AEGON NV
Form 6-K
October 17, 2014

Securities and Exchange Commission

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d/16 of

the Securities Exchange Act of 1934

October 2014

AEGON N.V.

Aegonplein 50

2591 TV THE HAGUE

The Netherlands

Aegon s press release, dated October 17, 2014, is included as appendix and incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AEGON N.V.
(Registrant)

Date: October 17, 2014

By /s/ E. Lagendijk
E. Lagendijk
Executive Vice President and General Counsel

The Hague, October 17, 2014

Aegon completes share buyback program

Aegon has completed the share buyback program announced on September 17, 2014. This program neutralized the dilutive effect of the 2014 interim dividend paid in shares. The repurchased shares will be held as treasury shares and will be used to cover future stock dividends.

Between September 17, 2014 and October 15, 2014 a total of 16,319,939 common shares were repurchased, at an average price of EUR 6.49 per share. Weekly updates of the program are available on www.aegon.com/sharebuyback.

News releases, financial calendar and other corporate publications can also be found in Aegon s Investor & Media App for IOS and Android.

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Aegon s roots go back more than 150 years to the first half of the nineteenth century. Since then, Aegon has grown into an international company, with businesses in more than 25 countries in the Americas, Europe and Asia. Today, Aegon is one of the world s leading financial services organizations, providing life insurance, pensions and asset management. Aegon s purpose is to help people take responsibility for their financial future. More information: aegon.com.

DISCLAIMERS

Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, is confident, will, and similar expressions as they relate to Aegon. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Aegon undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in Aegon s fixed income investment portfolios;
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds; and
  - The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that Aegon holds;
- Changes in the performance of Aegon s investment portfolio and decline in ratings of Aegon s counterparties;
- Consequences of a potential (partial) break-up of the euro;
- The frequency and severity of insured loss events;
- Changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of Aegon s insurance products;

Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;

Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;

Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;

Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;

Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;

Changes in laws and regulations, particularly those affecting Aegon s operations, ability to hire and retain key personnel, the products Aegon sells, and the attractiveness of certain products to its consumers;

Regulatory changes relating to the insurance industry in the jurisdictions in which Aegon operates;

Changes in customer behavior and public opinion in general related to, among other things, the type of products also Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;

Acts of God, acts of terrorism, acts of war and pandemics;

Changes in the policies of central banks and/or governments;

Lowering of one or more of Aegon s debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon s ability to raise capital and on its liquidity and financial condition;

Lowering of one or more of insurer financial strength ratings of Aegon s insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability and liquidity of its insurance subsidiaries;

The effect of the European Union s Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;

Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business;

As Aegon s operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt Aegon s business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;

Customer responsiveness to both new products and distribution channels;

Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon s products;

Changes in accounting regulations and policies or a change by Aegon in applying such regulations and policies, voluntarily or otherwise, may affect Aegon s reported results and shareholders equity;

The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon s ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;

Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon s business; and

Aegon s failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving and excess capital and leverage ratio management initiatives.

Further details of potential risks and uncertainties affecting Aegon are described in its filings with the Netherlands Authority for the Financial Markets and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, Aegon expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Aegon s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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$
8,235

$
2,197

$

12,644

$
14,841

(1) For unconsolidated VIEs, the maximum loss exposure includes outstanding trust certificates issued by trusts in rapid amortization, net of recorded reserves, and excludes the liability for representations and warranties obligations and corporate guarantees.

Included in the table above are consolidated and unconsolidated home equity loan securitizations, all of which have entered a rapid amortization period and for which the Corporation is obligated to provide subordinated funding. During this period, cash payments from borrowers are accumulated to repay outstanding debt securities and the Corporation continues to make advances to borrowers when they draw on their lines of credit. For additional information, see Note 7 – Securitizations and Other Variable Interest Entities to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K. At September 30, 2013 and December 31, 2012, home equity loan securitizations in rapid amortization for which the Corporation has a subordinated funding obligation, including both consolidated and unconsolidated trusts, had $7.9 billion and $9.0 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the undrawn available credit on the home equity lines, which totaled $83 million and $196 million at September 30, 2013 and December 31, 2012, as well as performance of the loans, the amount of subsequent draws and the timing of related cash flows. At September 30, 2013 and December 31, 2012, the reserve for losses on expected future draw obligations on the home equity loan securitizations in rapid amortization for which the Corporation has a subordinated funding obligation was $15 million and $51 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $11 million and $37 million of servicing fee income related to home equity loan securitizations during the three and nine months ended September 30, 2013 compared to $14 million and $45 million for the same periods in 2012. The Corporation repurchased $81 million and $197 million of loans from home equity securitization trusts in order to perform modifications during the three and nine months ended September 30, 2013 compared to $22 million and $60 million for the same periods in 2012.

During the nine months ended September 30, 2013, the Corporation transferred servicing for consolidated home equity securitization trusts with total assets of $475 million and total liabilities of $616 million to a third party. As the Corporation no longer services the underlying loans, these trusts were deconsolidated, resulting in a gain of $141 million that was recorded in other income (loss) in the Consolidated Statement of Income.

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Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (seller's interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The seller's interest in the trusts, which is pari passu to the investors' interest, and the discount receivables are classified in loans and leases.

The table below summarizes select information related to consolidated credit card securitization trusts in which the Corporation held a variable interest at September 30, 2013 and December 31, 2012.

Credit Card VIEs

(Dollars in millions)	September 30 2013	December 31 2012
Consolidated VIEs		
Maximum loss exposure	$ 44,412	$ 42,487
On-balance sheet assets		
Derivative assets	$ 199	$ 323
Loans and leases [1]	60,740	66,427
Allowance for loan and lease losses	(2,865)	(3,445)
All other assets [2]	1,971	1,567
Total	$ 60,045	$ 64,872
On-balance sheet liabilities		
Long-term debt	$ 15,569	$ 22,291
All other liabilities	64	94
Total	$ 15,633	$ 22,385

(1) At September 30, 2013 and December 31, 2012, loans and leases included $36.0 billion and $33.5 billion of seller's interest and $24 million and $124 million of discount receivables.

(2) At September 30, 2013 and December 31, 2012, all other assets included restricted cash and short-term investment accounts and unbilled accrued interest and fees.

The Corporation holds subordinate securities with a notional principal amount of $8.7 billion and $10.1 billion at September 30, 2013 and December 31, 2012, and a stated interest rate of zero percent issued by certain credit card securitization trusts. In addition, during 2010 and 2009, the Corporation elected to designate a specified percentage of new receivables transferred to the trusts as "discount receivables" such that principal collections thereon are added to finance charges which increases the yield in the trust. Through the designation of newly transferred receivables as discount receivables, the Corporation subordinated a portion of its seller's interest to the investors' interest. These actions were taken to address the decline in the excess spread of the U.S. and U.K. credit card securitization trusts at that time.

