs for the residential mortgage portfolio.

Home Equity

At June 30, 2016, the home equity portfolio made up 16 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At June 30, 2016, our HELOC portfolio had an outstanding balance of $62.5 billion, or 87 percent of the total home equity portfolio compared to $66.1 billion, or 87 percent, at December 31, 2015. HELOCs generally have an initial draw period of 10 years and the borrowers typically are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

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At June 30, 2016, our home equity loan portfolio had an outstanding balance of $7.1 billion, or 10 percent of the total home equity portfolio compared to $7.9 billion, or 10 percent, at December 31, 2015. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the $7.1 billion at June 30, 2016, 55 percent have 25- to 30-year terms. At both June 30, 2016 and December 31, 2015, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of $2.0 billion, or three percent of the total home equity portfolio. We no longer originate reverse mortgages.

At June 30, 2016, approximately 66 percent of the home equity portfolio was included in Consumer Banking, 27 percent was included 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 $4.4 billion during the six months ended June 30, 2016 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at June 30, 2016 and December 31, 2015, $20.2 billion and $20.3 billion, or 28 percent and 27 percent, were in first-lien positions (30 percent and 28 percent excluding the PCI home equity portfolio). At June 30, 2016, 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 $11.9 billion, or 18 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $48.8 billion at June 30, 2016 compared to $50.3 billion at December 31, 2015. The decrease was primarily due to customers choosing to close accounts, as well as accounts reaching the end of their draw period, which automatically eliminates open line exposure. Both of these more than offset customer paydowns of principal balances and the impact of new production. The HELOC utilization rate was 56 percent at June 30, 2016 compared to 57 percent at December 31, 2015.

Table 33 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 table below, 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 76.

Table 33
Home Equity – Key Credit Statistics

	Reported Basis [1]		Excluding Purchased Credit-impaired Loans	
(Dollars in millions)	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Outstandings	$71,587	$ 75,948	$67,466	$ 71,329
Accruing past due 30 days or more [2]	555	613	555	613
Nonperforming loans [2]	3,085	3,337	3,085	3,337
Percent of portfolio				
Refreshed CLTV greater than 90 but less than or equal to 100	6 %	6 %	5 %	6 %
Refreshed CLTV greater than 100	11	12	10	11
Refreshed FICO score below 620	7	7	6	7
2006 and 2007 vintages [3]	40	43	38	41

Reported Basis	Excluding Purchased Credit-impaired Loans

	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015	2016	2015	2016	2015
Net charge-off ratio [4]	0.70 %	0.73 %	0.65 %	0.78 %	0.74 %	0.78 %	0.69 %	0.83 %

(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 includes $75 million and $89 million and nonperforming loans include $345 million and $396 million of loans where we serviced the underlying first-lien at June 30, 2016 and December 31, 2015.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 46 percent and 45 percent of nonperforming home equity loans at June 30, 2016 and December 31, 2015, and 44 percent and 42 percent of net charge-offs for the three and six months ended June 30, 2016 and 57 percent and 58 percent for the three and six months ended June 30, 2015.

(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 $252 million during the six months ended June 30, 2016 as outflows, including sales of $143 million, outpaced new inflows. Of the nonperforming home equity portfolio at June 30, 2016, $1.5 billion, or 49 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, $1.1 billion, or 34 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 $58 million during the six months ended June 30, 2016.

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. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. 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 mortgage. At June 30, 2016, we estimate that $1.1 billion of current and $139 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 $181 million of these combined amounts, with the remaining $1.0 billion serviced by third parties. Of the $1.2 billion 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 $449 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $25 million to $126 million for the three months ended June 30, 2016, or 0.74 percent of the total average home equity portfolio, compared to $151 million, or 0.78 percent for the same period in 2015. Net charge-offs decreased $85 million to $238 million for the six months ended June 30, 2016, or 0.69 percent of the total average home equity portfolio, compared to $323 million, or 0.83 percent for the same period in 2015. These decreases in net charge-offs were primarily driven by charge-offs of $21 million and $66 million related to the consumer relief portion of the settlement with the DoJ in the prior-year period, and favorable portfolio trends due in part to improvement in home prices and the U.S. economy.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed combined loan-to-value (CLTV) comprised five percent and six percent of the home equity portfolio at June 30, 2016 and December 31, 2015. Outstanding balances with a refreshed CLTV greater than 100 percent comprised 10 percent and 11 percent of the home equity portfolio at June 30, 2016 and December 31, 2015. Outstanding balances in the home equity portfolio 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, 96 percent of the customers were current on their home equity loan and 92 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 June 30, 2016. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented six percent and seven percent of the home equity portfolio at June 30, 2016 and December 31, 2015.

Of the $67.5 billion in total home equity portfolio outstandings at June 30, 2016, as shown in Table 34, 61 percent require interest-only payments, almost all of which were HELOCs that had not yet entered the amortization period. The outstanding balance of HELOCs that have entered the amortization period was $12.4 billion, or 20 percent of total HELOCs at June 30, 2016. 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 June 30, 2016, $250 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $511 million, or one percent for the entire HELOC portfolio. In addition, at June 30, 2016, $1.6 billion, or 13 percent of outstanding HELOCs that had entered the amortization period were nonperforming, of which $767 million were contractually current, compared to $2.8 billion, or five percent for the entire HELOC portfolio, of which $1.3 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and 40 percent of these loans will enter the amortization period in the remainder of 2016 and 2017 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 June 30, 2016, approximately 47 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

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Table 34 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 June 30, 2016 and December 31, 2015. For the three and six months ended June 30, 2016, loans within this MSA contributed 18 percent and 16 percent of net charge-offs within the home equity portfolio compared to 12 percent of net charge-offs for the same periods in 2015. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent and 12 percent of the outstanding home equity portfolio at June 30, 2016 and December 31, 2015. For the three and six months ended June 30, 2016, loans within this MSA contributed zero percent and one percent of net charge-offs within the home equity portfolio compared to three percent and four percent of net charge-offs for the same periods in 2015.

Table 34
Home Equity State Concentrations

	Outstandings (1)		Nonperforming (1)		Net Charge-offs (2)			
	June 30 2016	December 31 2015	June 30 2016	December 31 2015	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)					2016	2015	2016	2015
California	$19,134	$ 20,356	$877	$ 902	$(1)	$13	$9	$37
Florida (3)	7,884	8,474	470	518	24	32	41	62
New Jersey (3)	5,392	5,570	206	230	14	12	25	25
New York (3)	4,995	5,249	284	316	16	13	26	25
Massachusetts	3,277	3,378	104	115	5	4	8	9
Other U.S./Non-U.S.	26,784	28,302	1,144	1,256	68	77	129	165
Home equity loans (4)	$67,466	$ 71,329	$3,085	$ 3,337	$126	$151	$238	$323
Purchased credit-impaired home equity portfolio (5)	4,121	4,619						
Total home equity loan portfolio	$71,587	$ 75,948						

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

(2) Net charge-offs exclude $45 million and $111 million of write-offs in the home equity PCI loan portfolio for the three and six months ended June 30, 2016 compared to $26 million and $126 million for the same periods in 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 76.

(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 June 30, 2016 and December 31, 2015, 29 percent of PCI home equity loans were in California. There were no other significant single state concentrations.

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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 guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser's initial investment in loans if those differences are attributable, at least in part, to credit quality. For more information on PCI loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

Table 35 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 35
Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Gross Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	June 30, 2016				
Residential mortgage	$ 11,342	$ 11,107	$ 223	$ 10,884	95.96 %
Home equity	4,192	4,121	305	3,816	91.03
Total purchased credit-impaired loan portfolio	$ 15,534	$ 15,228	$ 528	$ 14,700	94.63
	December 31, 2015				
Residential mortgage	$ 12,350	$ 12,066	$ 338	$ 11,728	94.96 %
Home equity	4,650	4,619	466	4,153	89.31
Total purchased credit-impaired loan portfolio	$ 17,000	$ 16,685	$ 804	$ 15,881	93.42

The total PCI unpaid principal balance decreased $1.5 billion, or nine percent, during the six months ended June 30, 2016 primarily driven by payoffs, sales, paydowns and write-offs. During the six months ended June 30, 2016, we sold PCI loans with a carrying value of $324 million compared to sales of $987 million for the same period in 2015.

Of the unpaid principal balance of $15.5 billion at June 30, 2016, $13.7 billion, or 88 percent, was current based on the contractual terms, $1.0 billion, or six percent, was in early stage delinquency, and $662 million was 180 days or more past due, including $573 million of first-lien mortgages and $89 million of home equity loans.

During the three months ended June 30, 2016, we recorded a provision benefit of $12 million for the PCI loan portfolio which included an expense of $9 million for home equity and a benefit of $21 million for residential mortgage. During the six months ended June 30, 2016, we recorded a provision benefit of $89 million for the PCI loan portfolio which included a benefit of $50 million for home equity and $39 million for residential mortgage. This compared to a total provision expense of $78 million and $28 million for the three and six months ended June 30, 2015. The provision benefit for the six months ended June 30, 2016 was primarily driven by lower default estimates on second-lien loans and continued home price improvement.

The PCI valuation allowance declined $276 million during the six months ended June 30, 2016 due to write-offs in the PCI loan portfolio of $76 million in residential mortgage and $111 million in home equity, combined with a provision benefit of $89 million.

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 73 percent of the total PCI loan portfolio at June 30, 2016. Those loans to borrowers with a refreshed FICO score below 620 represented 29 percent of the PCI residential mortgage loan portfolio at June 30, 2016. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 27 percent of the PCI residential mortgage loan portfolio and 31 percent based on the unpaid principal balance at June 30, 2016.

Pay option adjustable-rate mortgages, which are included in the PCI residential mortgage portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually. During an initial five- or ten-year period, minimum required payments may increase by no more than 7.5 percent. If payments are insufficient to pay all of the monthly interest charges, unpaid interest is added to the loan balance (i.e., negative amortization) until the loan balance increases to a specified limit at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

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At June 30, 2016, the unpaid principal balance and carrying value of pay option loans was $2.1 billion, including $1.8 billion of loans that were credit-impaired upon acquisition. The total unpaid principal balance of pay option loans with accumulated negative amortization was $394 million, including $21 million of negative amortization. We believe the majority of borrowers that are now making scheduled payments are able to do so primarily because the low rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans and have taken into consideration several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at June 30, 2016, $185 million have not experienced a payment reset, of which 23 percent are 90 days or more past due.

Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 27 percent of the total PCI loan portfolio at June 30, 2016. Those loans with a refreshed FICO score below 620 represented 15 percent of the PCI home equity portfolio at June 30, 2016. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 56 percent of the PCI home equity portfolio and 59 percent based on the unpaid principal balance at June 30, 2016.

U.S. Credit Card

At June 30, 2016, 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 $1.5 billion during the six months ended June 30, 2016 due to a seasonal decline in retail transaction volume. Net charge-offs decreased $11 million to $573 million and $45 million to $1.2 billion during the three and six months ended June 30, 2016 compared to the same periods in 2015 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $187 million while loans 90 days or more past due and still accruing interest decreased $96 million during the six months ended June 30, 2016 as a result of the factors mentioned above that contributed to lower net charge-offs.