During 2012, the Corporation transferred $553 million of credit card receivables to a third-party sponsored securitization vehicle. The Corporation no longer services the credit card receivables and does not consolidate the vehicle. At September 30, 2013 and December 31, 2012, the Corporation held a senior interest of $282 million and $309 million in these receivables, classified in loans and leases, that is not included in the table above.

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Other Asset-backed Securitizations

Other asset-backed securitizations include resecuritization trusts, municipal bond trusts, and automobile and other securitization trusts. The table below summarizes select information related to other asset-backed securitizations in which the Corporation held a variable interest at September 30, 2013 and December 31, 2012.

Other Asset-backed VIEs

	Resecuritization Trusts		Municipal Bond Trusts		Automobile and Other Securitization Trusts	
(Dollars in millions)	September 30 2013	December 31 2012	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Unconsolidated VIEs						
Maximum loss exposure	$13,075	$ 20,715	$2,322	$ 3,341	$99	$ 122
On-balance sheet assets						
Senior securities held [1, 2]:						
Trading account assets	$779	$ 1,281	$134	$ 12	$17	$ 37
Debt securities carried at fair value	12,174	19,343	—	540	72	74
Subordinate securities held [1, 2]:						
Debt securities carried at fair value	67	75	—	—	—	—
Residual interests held [3]	55	16	—	—	—	—
All other assets	—	—	—	—	10	11
Total retained positions	$13,075	$ 20,715	$134	$ 552	$99	$ 122
Total assets of VIEs [4]	$39,742	$ 42,818	$3,859	$ 4,980	$1,949	$ 1,890
Consolidated VIEs						
Maximum loss exposure	$250	$ 126	$2,987	$ 2,505	$196	$ 1,255
On-balance sheet assets						
Trading account assets	$1,169	$ 220	$2,987	$ 2,505	$—	$ —
Loans and leases	—	—	—	—	867	2,523
Allowance for loan and lease losses	—	—	—	—	(1)	(2)
All other assets	—	—	—	—	80	250
Total assets	$1,169	$ 220	$2,987	$ 2,505	$946	$ 2,771
On-balance sheet liabilities						
Short-term borrowings	$—	$ —	$1,336	$ 2,859	$—	$ —
Long-term debt	919	94	—	—	749	1,513
All other liabilities	—	—	—	—	82	82
Total liabilities	$919	$ 94	$1,336	$ 2,859	$831	$ 1,595

(1) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three and nine months ended September 30, 2013 and 2012, there were no OTTI losses recorded on those securities classified as AFS debt securities.

(2) The retained senior and subordinate securities were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy).

(3) The retained residual interests are carried at fair value which was derived using model valuations (Level 2 of the fair value hierarchy).

(4) Total assets include loans the Corporation transferred with which the Corporation has continuing involvement, which may include servicing the loan.

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Resecuritization Trusts

The Corporation transfers existing securities, typically MBS, into resecuritization vehicles at the request of customers seeking securities with specific characteristics. The Corporation may also resecuritize securities within its investment portfolio for purposes of improving liquidity and capital, and managing credit or interest rate risk. Generally, there are no significant ongoing activities performed in a resecuritization trust and no single investor has the unilateral ability to liquidate the trust.

The Corporation resecuritized $6.6 billion and $18.2 billion of securities during the three and nine months ended September 30, 2013 compared to $12.2 billion and $36.5 billion for the same periods in 2012. All of the securities transferred into resecuritization vehicles during the three and nine months ended September 30, 2013 and 2012 were classified as trading account assets. As such, changes in fair value were recorded in trading account profits prior to the resecuritization and no gain or loss on sale was recorded.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. The Corporation may transfer assets into the trusts and may also serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates. Should the Corporation be unable to remarket the tendered certificates, it may be obligated to purchase them at par under standby liquidity facilities. The Corporation also provides credit enhancement to investors in certain municipal bond trusts whereby the Corporation guarantees the payment of interest and principal on floating-rate certificates issued by these trusts in the event of default by the issuer of the underlying municipal bond.

The Corporation's liquidity commitments to unconsolidated municipal bond trusts, including those for which the Corporation was transferor, totaled $2.2 billion and $2.8 billion at September 30, 2013 and December 31, 2012. The weighted-average remaining life of bonds held in the trusts at September 30, 2013 was 8.5 years. There were no material write-downs or downgrades of assets or issuers during the three and nine months ended September 30, 2013 and 2012.

Automobile and Other Securitization Trusts

The Corporation transfers automobile and other loans into securitization trusts, typically to improve liquidity or manage credit risk. At September 30, 2013 and December 31, 2012, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of $2.9 billion and $4.7 billion, including trusts collateralized by automobile loans of $1.2 billion and $3.5 billion, student loans of $773 million and $897 million, and other loans of $920 million and $290 million.

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Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed-income securities, typically corporate debt or ABS, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of CDS to synthetically create exposure to fixed-income securities. CLOs, which are a subset of CDOs, hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third-party portfolio managers. The Corporation typically transfers assets to these CDOs, holds securities issued by the CDOs and may be a derivative counterparty to the CDOs, including a CDS counterparty for synthetic CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation absorbs the economic returns generated by specified assets held by the CDO. The Corporation receives fees for structuring CDOs and providing liquidity support for super senior tranches of securities issued by certain CDOs. No third parties provide a significant amount of similar commitments to these CDOs.

The table below summarizes select information related to CDO vehicles in which the Corporation held a variable interest at September 30, 2013 and December 31, 2012.

CDO Vehicle VIEs

	September 30, 2013			December 31, 2012		
(Dollars in millions)	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	$1,274	$ 1,019	$2,293	$2,201	$ 1,376	$3,577
On-balance sheet assets						
Trading account assets	$1,280	$ 290	$1,570	$2,191	$ 258	$2,449
Derivative assets	—	146	146	10	301	311
All other assets	—	57	57	—	76	76
Total	$1,280	$ 493	$1,773	$2,201	$ 635	$2,836
On-balance sheet liabilities						
Long-term debt	$1,482	$ —	$1,482	$2,806	$ 2	$2,808
All other liabilities	—	7	7	—	9	9
Total	$1,482	$ 7	$1,489	$2,806	$ 11	$2,817
Total assets of VIEs	$1,280	$ 19,826	$21,106	$2,201	$ 26,985	$29,186

The Corporation's maximum loss exposure of $2.3 billion at September 30, 2013 included $1.3 billion of exposure to CDO financing facilities, $135 million of super senior CDO exposure and $884 million of other non-super senior exposure. This exposure is calculated on a gross basis and does not reflect any benefit from insurance purchased from third parties. The CDO financing facilities, which are consolidated, obtain funding from third parties for CDO positions which are principally classified in trading account assets. The CDO financing facilities' long-term debt at September 30, 2013 totaled $1.5 billion, all of which has recourse to the general credit of the Corporation. For unconsolidated CDO vehicles in the table above, the Corporation's maximum loss exposure is significantly less than the total assets of the VIEs because the Corporation typically has exposure to only a portion of the total assets.