Unused lines of credit for U.S. credit card totaled $319.8 billion and $312.5 billion at June 30, 2016 and December 31, 2015. The $7.3 billion increase was driven by account growth, lines of credit increases and a seasonal decrease in line utilization due to a decrease in transaction volume.

Table 36 presents certain key credit statistics for the U.S. credit card portfolio.

Table 36
U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	June 30 2016	December 31 2015
Outstandings	$88,103	$ 89,602
Accruing past due 30 days or more	1,388	1,575
Accruing past due 90 days or more	693	789

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net charge-offs	$573	$584	$1,160	$ 1,205
Net charge-off ratios [(1)]	2.66 %	2.68 %	2.68 %	2.76 %

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

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Table 37 presents certain state concentrations for the U.S. credit card portfolio.

Table 37
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended June 30		Six Months Ended June 30	
	June 30 2016	December 31 2015	June 30 2016	December 31 2015				
(Dollars in millions)					2016	2015	2016	2015
California	$13,547	$ 13,658	$104	$ 115	$91	$89	$183	$183
Florida	7,330	7,420	72	81	60	61	124	128
Texas	6,608	6,620	53	58	41	39	82	80
New York	5,425	5,547	51	57	41	41	81	83
Washington	3,915	3,907	17	19	15	16	29	31
Other U.S.	51,278	52,450	396	459	325	338	661	700
Total U.S. credit card portfolio	$88,103	$ 89,602	$693	$ 789	$573	$584	$1,160	$1,205

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased $595 million during the six months ended June 30, 2016 driven by weakening of the British Pound against the U.S. Dollar. For the three and six months ended June 30, 2016, net charge-offs decreased $5 million to $46 million and $4 million to $91 million compared to the same periods in 2015.

Unused lines of credit for non-U.S. credit card totaled $26.2 billion and $27.9 billion at June 30, 2016 and December 31, 2015. The $1.7 billion decrease was driven by weakening of the British Pound against the U.S. Dollar, partially offset by account growth and lines of credit increases.

Table 38 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 38
Non-U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	June 30 2016	December 31 2015
Outstandings	$9,380	$ 9,975
Accruing past due 30 days or more	129	146
Accruing past due 90 days or more	69	76

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net charge-offs	$46	$51	$91	$ 95
Net charge-off ratios (1)	1.85%	2.03%	1.85 %	1.91 %

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

Direct/Indirect Consumer

At June 30, 2016, approximately 51 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), 48 percent was included in GWIM (principally securities-based lending loans) and the remainder was primarily student loans in All Other.

Outstandings in the direct/indirect portfolio increased $4.0 billion during the six months ended June 30, 2016 primarily in the consumer auto loan portfolio, partially offset by lower outstandings in the securities-based lending and the unsecured consumer lending portfolios.

For the three and six months ended June 30, 2016, net charge-offs decreased $1 million to $23 million, and $1 million to $57 million, or 0.10 percent and 0.13 percent of total average direct/indirect loans, compared to 0.11 percent and 0.14 percent for the same periods in 2015.

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Direct/indirect loans that were past due 30 days or more and still accruing interest declined $40 million to $288 million during the six months ended June 30, 2016 due to decreases in the consumer auto and specialty lending portfolios.

Table 39 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 39
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	June 30 2016	December 31 2015	June 30 2016	December 31 2015	2016	2015	2016	2015
California	$11,274	$ 10,735	$2	$ 3	$1	$ 1	$5	$ 4
Texas	9,218	8,514	3	4	4	4	8	8
Florida	9,057	8,835	2	3	6	4	13	8
New York	5,323	5,077	1	1	—	—	1	1
Georgia	3,059	2,869	4	4	1	1	3	3
Other U.S./Non-U.S.	54,815	52,765	14	24	11	14	27	34
Total direct/indirect loan portfolio	$92,746	$ 88,795	$26	$ 39	$23	$ 24	$57	$ 58

Other Consumer

At June 30, 2016, approximately 69 percent of the $2.3 billion other consumer portfolio was consumer auto leases included in Consumer Banking. The remainder is primarily associated with certain consumer finance businesses that we previously exited.

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 40 presents nonperforming consumer loans, leases and foreclosed properties activity for the three and six months ended June 30, 2016 and 2015. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy 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. The charge-offs on these loans have no impact on nonperforming activity and, accordingly, are excluded from this table. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the PCI loan portfolio or loans accounted for under the fair value option. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K. During the six months ended June 30, 2016, nonperforming consumer loans declined $1.5 billion to $6.7 billion primarily driven by loan sales of $1.1 billion. Excluding these sales, nonperforming loans declined as outflows outpaced new inflows.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At June 30, 2016, $3.1 billion, or 44 percent of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less costs to sell, including $2.7 billion of nonperforming loans 180 days or more past due and $416 million of foreclosed properties. In addition, at June 30, 2016, $2.7 billion, or 38 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 decreased $28 million during the six months ended June 30, 2016 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties decreased $67 million during the six months ended June 30, 2016. Not included in foreclosed properties at June 30, 2016 was $1.3 billion of real estate that was acquired upon foreclosure of certain delinquent government-guaranteed loans (principally FHA-insured loans). We exclude these amounts 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 incurred during the holding period.

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Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 40.

Table 40
Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity [1]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Nonperforming loans and leases, beginning of period	$7,247	$10,209	$8,165	$10,819
Additions to nonperforming loans and leases:				
New nonperforming loans and leases	799	1,424	1,750	2,893
Reductions to nonperforming loans and leases:				
Paydowns and payoffs	(252)	(289)	(385)	(542)
Sales	(271)	(542)	(1,094)	(913)
Returns to performing status [2]	(396)	(631)	(837)	(1,498)
Charge-offs	(334)	(484)	(729)	(944)
Transfers to foreclosed properties [3]	(88)	(112)	(165)	(240)
Total net reductions to nonperforming loans and leases	(542)	(634)	(1,460)	(1,244)
Total nonperforming loans and leases, June 30 [4]	6,705	9,575	6,705	9,575
Foreclosed properties, beginning of period	421	632	444	630
Additions to foreclosed properties:				
New foreclosed properties [3]	130	157	240	353
Reductions to foreclosed properties:				
Sales	(117)	(202)	(236)	(370)
Write-downs	(18)	(34)	(32)	(60)
Total net reductions to foreclosed properties	(5)	(79)	(28)	(77)
Total foreclosed properties, June 30 [5]	416	553	416	553
Nonperforming consumer loans, leases and foreclosed properties, June 30	$7,121	$10,128	$7,121	$10,128
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases [6]	1.49 %	2.06 %		
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties [6]	1.58	2.17		

(1) Balances do not include nonperforming LHFS of $20 million and $8 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $38 million and $72 million at June 30, 2016 and 2015 as well as loans accruing past due 90 days or more as presented in Table 28 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

(2) 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) New foreclosed properties represents transfers of nonperforming loans to foreclosed properties net of charge-offs taken during the first 90 days after transfer of a loan to foreclosed properties. New foreclosed properties also includes properties obtained upon foreclosure of delinquent PCI loans, properties repurchased due to representations and warranties exposure and properties acquired with newly consolidated subsidiaries.

(4) At June 30, 2016, 40 percent of nonperforming loans were 180 days or more past due.

(5) Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured loans, of $1.3 billion at both June 30, 2016 and 2015.

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

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, further losses in value as well as gains and losses on sale are recorded in noninterest expense. New foreclosed properties included in Table 40 are net of $24 million and $42 million of charge-offs and write-offs of PCI loans for the three and six months ended June 30, 2016 compared to $44 million and $76 million for the same periods in 2015, recorded during the first 90 days after transfer.

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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 June 30, 2016 and December 31, 2015, $449 million and $484 million of such junior-lien home equity loans were included in nonperforming loans and leases.

Table 41 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 40.

Table 41
Consumer Real Estate Troubled Debt Restructurings

	June 30, 2016			December 31, 2015		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$15,086	$ 2,361	$ 12,725	$18,372	$ 3,284	$ 15,088
Home equity [3]	2,756	1,644	1,112	2,686	1,649	1,037
Total consumer real estate troubled debt restructurings	$17,842	$ 4,005	$ 13,837	$21,058	$ 4,933	$ 16,125

(1) Residential mortgage TDRs deemed collateral dependent totaled $3.9 billion and $4.9 billion, and included $1.9 billion and $2.7 billion of loans classified as nonperforming and $2.0 billion and $2.2 billion of loans classified as performing at June 30, 2016 and December 31, 2015.

(2) Residential mortgage performing TDRs included $6.9 billion and $8.7 billion of loans that were fully-insured at June 30, 2016 and December 31, 2015.

(3) Home equity TDRs deemed collateral dependent totaled $1.6 billion and included $1.3 billion of loans classified as nonperforming at both June 30, 2016 and December 31, 2015. Loans classified as performing totaled $298 million and $290 million at June 30, 2016 and December 31, 2015.

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). In addition, the accounts of non-U.S. credit card customers who do not qualify for a fixed payment plan may have their interest rates reduced, as required by certain local jurisdictions. These modifications, which are also TDRs, tend to experience higher payment default rates given that the borrowers may lack the ability to repay even with the interest rate reduction. In all cases, the customer's available line of credit is canceled.

Modifications of credit card and other consumer loans are primarily made through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 40 as substantially all of the loans remain on accrual status until either charged off or paid in full. At June 30, 2016 and December 31, 2015, our renegotiated TDR portfolio was $672 million and $779 million, of which $555 million and $635 million were current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by paydowns and charge-offs as well as lower program enrollments. For more information on the renegotiated TDR portfolio, see Note 4 – 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 46, 51 and 56 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, including our utilized exposure to the energy sector which was four percent of total commercial utilized exposure at both June 30, 2016 and December 31, 2015, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 89 and Table 51.

For more information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2015 Annual Report on Form 10-K.

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Commercial Credit Portfolio

During the six months ended June 30, 2016, other than in the energy sector, credit quality among large corporate borrowers was strong. While we experienced some deterioration in the energy sector in the three months ended March 31, 2016, oil prices stabilized during the three months ended June 30, 2016 which contributed to a modest improvement in energy-related exposure. Credit quality of commercial real estate borrowers continued to be strong with market rents continuing to rise and vacancy rates remaining low.

Outstanding commercial loans and leases increased $10.5 billion during the six months ended June 30, 2016, primarily in U.S. commercial. Nonperforming commercial loans and leases increased $499 million during the six months ended June 30, 2016. Nonperforming commercial loans and leases as a percentage of outstanding loans and leases, excluding loans accounted for under the fair value option, increased during the six months ended June 30, 2016 to 0.37 percent from 0.28 percent at December 31, 2015. Reservable criticized balances increased $2.2 billion to $18.1 billion during the six months ended June 30, 2016 as a result of downgrades outpacing paydowns and upgrades. The increase in nonperforming loans and reservable criticized balances was primarily due to our energy exposure. The allowance for loan and lease losses for the commercial portfolio increased $445 million to $5.3 billion at June 30, 2016 compared to December 31, 2015. For additional information, see Allowance for Credit Losses on page 95.