At September 30, 2013, the Corporation had $1.5 billion of aggregate liquidity exposure to CDOs. This amount includes $87 million of commitments to CDOs to provide funding for super senior exposures and $1.4 billion notional amount of derivative contracts with unconsolidated VIEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on the Corporation's behalf. For additional information, see Note 11 – Commitments and Contingencies. The Corporation's liquidity exposure to CDOs at September 30, 2013 is included in the table above to the extent that the Corporation sponsored the CDO vehicle or the liquidity exposure is more than insignificant compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

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Customer Vehicles

Customer vehicles include credit-linked, equity-linked and commodity-linked note vehicles, repackaging vehicles, and asset acquisition vehicles, which are typically created on behalf of customers who wish to obtain market or credit exposure to a specific company, commodity price or financial instrument. The Corporation may transfer assets to and invest in securities issued by these vehicles. The Corporation typically enters into credit, equity, interest rate, commodity or foreign currency derivatives to synthetically create or alter the investment profile of the issued securities. The Corporation also had liquidity commitments, including written put options and collateral value guarantees, with certain unconsolidated vehicles of $667 million and $742 million at September 30, 2013 and December 31, 2012.

The table below summarizes select information related to customer vehicles in which the Corporation held a variable interest at September 30, 2013 and December 31, 2012.

Customer Vehicle VIEs

	September 30, 2013			December 31, 2012		
(Dollars in millions)	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	$3,575	$ 1,258	$4,833	$2,994	$ 1,401	$4,395
On-balance sheet assets						
Trading account assets	$2,283	$ 87	$2,370	$2,882	$ 98	$2,980
Derivative assets	—	335	335	—	516	516
Loans and leases	846	—	846	523	—	523
Loans held-for-sale	1,038	—	1,038	950	—	950
All other assets	793	—	793	763	—	763
Total	$4,960	$ 422	$5,382	$5,118	$ 614	$5,732
On-balance sheet liabilities						
Short-term borrowings	$82	$ —	$82	$131	$ —	$131
Long-term debt	2,413	—	2,413	3,179	—	3,179
All other liabilities	75	427	502	29	389	418
Total	$2,570	$ 427	$2,997	$3,339	$ 389	$3,728
Total assets of VIEs	$4,960	$ 4,229	$9,189	$5,118	$ 4,055	$9,173

The Corporation's maximum loss exposure from customer vehicles includes the notional amount of credit or equity derivatives to which the Corporation is a counterparty, net of losses previously recorded, and the Corporation's investment, if any, in securities issued by the vehicles. The maximum loss exposure has not been reduced to reflect the benefit of offsetting swaps with the customers or collateral arrangements.

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Other Variable Interest Entities

Other consolidated VIEs primarily include leveraged lease trusts and investment vehicles. Other unconsolidated VIEs primarily include real estate vehicles and investment vehicles.

The table below summarizes select information related to other VIEs in which the Corporation held a variable interest at September 30, 2013 and December 31, 2012.

Other VIEs

	September 30, 2013			December 31, 2012		
(Dollars in millions)	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	$4,975	$ 8,805	$13,780	$5,608	$ 6,492	$12,100
On-balance sheet assets						
Trading account assets	$97	$ —	$97	$108	$ —	$108
Derivative assets	—	380	380	—	460	460
Debt securities carried at fair value	—	1,687	1,687	—	39	39
Loans and leases	3,965	250	4,215	4,561	67	4,628
Allowance for loan and lease losses	(4)	—	(4)	(14)	—	(14)
Loans held-for-sale	77	94	171	105	157	262
All other assets	988	6,079	7,067	1,001	5,768	6,769
Total	$5,123	$ 8,490	$13,613	$5,761	$ 6,491	$12,252
On-balance sheet liabilities						
Long-term debt	$867	$ —	$867	$889	$ —	$889
All other liabilities	73	2,137	2,210	63	1,692	1,755
Total	$940	$ 2,137	$3,077	$952	$ 1,692	$2,644
Total assets of VIEs	$5,123	$ 11,004	$16,127	$5,761	$ 8,660	$14,421

Investment Vehicles

The Corporation sponsors, invests in or provides financing, which may be in connection with the sale of assets, to a variety of investment vehicles that hold loans, real estate, debt securities or other financial instruments and are designed to provide the desired investment profile to investors or the Corporation. At September 30, 2013 and December 31, 2012, the Corporation's consolidated investment vehicles had total assets of $1.2 billion and $1.3 billion. The Corporation also held investments in unconsolidated vehicles with total assets of $4.8 billion and $3.0 billion at September 30, 2013 and December 31, 2012. The Corporation's maximum loss exposure associated with both consolidated and unconsolidated investment vehicles totaled $3.8 billion and $2.1 billion at September 30, 2013 and December 31, 2012 comprised primarily of on-balance sheet assets less non-recourse liabilities.

During the three months ended September 30, 2013, the Corporation transferred servicing advance receivables to an independent third party in connection with the sale of MSRs. A portion of the receivables was transferred into a securitization trust. The Corporation retained a senior interest in such receivables with a maximum loss exposure of $2.0 billion and an outstanding balance of $1.7 billion at September 30, 2013, which was classified in debt securities carried at fair value.

Leveraged Lease Trusts

The Corporation's net investment in consolidated leveraged lease trusts totaled $3.9 billion and $4.4 billion at September 30, 2013 and December 31, 2012. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation structures the trusts and holds a significant residual interest. The net investment represents the Corporation's maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is non-recourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

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Real Estate Vehicles

The Corporation held investments in unconsolidated real estate vehicles of $5.8 billion and $5.4 billion at September 30, 2013 and December 31, 2012, which primarily consisted of investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing and commercial real estate. An unrelated third party is typically the general partner and has control over the significant activities of the partnership. The Corporation earns a return primarily through the receipt of tax credits allocated to the real estate projects. The Corporation's risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Other Asset-backed Financing Arrangements

The Corporation transferred pools of securities to certain independent third parties and provided financing for up to 75 percent of the purchase price under asset-backed financing arrangements. At September 30, 2013 and December 31, 2012, the Corporation's maximum loss exposure under these financing arrangements was $1.2 billion and $2.5 billion, substantially all of which was classified in loans and leases. All principal and interest payments have been received when due in accordance with their contractual terms. These arrangements are not included in the Other VIEs table because the purchasers are not VIEs.