Table 42 presents our commercial loans and leases portfolio, and related credit quality information at June 30, 2016 and December 31, 2015.

Table 42
Commercial Loans and Leases

(Dollars in millions)	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
	June 30 2016	December 31 2015	June 30 2016	December 31 2015	June 30 2016	December 31 2015
U.S. commercial	$263,467	$ 252,771	$1,349	$ 867	$55	$ 113
Commercial real estate (1)	57,612	57,199	84	93	6	3
Commercial lease financing	21,203	21,352	13	12	29	15
Non-U.S. commercial	89,048	91,549	144	158	1	1
	431,330	422,871	1,590	1,130	91	132
U.S. small business commercial (2)	13,120	12,876	69	82	61	61
Commercial loans excluding loans accounted for under the fair value option	444,450	435,747	1,659	1,212	152	193
Loans accounted for under the fair value option (3)	6,816	5,067	65	13	—	—
Total commercial loans and leases	$451,266	$ 440,814	$1,724	$ 1,225	$152	$ 193

(1) Includes U.S. commercial real estate loans of $54.3 billion and $53.6 billion and non-U.S. commercial real estate loans of $3.3 billion and $3.5 billion at June 30, 2016 and December 31, 2015.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $2.7 billion and $2.3 billion and non-U.S. commercial loans of $4.1 billion and $2.8 billion at June 30, 2016 and December 31, 2015. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

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Table 43 presents net charge-offs and related ratios for our commercial loans and leases for the three and six months ended June 30, 2016 and 2015. The increase in net charge-offs of $162 million for the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to higher energy sector related losses.

Table 43
Commercial Net Charge-offs and Related Ratios

	Net Charge-offs				Net Charge-off Ratios [1]			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	2016	2015
U.S. commercial	$28	$(1)	$93	$6	0.04 %	— %	0.07 %	0.01%
Commercial real estate	(2)	(4)	(8)	1	(0.01)	(0.03)	(0.03)	0.01
Commercial lease financing	15	—	13	5	0.30	—	0.13	0.05
Non-U.S. commercial	45	2	87	—	0.20	0.01	0.19	—
	86	(3)	185	12	0.08	—	0.09	0.01
U.S. small business commercial	50	51	102	113	1.55	1.56	1.59	1.73
Total commercial	$136	$48	$287	$125	0.12	0.05	0.13	0.06

(1) 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.

Table 44 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes standby letters of credit (SBLCs) and financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified time period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes.

Total commercial utilized credit exposure increased $18.1 billion during the six months ended June 30, 2016 primarily driven by growth in loans and leases. The utilization rate for loans and leases, SBLCs and financial guarantees, commercial letters of credit and bankers' acceptances, in the aggregate, was 58 percent and 56 percent at June 30, 2016 and December 31, 2015.

Table 44
Commercial Credit Exposure by Type

	Commercial Utilized [1]		Commercial Unfunded [2, 3, 4]		Total Commercial Committed	
(Dollars in millions)	June 30 2016	December 31 2015	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Loans and leases [5]	$456,877	$ 446,832	$353,998	$ 376,478	$810,875	$ 823,310
Derivative assets [6]	55,264	49,990	—	—	55,264	49,990
Standby letters of credit and financial guarantees	34,748	33,236	624	690	35,372	33,926
Debt securities and other investments	22,699	21,709	5,372	4,173	28,071	25,882
Loans held-for-sale	5,544	5,456	823	1,203	6,367	6,659
Commercial letters of credit	1,968	1,725	145	390	2,113	2,115
Bankers' acceptances	262	298	—	—	262	298
Other	334	317	—	—	334	317
Total	$577,696	$ 559,563	$360,962	$ 382,934	$938,658	$ 942,497

(1) Total commercial utilized exposure includes loans of $6.8 billion and $5.1 billion and issued letters of credit with a notional amount of $321 million and $290 million accounted for under the fair value option at June 30, 2016 and December 31, 2015.

(2) Total commercial unfunded exposure includes loan commitments accounted for under the fair value option with a notional amount of $7.8 billion and $10.6 billion at June 30, 2016 and December 31, 2015.

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

(4) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated or participated) to other financial institutions of $13.9 billion and $14.3 billion at June 30, 2016 and December 31, 2015.

(5) Includes credit risk exposure associated with assets under operating lease arrangements of $5.6 billion and $6.0 billion at June 30, 2016 and December 31, 2015.

(6) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $50.7 billion and $41.9 billion at June 30, 2016 and December 31, 2015. Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of $24.5 billion and $23.3 billion which consists primarily of other marketable securities.

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Table 45 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 increased $2.2 billion, or 14 percent, during the six months ended June 30, 2016 driven by downgrades primarily related to our energy exposure outpacing paydowns and upgrades. Approximately 77 percent and 78 percent of commercial utilized reservable criticized exposure was secured at June 30, 2016 and December 31, 2015.

Table 45
Commercial Utilized Reservable Criticized Exposure

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	$12,332	4.21 %	$9,965	3.56 %
Commercial real estate	444	0.75	513	0.87
Commercial lease financing	832	3.93	708	3.31
Non-U.S. commercial	3,727	3.92	3,944	4.04
	17,335	3.70	15,130	3.30
U.S. small business commercial	752	5.73	766	5.95
Total commercial utilized reservable criticized exposure	$18,087	3.76	$15,896	3.38

(1) Total commercial utilized reservable criticized exposure includes loans and leases of $16.6 billion and $14.5 billion and commercial letters of credit of $1.5 billion and $1.4 billion at June 30, 2016 and December 31, 2015.

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

U.S. Commercial

At June 30, 2016, 70 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 17 percent in Global Markets, 10 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 $10.7 billion, or four percent, during the six months ended June 30, 2016 due to growth across all of the commercial businesses. Energy exposure largely drove increases in reservable criticized balances of $2.4 billion, or 24 percent, and nonperforming loans and leases of $482 million, or 56 percent, during the six months ended June 30, 2016, as well as increases in net charge-offs of $29 million and $87 million for the three and six months ended June 30, 2016 compared to the same periods in 2015.

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 and 21 percent of the commercial real estate loans and leases portfolio at June 30, 2016 and December 31, 2015. 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 $413 million, or one percent, during the six months ended June 30, 2016 due to new originations primarily in major metropolitan markets.

For the three and six months ended June 30, 2016, 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 $5 million, or five percent, and reservable criticized balances decreased $69 million, or 13 percent, during the six months ended June 30, 2016. The decrease in reservable criticized balances was primarily due to loan resolutions and strong commercial real estate fundamentals in most sectors. Net recoveries were $2 million and $8 million for the three and six months ended June 30, 2016 compared to net recoveries of $4 million and net charge-offs of $1 million for the same periods in 2015.

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Table 46 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type.

Table 46
Outstanding Commercial Real Estate Loans

(Dollars in millions)	June 30 2016	December 31 2015
By Geographic Region		
California	$13,113	$ 12,063
Northeast	10,145	10,292
Southwest	7,546	7,789
Southeast	6,169	6,066
Midwest	4,184	3,780
Florida	3,013	3,330
Illinois	2,580	2,536
Midsouth	2,526	2,435
Northwest	2,118	2,327
Non-U.S.	3,321	3,549
Other [1]	2,897	3,032
Total outstanding commercial real estate loans	$57,612	$ 57,199
By Property Type		
Non-residential		
Office	$15,823	$ 15,246
Multi-family rental	9,199	8,956
Shopping centers/retail	8,968	8,594
Hotels/motels	5,353	5,415
Industrial/warehouse	5,172	5,501
Multi-use	3,015	3,003
Unsecured	1,686	2,056
Land and land development	374	539
Other	5,859	5,791
Total non-residential	55,449	55,101
Residential	2,163	2,098
Total outstanding commercial real estate loans	$57,612	$ 57,199

(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.

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Tables 47 and 48 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables 46, 47 and 48 includes condominiums and other residential real estate. Other property types in Tables 46, 47 and 48 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants.

Table 47
Commercial Real Estate Credit Quality Data

	Nonperforming Loans and Foreclosed Properties (1)		Utilized Reservable Criticized Exposure (2)	
(Dollars in millions)	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Non-residential				
Office	$ 17	$ 14	$ 157	$ 110
Multi-family rental	15	18	76	69
Shopping centers/retail	11	12	107	183
Hotels/motels	14	18	15	16
Industrial/warehouse	4	6	8	16
Multi-use	14	15	38	42
Unsecured	1	1	4	4
Land and land development	2	2	3	3
Other	14	8	28	59
Total non-residential	92	94	436	502
Residential	11	14	8	11
Total commercial real estate	$ 103	$ 108	$ 444	$ 513

(1) Includes commercial foreclosed properties of $19 million and $15 million at June 30, 2016 and December 31, 2015.
(2) Includes loans, SBLCs and bankers' acceptances and excludes loans accounted for under the fair value option.

Table 48
Commercial Real Estate Net Charge-offs and Related Ratios

	Net Charge-offs				Net Charge-off Ratios (1)			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Non-residential								
Office	$ —	$ —	$ —	$ 4	— %	— %	— %	0.07 %
Multi-family rental	3	—	3	—	0.11	—	0.07	—
Shopping centers/retail	(1)	—	—	—	(0.04)	—	—	—
Hotels/motels	—	—	1	5	—	—	0.05	0.27
Industrial/warehouse	—	—	2	(2)	—	—	0.06	(0.07)
Multi-use	(1)	1	(9)	—	(0.09)	0.20	(0.63)	—
Unsecured	(2)	(1)	(3)	(2)	(0.38)	(0.12)	(0.28)	(0.26)
Land and land development	—	(6)	—	(6)	—	(4.14)	—	(2.19)
Other	—	—	(1)	—	—	—	(0.02)	—
Total non-residential	(1)	(6)	(7)	(1)	(0.01)	(0.05)	(0.02)	—

Residential	(1)	2	(1)	2	(0.12)	0.38	(0.07)	0.17
Total commercial real estate	$(2)	$(4)	$(8)	$ 1	(0.01)	(0.03)	(0.03)	0.01

(1) 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.

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At June 30, 2016, total committed non-residential exposure was $77.8 billion compared to $81.0 billion at December 31, 2015, of which $55.4 billion and $55.1 billion were funded loans. Non-residential nonperforming loans and foreclosed properties decreased $2 million, or two percent, to $92 million at June 30, 2016 compared to December 31, 2015 primarily due to decreases across most property types. The non-residential nonperforming loans and foreclosed properties represented 0.16 percent and 0.17 percent of total non-residential loans and foreclosed properties at June 30, 2016 and December 31, 2015. Non-residential utilized reservable criticized exposure decreased $66 million, or 13 percent, to $436 million at June 30, 2016 compared to $502 million at December 31, 2015, which represented 0.77 percent and 0.89 percent of non-residential utilized reservable exposure. For the non-residential portfolio, net recoveries decreased $5 million to $1 million and increased $6 million to $7 million for the three and six months ended June 30, 2016 compared to the same periods in 2015.