NOTE 8 – Representations and Warranties Obligations and Corporate Guarantees

Background

The Corporation securitizes first-lien residential mortgage loans generally in the form of MBS guaranteed by the GSEs or by GNMA in the case of FHA-insured, VA-guaranteed and Rural Housing Service-guaranteed mortgage 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 (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, the Corporation or certain of its subsidiaries or legacy companies make or have made various representations and warranties. These representations and warranties, as set forth in the agreements, related to, among other things, the ownership of the loan, the validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, the process used to select the loan for inclusion in a transaction, the loan's compliance with any applicable loan criteria, including underwriting standards, and the loan's compliance with applicable federal, state and local laws. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, HUD with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, the Corporation would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guarantee payments that it may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan investor, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor, where the contract so provides. In the case of private-label securitizations, the applicable agreements may permit investors, which may include the GSEs, with contractually sufficient holdings to direct or influence action by the securitization trustee. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, or of the monoline insurer or other financial

guarantor (as applicable) in the loan. Contracts with the GSEs do not contain equivalent language, while GNMA generally limits repurchases to loans that are not insured or guaranteed as required. The Corporation believes that the longer a loan performs prior to default, the less likely it is that an alleged underwriting breach of representations and warranties would have a material impact on the loan's performance.

The Corporation's credit loss would be reduced by any recourse it may have to organizations (e.g., correspondents) that, in turn, had sold such loans to the Corporation based upon its agreements with these organizations. When a loan is originated by a correspondent or other third party, the Corporation typically has the right to seek a recovery of related repurchase losses from that originator. Many of the correspondent originators of loans in 2004 through 2008 are no longer in business, or are in a weakened financial condition, and the Corporation's ability to recover on valid claims is therefore impacted, or eliminated accordingly. In the event a loan is originated and underwritten by a correspondent who obtains FHA insurance, even if they are no longer in business, any breach of FHA guidelines is the direct obligation of the correspondent, not the Corporation. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. At September 30, 2013, approximately 17 percent of the outstanding repurchase claims relate to loans purchased from correspondents or other parties compared to approximately 26 percent at December 31, 2012. During the three and nine months ended September 30,

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2013, the Corporation continued to recover repurchase losses from correspondents and other parties; however, the actual recovery rate may vary from period to period based upon the underlying mix of correspondents and other parties.

The estimate of the liability for representations and warranties exposures and the corresponding estimated range of possible loss is based upon currently available information, significant judgment, and a number of factors and assumptions, including those discussed in Liability for Representations and Warranties and Corporate Guarantees in this Note, that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on the Corporation's results of operations for any particular period. Given that these factors vary by counterparty, the Corporation analyzes representations and warranties obligations based on the specific counterparty, or type of counterparty, with whom the sale was made. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Settlement Actions

The Corporation has vigorously contested any request for repurchase when it concludes that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, the Corporation has reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been material, with counterparties in lieu of a loan-by-loan review process. The Corporation may reach other settlements in the future if opportunities arise on terms it believes to be advantageous. However, there can be no assurance that the Corporation will reach future settlements or, if it does, that the terms of past settlements can be relied upon to predict the terms of future settlements. For a summary of the larger bulk settlement actions beginning in the fourth quarter of 2010, including the settlement with Bank of New York Mellon (the BNY Mellon Settlement), as trustee (Trustee) for 525 Countrywide first-lien and five second-lien non-GSE securitization trusts (the Covered Trusts), the December 31, 2010 agreements with the GSEs to resolve repurchase claims (the 2010 GSE Agreements), the settlement with Assured Guaranty Ltd. and subsidiaries in 2011 (the Assured Guaranty Settlement), and the settlement with Syncora Guarantee Inc. and Syncora Holdings, Ltd. in 2012, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K. The settlements with MBIA Inc. and certain of its affiliates (MBIA) and FNMA are discussed below.

MBIA Settlement

On May 7, 2013, the Corporation entered into a comprehensive settlement with MBIA which resolved all outstanding litigation between the parties, as well as other claims between the parties, including outstanding and potential claims from MBIA related to alleged representations and warranties breaches and other claims involving certain first- and second-lien RMBS trusts for which MBIA provided financial guarantee insurance, certain of which claims were the subject of litigation. At the time of the settlement, the mortgages (first- and second-lien) in RMBS trusts covered by the MBIA Settlement had an original principal balance of $54.8 billion and an unpaid principal balance of $19.1 billion.

Under the MBIA Settlement, all pending litigation between the parties was dismissed and each party received a global release of those claims. The Corporation made a settlement payment to MBIA of $1.565 billion in cash and transferred to MBIA approximately $95 million in fair market value of notes issued by MBIA and previously held by the Corporation. The Corporation was fully reserved at March 31, 2013 for the MBIA Settlement. In addition, MBIA issued to the Corporation warrants to purchase up to approximately 4.9 percent of MBIA's currently outstanding common stock, at an exercise price of $9.59 per share, which may be exercised at any time prior to May 2018. In addition, the Corporation provided a senior secured $500 million credit facility to an affiliate of MBIA.

The parties also terminated various CDS transactions entered into between the Corporation and a MBIA-affiliate, LaCrosse Financial Products, LLC, and guaranteed by MBIA, which constituted all of the outstanding CDS protection agreements purchased by the Corporation from MBIA on commercial mortgage-backed securities (CMBS). Collectively, those CDS transactions had a notional amount of $7.4 billion and a fair value of $813 million as of March 31, 2013. The parties also terminated certain other trades in order to close out positions between the parties. The termination of these trades did not have a material impact on the Corporation's financial statements.

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Fannie Mae Settlement

On January 6, 2013, the Corporation entered into an agreement with FNMA to resolve substantially all outstanding and potential repurchase and certain other claims relating to the origination, sale and delivery of residential mortgage loans originated from January 1, 2000 through December 31, 2008 and sold directly to FNMA by entities related to Countrywide and BANA.