At June 30, 2016, total committed residential exposure was $4.2 billion compared to $4.1 billion at December 31, 2015, of which $2.2 billion and $2.1 billion were funded secured loans. Residential nonperforming loans and foreclosed properties and residential utilized reservable criticized exposure remained relatively unchanged for the six months ended June 30, 2016. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 0.52 percent and 0.36 percent at June 30, 2016 compared to 0.66 percent and 0.52 percent at December 31, 2015.

At June 30, 2016 and December 31, 2015, the commercial real estate loan portfolio included $6.9 billion and $7.6 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. Reservable criticized construction and land development loans totaled $116 million and $108 million, and nonperforming construction and land development loans and foreclosed properties totaled $37 million and $44 million at June 30, 2016 and December 31, 2015. During a property's construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

At June 30, 2016, 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 $2.5 billion during the six months ended June 30, 2016 primarily due to increased payoffs. Net charge-offs increased $43 million and $87 million for the three and six months ended June 30, 2016 compared to the same periods in 2015, primarily due to higher energy sector related losses. For more information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 93.

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 47 percent and 45 percent of the U.S. small business commercial portfolio at June 30, 2016 and December 31, 2015. Net charge-offs decreased $1 million to $50 million and $11 million to $102 million for the three and six months ended June 30, 2016 compared to the same periods in 2015, primarily driven by portfolio improvement. Of the U.S. small business commercial net charge-offs, 87 percent and 88 percent were credit card-related products for the three and six months ended June 30, 2016 compared to 93 percent and 84 percent for the same periods in 2015.

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Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 49 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three and six months ended June 30, 2016 and 2015. Nonperforming loans do not include loans accounted for under the fair value option. During the three and six months ended June 30, 2016, nonperforming commercial loans and leases increased $56 million and $447 million to $1.7 billion primarily due to energy sector related exposure. Approximately 94 percent of commercial nonperforming loans, leases and foreclosed properties were secured and approximately 68 percent were contractually current. Commercial nonperforming loans were carried at approximately 83 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 49
Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2016	2015	2016	2015
Nonperforming loans and leases, beginning of period	$1,603	$996	$1,212	$1,113
Additions to nonperforming loans and leases:				
New nonperforming loans and leases	489	419	1,186	706
Advances	2	15	11	17
Reductions to nonperforming loans and leases:				
Paydowns	(211)	(103)	(331)	(213)
Sales	(87)	(65)	(93)	(81)
Returns to performing status [3]	(29)	(27)	(76)	(51)
Charge-offs	(106)	(56)	(248)	(107)
Transfers to foreclosed properties [4]	(2)	(7)	(2)	(212)
Total net additions to nonperforming loans and leases	56	176	447	59
Total nonperforming loans and leases, June 30	1,659	1,172	1,659	1,172
Foreclosed properties, beginning of period	10	264	15	67
Additions to foreclosed properties:				
New foreclosed properties [4]	22	7	22	207
Reductions to foreclosed properties:				
Sales	(13)	(5)	(18)	(7)
Write-downs	—	(1)	—	(2)
Total net additions to foreclosed properties	9	1	4	198
Total foreclosed properties, June 30	19	265	19	265
Nonperforming commercial loans, leases and foreclosed properties, June 30	$1,678	$1,437	$1,678	$1,437
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	0.37 %	0.28 %		
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	0.38	0.35		

(1) Balances do not include nonperforming LHFS of $203 million and $298 million at June 30, 2016 and 2015.

(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) New foreclosed properties represents transfers of nonperforming loans to foreclosed properties net of charge-offs recorded during the first 90 days after transfer of a loan to foreclosed properties.

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

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Table 50 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 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 50
Commercial Troubled Debt Restructurings

	June 30, 2016			December 31, 2015		
(Dollars in millions)	Total	Non-performing	Performing	Total	Non-performing	Performing
U.S. commercial	$1,980	$ 827	$ 1,153	$1,225	$ 394	$ 831
Commercial real estate	110	39	71	118	27	91
Commercial lease financing	3	3	—	—	—	—
Non-U.S. commercial	273	59	214	363	136	227
	2,366	928	1,438	1,706	557	1,149
U.S. small business commercial	18	3	15	29	10	19
Total commercial troubled debt restructurings	$2,384	$ 931	$ 1,453	$1,735	$ 567	$ 1,168

Industry Concentrations

Table 51 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 credit exposure decreased $3.8 billion, during the six months ended June 30, 2016 to $938.7 billion. Decreases in commercial committed exposure were concentrated in diversified financials, technology hardware and equipment, banking, and energy, partially offset by higher exposure to healthcare equipment and services, and capital goods.

Industry limits are used internally to manage industry concentrations and are based on committed exposures and capital usage that are 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 (MRC) oversees industry limit governance.

Diversified financials, our largest industry concentration with committed exposure of $122.5 billion, decreased $5.9 billion, or five percent, during the six months ended June 30, 2016. The decrease was primarily due to a reduction in bridge financing exposure and cancellation of a commitment.

Real estate, our second largest industry concentration with committed exposure of $84.5 billion, decreased $3.1 billion during the six months ended June 30, 2016. Real estate construction and land development exposure represented 13 percent and 14 percent of the total real estate industry committed exposure at June 30, 2016 and December 31, 2015. For more information on the commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 84.