This agreement covers loans with an aggregate original principal balance of approximately $1.4 trillion and an aggregate outstanding principal balance of approximately $300 billion. Unresolved repurchase claims submitted by FNMA for alleged breaches of selling representations and warranties with respect to these loans totaled $12.2 billion of unpaid principal balance at December 31, 2012. This agreement extinguished substantially all of those unresolved repurchase claims, as well as any future representations and warranties repurchase claims associated with such loans, subject to certain exceptions which the Corporation does not expect to be material.

In January 2013, the Corporation made a cash payment to FNMA of $3.6 billion and also repurchased for $6.6 billion certain residential mortgage loans that had previously been sold to FNMA, which the Corporation has valued at less than the purchase price.

This agreement also clarified the parties' obligations with respect to MI including establishing timeframes for certain payments and other actions, setting parameters for potential bulk settlements and providing for cooperation in future dealings with mortgage insurers. For additional information, see Mortgage Insurance Rescission Notices in this Note.

In addition, pursuant to a separate agreement, the Corporation settled substantially all of FNMA's outstanding and future claims for compensatory fees arising out of past foreclosure delays.

Collectively, these agreements are referred to herein as the FNMA Settlement. The Corporation was fully reserved at December 31, 2012 for the settlement with FNMA.

Settlement with the Bank of New York Mellon, as Trustee

With regard to the BNY Mellon Settlement, the court approval hearing began on June 3, 2013 in the New York Supreme Court, New York County, and additional hearing days and closing arguments are scheduled to take place in November 2013. Although the Corporation is not a party to the proceeding, certain of its rights and obligations under the settlement agreement are conditioned on final court approval of the settlement.

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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, 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, or the claim is otherwise resolved. When a claim is denied and the Corporation does not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution.

The table below presents unresolved repurchase claims at September 30, 2013 and December 31, 2012. The unresolved repurchase claims include only claims where the Corporation believes that the counterparty has a basis to submit claims. For additional information, see Whole Loan Sales and Private-label Securitizations Experience in this Note and Note 11 – Commitments and Contingencies herein. These repurchase claims do not include any repurchase claims related to the BNY Mellon Settlement regarding the Covered Trusts.

Unresolved Repurchase Claims by Counterparty and Product Type [1, 2]

(Dollars in millions)	September 30 2013	December 31 2012
By counterparty		
GSEs	$ 1,208	$ 13,530
Monolines	1,541	2,449
Private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and other	14,911	12,299
Total unresolved repurchase claims by counterparty	$ 17,660	$ 28,278
By product type		
Prime loans	$ 1,631	$ 8,793
Alt-A	1,456	5,428
Home equity	1,734	2,394
Pay option	5,680	5,884
Subprime	5,276	3,687
Other	1,883	2,092
Total unresolved repurchase claims by product type	$ 17,660	$ 28,278

(1) Excludes certain MI rescission notices. However, at September 30, 2013 and December 31, 2012, included $443 million and $2.3 billion of repurchase requests received from the GSEs that have resulted solely from MI rescission notices. For additional information, see Mortgage Insurance Rescission Notices in this Note.

(2) At September 30, 2013 and December 31, 2012, unresolved repurchase claims did not include repurchase demands of $1.4 billion and $1.6 billion where the Corporation believes the claimants have not satisfied the contractual thresholds as discussed on page 212.

The notional amount of unresolved GSE repurchase claims totaled $1.2 billion at September 30, 2013 compared to $13.5 billion at December 31, 2012. As a result of the FNMA Settlement, $12.2 billion of GSE repurchase claims outstanding at December 31, 2012 were resolved in January 2013. For further discussion of the Corporation's experience with the GSEs, see Government-sponsored Enterprises Experience in this Note.

The notional amount of unresolved monoline repurchase claims totaled $1.5 billion at September 30, 2013 compared to $2.4 billion at December 31, 2012. The Corporation has had limited loan-level repurchase claims experience with the remaining monoline insurers due to ongoing litigation. In the Corporation's experience, the monolines have been generally unwilling to withdraw repurchase claims, regardless of whether and what evidence was offered to refute a

claim. Substantially all of the unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation. As a result of the MBIA Settlement, $945 million of monoline repurchase claims outstanding at December 31, 2012 were resolved in May 2013. For further discussion of the Corporation's practices regarding litigation accruals and estimated range of possible loss for litigation and regulatory matters, which includes the status of its monoline litigation, see Estimated Range of Possible Loss in this Note and Litigation and Regulatory Matters in Note 11 – Commitments and Contingencies.

The notional amount of unresolved repurchase claims from private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others totaled $14.9 billion at September 30, 2013 compared to $12.3 billion at December 31, 2012. The increase in the notional amount of unresolved repurchase claims is primarily due to continued submission of claims by private-label securitization trustees; the level of detail, support and analysis which impacts overall claim quality and, therefore, claims resolution; and the lack of an established process to resolve disputes related to these claims. The Corporation expects unresolved repurchase claims related to private-label securitizations to continue to increase as claims continue to be submitted by private-label securitization trustees

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and there is not an established process for the ultimate resolution of claims on which there is a disagreement. For further discussion of the Corporation's experience with whole loans and private-label securitizations, see Whole Loan Sales and Private-label Securitizations Experience in this Note.

During the three months ended September 30, 2013, the Corporation received $1.8 billion in new repurchase claims, including $642 million submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs, $1.0 billion submitted by private-label securitization trustees, $174 million submitted by whole-loan investors and $5 million submitted by monoline insurers. During the three months ended September 30, 2013, $822 million in claims were resolved, primarily with the GSEs. Of the claims that were resolved, $536 million were resolved through rescissions and $286 million were resolved through mortgage repurchases and make-whole payments.

During the nine months ended September 30, 2013, the Corporation received $5.1 billion in new repurchase claims, including $1.6 billion submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs, $3.0 billion submitted by private-label securitization trustees, $442 million submitted by whole-loan investors and $49 million submitted by monoline insurers. During the nine months ended September 30, 2013, $15.6 billion in claims were resolved, primarily with the GSEs, including $12.2 billion in GSE claims resolved through the FNMA Settlement and $945 million resolved through the MBIA Settlement. Of the remaining claims that were resolved, $1.5 billion were resolved through rescissions and $962 million were resolved through mortgage repurchases and make-whole payments, primarily with the GSEs.

In addition to, and not included in, the total unresolved repurchase claims of $17.7 billion at September 30, 2013, the Corporation has received repurchase demands from private-label securitization investors and a master servicer where it believes the claimants have not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amounts outstanding of such demands were $1.4 billion, comprised of $1.1 billion of demands received during 2012 and approximately $300 million of demands related to trusts covered by the BNY Mellon Settlement at September 30, 2013 compared to $1.6 billion at December 31, 2012. The Corporation does not believe that the $1.4 billion of demands outstanding at September 30, 2013 represents valid repurchase claims and, therefore, it is not possible to predict the resolution with respect to such demands.

Mortgage Insurance Rescission Notices

In addition to repurchase claims, the Corporation receives notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices). Although the number of such notices has remained elevated, they have decreased over the last several quarters as the resolution of open notices exceeded new notices. At September 30, 2013, the Corporation had approximately 105,000 open MI rescission notices compared to 110,000 at December 31, 2012. Open MI rescission notices at September 30, 2013 included 43,000 pertaining principally to first-lien mortgages serviced for others, 11,000 pertaining to loans held-for-investment and 51,000 pertaining to ongoing litigation for second-lien mortgages. Approximately 24,000 of the open MI rescission notices pertaining to first-lien mortgages serviced for others are related to loans sold to FNMA. As of September 30, 2013, 39 percent of the MI rescission notices received have been resolved.

Although the FNMA Settlement did not resolve underlying MI rescission notices, the FNMA Settlement resolved significant representations and warranties exposures, including unresolved and potential repurchase claims from FNMA resulting solely from MI rescission notices relating to loans covered by the FNMA Settlement. The Corporation's pipeline of unresolved repurchase claims from the GSEs resulting solely from MI rescission notices was $443 million at September 30, 2013 compared to $2.3 billion at December 31, 2012. The FNMA Settlement resolved approximately $1.9 billion of such unresolved repurchase claims that were outstanding at December 31, 2012. Many

of these claims represent repurchase claims on loans for which the Corporation received a MI rescission notice that is included in the 24,000 open MI rescission notices referenced in the paragraph above. In addition, the FNMA Settlement clarified the parties' obligations with respect to MI rescission notices including establishing timeframes for certain payments and other actions, setting parameters for potential bulk settlements and providing for cooperation in future dealings with mortgage insurers. As a result, the Corporation is required to pay the amount of certain MI coverage to FNMA as a result of MI claims rescissions in advance of collection from the mortgage insurance companies and has remitted the amounts required under the agreement related to the 24,000 open MI rescission notices. In certain cases, it may not ultimately collect all such amounts from the mortgage insurance companies.

For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

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Cash Settlements

The table below presents first-lien and home equity loan repurchases and indemnification payments for the three and nine months ended September 30, 2013 and 2012. During the three and nine months ended September 30, 2013, the Corporation paid $277 million and $1.0 billion to resolve $343 million and $1.2 billion of repurchase claims through repurchase or reimbursement to the investor or securitization trust for losses they incurred, resulting in a loss on the related loans at the time of repurchase or reimbursement of $168 million and $466 million. During the three and nine months ended September 30, 2012, the Corporation paid $396 million and $1.4 billion to resolve $431 million and $1.7 billion of repurchase claims through repurchase or reimbursement to the investor or securitization trust for losses they incurred, resulting in a loss on the related loans at the time of repurchase or reimbursement of $231 million and $640 million. The amounts shown in the table below exclude $51 million and $1.7 billion in payments to settle monoline claims for the three and nine months ended September 30, 2013 compared to $469 million and $600 million for the same periods in 2012. Additionally, the amounts in the table below exclude a cash payment of $3.6 billion made in January 2013 to FNMA and the repurchase for $6.6 billion of certain residential mortgage loans which the Corporation valued at less than the purchase price, both of which were part of the FNMA Settlement.

For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Loan Repurchases and Indemnification Payments

	Three Months Ended September 30					
	2013			2012		
(Dollars in millions)	Unpaid Principal Balance	Cash Paid for Repurchases	Loss	Unpaid Principal Balance	Cash Paid for Repurchases	Loss
First-lien						
Repurchases	$128	$ 136	$27	$239	$ 261	$98
Indemnification payments	190	115	115	183	126	126
Total first-lien	318	251	142	422	387	224
Home equity						
Repurchases	—	—	—	2	2	—
Indemnification payments	25	26	26	7	7	7
Total home equity	25	26	26	9	9	7
Total first-lien and home equity	$343	$ 277	$168	$431	$ 396	$231
	Nine Months Ended September 30					
	2013			2012		
First-lien						
Repurchases	$661	$ 693	$124	$989	$ 1,065	$313
Indemnification payments	481	291	291	647	298	298
Total first-lien	1,142	984	415	1,636	1,363	611
Home equity						
Repurchases	—	—	—	18	18	—
Indemnification payments	49	51	51	32	29	29
Total home equity	49	51	51	50	47	29
Total first-lien and home equity	$1,191	$ 1,035	$466	$1,686	$ 1,410	$640

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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. The liability for representations and warranties is established when those obligations are both probable and reasonably estimable.

The Corporation's estimated liability at September 30, 2013 for obligations under representations and warranties given to the GSEs and the corresponding estimated range of possible loss considers, and is necessarily dependent on, and limited by, a number of factors, including the Corporation's experience related to actual defaults, projected future defaults, historical loss experience, estimated home prices and other economic conditions. The methodology also considers such factors as the number of payments made by the borrower prior to default as well as certain other assumptions and judgmental factors. See Estimated Range of Possible Loss below for a discussion of the representations and warranties liability and the corresponding estimated range of possible loss.

The Corporation's estimate of the non-GSE representations and warranties liability and the corresponding estimated range of possible loss considers, among other things, repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the Covered Trusts and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. Since the non-GSE securitization trusts that were included in the BNY Mellon Settlement differ from those that were not included in the BNY Mellon Settlement, the Corporation adjusted the repurchase experience implied in the settlement in order to determine the estimated non-GSE representations and warranties liability and the corresponding estimated range of possible loss. The judgmental adjustments made include consideration of the differences in the mix of products in the subject securitizations, loan originator, likelihood of claims expected, the differences in the number of payments that the borrower has made prior to default and the sponsor of the securitizations. Where relevant, the Corporation also takes into account more recent experience, such as increased claim activity, its experience with various counterparties and other facts and circumstances, such as bulk settlements, as the Corporation believes appropriate.

Additional factors that impact the non-GSE representations and warranties liability and the portion of the estimated range of possible loss corresponding to non-GSE representations and warranties exposures include: (1) contractual material adverse effect requirements, (2) the representations and warranties provided, and (3) the requirement to meet certain presentation thresholds. For more information on these factors, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

The table below presents a rollforward of the liability for representations and warranties and corporate guarantees.