The decline in oil prices has impacted and may continue to impact the financial performance of energy producers as well as energy equipment and service providers within the energy sector. Our energy-related committed exposure decreased $3.3 billion to $40.5 billion during the six months ended June 30, 2016. Within the higher risk sub-sectors of exploration and production and oil field services, total committed exposure declined $2.0 billion to $16.1 billion, or 40 percent of total committed energy exposure, during the six months ended June 30, 2016. Total utilized exposure to these sub-sectors declined approximately $800 million to $7.6 billion during the six months ended June 30, 2016, and represents less than one percent of total loans and leases. Of the total utilized exposure to the higher risk sub-sectors, 57 percent was criticized at June 30, 2016. Energy sector net charge-offs increased $178 million to $181 million for the six months ended June 30, 2016 compared to the same period in 2015 and energy sector reservable criticized exposure increased $1.6 billion to $6.2 billion during the six months ended June 30, 2016 due to sustained low oil prices. The energy allowance for credit losses increased to $1.0 billion during the six months ended June 30, 2016 primarily due to increased allowance coverage for the higher risk sub-sectors.

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Our committed state and municipal exposure of $46.5 billion at June 30, 2016 consisted of $38.6 billion of commercial utilized exposure (including $18.7 billion of funded loans, $7.4 billion of SBLCs and $4.1 billion of derivative assets) and $7.9 billion of unfunded commercial exposure (primarily unfunded loan commitments) and is reported in the government and public education industry in Table 51. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process.

Table 51
Commercial Credit Exposure by Industry (1)

(Dollars in millions)	Commercial Utilized		Total Commercial Committed (2)	
	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Diversified financials	$78,799	$ 79,496	$122,504	$ 128,436
Real estate (3)	61,539	61,759	84,543	87,650
Healthcare equipment and services	37,483	35,134	67,494	57,901
Retailing	39,934	37,675	63,589	63,975
Capital goods	34,866	30,790	63,171	58,583
Government and public education	45,956	44,835	55,019	53,133
Banking	44,002	45,952	50,437	53,825
Materials	23,373	24,012	44,607	46,013
Food, beverage and tobacco	20,594	18,316	41,495	43,164
Energy	21,220	21,257	40,467	43,811
Consumer services	25,656	24,084	40,132	37,058
Commercial services and supplies	21,335	19,552	33,818	32,045
Utilities	12,868	11,396	28,426	27,849
Transportation	20,117	19,369	27,392	27,371
Media	13,137	12,833	25,101	24,194
Individuals and trusts	16,397	17,992	21,638	23,176
Technology hardware and equipment	7,492	6,337	19,185	24,734
Software and services	7,990	6,617	18,380	18,362
Pharmaceuticals and biotechnology	6,389	6,302	16,202	16,472
Automobiles and components	5,414	4,804	12,447	11,329
Telecommunication services	5,352	4,717	12,092	10,645
Insurance, including monolines	5,395	5,095	10,670	10,728
Consumer durables and apparel	5,635	6,053	10,390	11,165
Food and staples retailing	4,827	4,351	8,890	9,439
Religious and social organizations	4,619	4,526	6,373	5,929
Other	7,307	6,309	14,196	15,510
Total commercial credit exposure by industry	$577,696	$ 559,563	$938,658	$ 942,497
Net credit default protection purchased on total commitments (4)			$(5,396)	$ (6,677)

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

(2) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated or participated) to other financial institutions of $13.9 billion and $14.3 billion at June 30, 2016 and December 31, 2015.

(3) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, 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 additional information, see Commercial Portfolio Credit Risk Management – Risk Mitigation on page 91.

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 June 30, 2016 and December 31, 2015, 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 $5.4 billion and $6.7 billion. We recorded net losses of $125 million and $328 million for the three and six months ended June 30, 2016 compared to net losses of $42 million and $113 million for the same periods in 2015 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 59. For additional information, see Trading Risk Management on page 101.

Tables 52 and 53 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at June 30, 2016 and December 31, 2015.

Table 52
Net Credit Default Protection by Maturity

	June 30 2016	December 31 2015
Less than or equal to one year	52 %	39 %
Greater than one year and less than or equal to five years	45	59
Greater than five years	3	2
Total net credit default protection	100 %	100 %

Table 53
Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	June 30, 2016		December 31, 2015	
Ratings [1, 2]	Net Notional [3]	Percent of Total	Net Notional [3]	Percent of Total
A	$(713)	13.2 %	$(752)	11.3 %
BBB	(2,656)	49.2	(3,030)	45.4
BB	(1,190)	22.1	(2,090)	31.3
B	(794)	14.7	(634)	9.5
CCC and below	(14)	0.3	(139)	2.1
NR [4]	(29)	0.5	(32)	0.4
Total net credit default protection	$(5,396)	100.0%	$(6,677)	100.0%

(1) Ratings are refreshed on a quarterly basis.
(2) Ratings of BBB- or higher are considered to meet the definition of investment grade.
(3) Represents net credit default protection purchased.
(4) NR is comprised of index positions held and any names that have not been rated.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker-dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required by the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

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Table 54 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts with the counterparty. For more information on our written credit derivatives, see Note 2 – Derivatives to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 54 take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in Note 2 – Derivatives to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 54
Credit Derivatives

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	$856,588	$3,081	$928,300	$3,677
Total return swaps/other	37,428	423	26,427	1,596
Total purchased credit derivatives	$894,016	$3,504	$954,727	$5,273
Written credit derivatives:				
Credit default swaps	$844,003	n/a	$924,143	n/a
Total return swaps/other	41,506	n/a	39,658	n/a
Total written credit derivatives	$885,509	n/a	$963,801	n/a

n/a = not applicable

Counterparty Credit Risk Valuation Adjustments

We record counterparty credit risk valuation adjustments on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit risk of the counterparty, as presented in Table 55. We calculate CVA based on a modeled expected exposure that incorporates current market risk factors including changes in market spreads and non-credit related market