Representations and Warranties and Corporate Guarantees

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2013	2012	2013	2012
Liability for representations and warranties and corporate guarantees, beginning of period	$14,020	$15,943	$19,021	$15,858
Additions for new sales	9	8	31	19
Net reductions	(236)	11	(5,706)	(592)
Provision	323	307	770	984
Liability for representations and warranties and corporate guarantees, September 30	$14,116	$16,269	$14,116	$16,269

Estimated Range of Possible Loss

The representations and warranties liability represents the Corporation's best estimate of probable incurred losses as of September 30, 2013. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, the Corporation has not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where it has little to no claim activity. The Corporation currently estimates that the range of possible loss for representations and warranties exposures could be up to $4 billion over accruals at September 30, 2013. The estimated range of possible loss reflects principally non-GSE exposures. The estimated range of possible loss related to these representations and warranties exposures 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. The Corporation's estimated range of possible loss related to representations and warranties exposures does not include possible losses related to monoline insurers.

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Future provisions and/or ranges of possible loss for representations and warranties may be significantly impacted if actual experiences are different from the Corporation's assumptions in its predictive models, including, without limitation, ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, estimated MI rescission rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of possible loss. For example, an appellate court, in the context of claims brought by a monoline insurer, disagreed with the Corporation's interpretation that a loan must be in default in order to satisfy the underlying agreements' requirement that a breach have a material and adverse effect. If that decision is extended to non-monoline contexts, it could significantly impact the Corporation's provision and/or the estimated range of possible loss. Additionally, if court rulings related to monoline litigation, including one related to the Corporation, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred, are followed generally by the courts in future monoline litigation, private-label securitization counterparties may view litigation as a more attractive alternative compared to a loan-by-loan review. Finally, although the Corporation believes that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, the Corporation does not have significant experience resolving loan-level claims in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased. For additional information, see Note 13 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

The liability for representations and warranties exposures and the corresponding estimated range of possible loss do not consider any losses related to litigation matters, including litigation brought by monoline insurers, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any other possible losses related to potential claims for breaches of performance of servicing obligations, except as such losses are included as potential costs of the BNY Mellon Settlement, potential securities law or fraud claims or potential indemnity or other claims against the Corporation, including claims related to loans insured by the FHA. The Corporation is not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against the Corporation, except to the extent reflected in the estimated range of possible loss for litigation and regulatory matters disclosed in Note 11 – Commitments and Contingencies; however, such loss could be material.

Government-sponsored Enterprises Experience

The Corporation and its subsidiaries have an established history of working with the GSEs on repurchase claims. Generally, the Corporation first becomes aware that a GSE is evaluating a particular loan for repurchase when the Corporation receives a request from a GSE to review the underlying loan file (file request). Upon completing its review, the GSE may submit a repurchase claim to the Corporation. As soon as practicable after receiving a repurchase claim from a GSE, the Corporation evaluates the claim and takes appropriate action. Claim disputes are generally handled through loan-level negotiations with the GSEs and the Corporation seeks to resolve the repurchase claim within 90 to 120 days of the receipt of the claim although claims remain open beyond this timeframe. Disputes include reasonableness of stated income, occupancy, undisclosed liabilities, and the validity of MI claim rescissions in the vintages with the highest default rates.

At September 30, 2013, for loans originated prior to 2009, the notional amount of unresolved repurchase claims submitted by the GSEs was $1.1 billion. The Corporation has performed an initial review with respect to $742 million of these claims and does not believe a valid basis for repurchase has been established by the claimant and is still in the process of reviewing the remaining $361 million of these claims.

At September 30, 2013, for loans originated after 2008, the notional amount of unresolved repurchase claims submitted by the GSEs was $105 million. The Corporation has performed an initial review with respect to $83 million of these claims and does not believe a valid basis for repurchase has been established by the claimant and is still in the process of reviewing the remaining $22 million of these claims.

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Monoline Insurers Experience

The Corporation has had limited representations and warranties repurchase claims experience with the monoline insurers due to ongoing litigation against Countrywide and/or Bank of America. During the three and nine months ended September 30, 2013, there was minimal repurchase claim activity with the monolines.

The MBIA Settlement resolved outstanding and potential claims between the parties to the settlement involving 31 first- and 17 second-lien RMBS trusts for which MBIA provided financial guarantee insurance, including $945 million of monoline repurchase claims outstanding at December 31, 2012. In addition, this settlement covered loans with an unpaid principal balance of $2.6 billion for which the Corporation had received file requests but for which no repurchase claims had been received as of December 31, 2012. The first- and second-lien mortgages in the covered RMBS trusts had an original principal balance of $29.3 billion and $25.5 billion, and an unpaid principal balance of $9.8 billion and $9.3 billion at the time of the settlement.

For more information related to the monolines, see Note 11 – Commitments and Contingencies herein and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Whole Loan Sales and Private-label Securitizations Experience

The majority of the repurchase claims that the Corporation has received and resolved outside of those from the GSEs and monolines are from third-party whole-loan investors. The Corporation provided representations and warranties and the whole-loan investors may retain those rights even when the loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The Corporation reviews properly presented repurchase claims for these whole loans on a loan-by-loan basis. If, after the Corporation's review, it does not believe a claim is valid, it will deny the claim and generally indicate a reason for the denial. When the whole-loan investor agrees with the Corporation's denial of the claim, the whole-loan investor may rescind the claim. When there is disagreement as to the resolution of the claim, meaningful dialogue and negotiation between the parties are generally necessary to reach a resolution on an individual claim. Generally, a whole-loan investor is engaged in the repurchase process and the Corporation and the whole-loan investor reach resolution, either through loan-by-loan negotiation or at times, through a bulk settlement. As of September 30, 2013, 15 percent of the whole-loan claims that the Corporation initially denied have subsequently been resolved through repurchase or make-whole payments and 43 percent have been resolved through rescission or repayment in full by the borrower. Although the timeline for resolution varies, once an actionable breach is identified on a given loan, settlement is generally reached as to that loan within 60 to 90 days. When a claim has been denied and the Corporation does not have communication with the counterparty for six months, the Corporation views these claims as inactive; however, they remain in the outstanding claims balance until resolution.

In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. Continued high levels of new private-label claims are primarily related to repurchase requests received from trustees and third-party sponsors for private-label securitization transactions not included in the BNY Mellon Settlement, including claims related to first-lien third-party sponsored securitizations that include monoline insurance. Over time, there has been an increase in requests for loan files from certain private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statute of limitations relating to representations and warranties repurchase claims, and the Corporation believes it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees with standing to bring such claims. In addition, private-label securitization trustees may have obtained loan files through other means, including litigation and administrative subpoenas. The representations and warranties, as governed by the private-label securitization agreements, generally require that counterparties have the ability to both assert a claim and actually prove that a loan

has an actionable defect under the applicable contracts. While the Corporation believes the agreements for private-label securitizations generally contain less rigorous representations and warranties and place higher burdens on claimants seeking repurchases than the express provisions of comparable agreements with the GSEs, without regard to any variations that may have arisen as a result of dealings with the GSEs, the agreements generally include a representation that underwriting practices were prudent and customary. In the case of private-label securitization trustees and third-party sponsors, there is currently no established process in place for the parties to reach a conclusion on an individual loan if there is a disagreement on the resolution of the claim. For more information on repurchase demands, see Unresolved Repurchase Claims in this Note.

At September 30, 2013, for loans originated between 2004 and 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees and whole-loan investors was $14.8 billion. The Corporation has performed an initial review with respect to $13.9 billion of these claims and does not believe a valid basis for repurchase has been established by the claimant and is still in the process of reviewing the remaining $911 million of these claims.

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NOTE 9 – Goodwill and Intangible Assets

Goodwill

The table below presents goodwill balances by business segment at September 30, 2013 and December 31, 2012. The reporting units utilized for goodwill impairment tests are the operating segments or one level below. For additional information, see Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Goodwill

(Dollars in millions)	September 30 2013	December 31 2012
Consumer & Business Banking	$ 31,681	$ 31,681
Global Banking	22,377	22,377
Global Markets	5,197	5,181
Global Wealth & Investment Management	9,698	9,698
All Other	938	1,039
Total goodwill	$ 69,891	$ 69,976

Effective January 1, 2013, on a prospective basis, the Corporation adjusted the amount of capital being allocated to the business segments. The adjustment reflects a refinement to the prior-year methodology (economic capital), which focused solely on internal risk-based economic capital models. The refined methodology (allocated capital) now also considers the effect of regulatory capital requirements in addition to internal risk-based economic capital models. 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.

There was no goodwill in Consumer Real Estate Services at September 30, 2013 and December 31, 2012.

During the nine months ended September 30, 2013, the consumer Dealer Financial Services (DFS) business, including $1.7 billion of goodwill, was moved from Global Banking to CBB in order to align this business more closely with the Corporation's consumer lending activity and better serve the needs of its customers. In 2012, the International Wealth Management businesses within GWIM, including $230 million of goodwill, were moved to All Other in connection with the Corporation's agreement to sell these businesses in a series of transactions. Certain of the sales transactions were completed during the nine months ended September 30, 2013, and most of the remaining sales transactions are expected to close over the next 15 months. Prior periods were reclassified to conform to current period presentation.

During the three months ended September 30, 2013, the Corporation completed its annual goodwill impairment test as of June 30, 2013 for all applicable reporting units. Based on the results of the annual goodwill impairment test, the Corporation determined there was no impairment. For more information regarding annual goodwill impairment testing, see Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

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Intangible Assets

The table below presents the gross carrying value and accumulated amortization for intangible assets at September 30, 2013 and December 31, 2012.

Intangible Assets [1]

	September 30, 2013		December 31, 2012	
(Dollars in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	$6,137	$4,735	$6,184	$4,494
Core deposit intangibles	3,592	3,009	3,592	2,858
Customer relationships	4,025	2,182	4,025	1,884
Affinity relationships	1,571	1,167	1,572	1,087
Other intangibles	2,045	434	2,139	505
Total intangible assets	$17,370	$11,527	$17,512	$10,828

(1) Excludes fully amortized intangible assets.

At September 30, 2013 and December 31, 2012, none of the intangible assets were impaired. Amortization of intangibles expense was $270 million and $820 million for the three and nine months ended September 30, 2013 compared to $315 million and $955 million for the same periods in 2012. The Corporation estimates aggregate amortization expense will be approximately $270 million for the remainder of 2013, and $940 million, $840 million, $740 million, $650 million and $570 million for 2014 through 2018, respectively.

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NOTE 10 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings

The table below presents federal funds sold or purchased, securities financing agreements which include securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase, and short-term borrowings.

	Three Months Ended September 30						Nine Months Ended September 30					
	Amount		Rate				Amount		Rate			
(Dollars in millions)	2013	2012	2013		2012		2013	2012	2013		2012	
Average during period												
Federal funds sold	$10	$519	0.74	%	0.36	%	$8	$281	0.68	%	0.44	%
Securities borrowed or purchased under agreements to resell	223,424	234,436	0.52		0.60		231,371	233,777	0.53		0.67	
Total	$223,434	$234,955	0.52		0.60		$231,379	$234,058	0.53		0.67	
Federal funds purchased	$183	$211	0.03	%	0.05	%	$188	$229	0.06	%	0.05	%
Securities loaned or sold under agreements to repurchase	235,022	286,931	0.82		0.95		268,549	274,166	0.80		1.04	
Short-term borrowings	44,220	37,881	1.76		2.16		42,749	37,981	2.01		2.07	
Total	$279,425	$325,023	0.97		1.09		$311,486	$312,376	0.96		1.16	
Maximum month-end balance during period												
Federal funds sold	$35	$550					$550	$550				
Securities borrowed or purchased under agreements to resell	220,985	237,630					249,791	252,303				
Federal funds purchased	$166	$207					$1,271	$331				
Securities loaned or sold under agreements to repurchase	239,556	291,093					319,608	291,093				
Short-term borrowings	44,291	40,129					46,470	40,129				

	September 30, 2013			December 31, 2012		
	Amount	Rate		Amount	Rate	
Period-end balance						
Federal funds sold	$—	—	%	$600	0.54	%
Securities borrowed or purchased under agreements to resell	212,007	0.50		219,324	0.92	
Total	$212,007	0.50		$219,924	0.92	
Federal funds purchased	$151	0.10	%	$1,151	0.17	%
Securities loaned or sold under agreements to repurchase	226,123	0.85		292,108	1.11	

Short-term borrowings	40,769	1.86	30,731	3.08
Total	$267,043	1.00	$323,990	1.29

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Offsetting of Securities Financing Agreements

Substantially all of repurchase and resale activities are transacted under legally enforceable master repurchase agreements that give the Corporation, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets repurchase and resale transactions with the same counterparty on the Consolidated Balance Sheet where it has such a legally enforceable master netting agreement and the transactions have the same maturity date.

Substantially all securities borrowing and lending activities are transacted under legally enforceable master securities lending agreements that give the Corporation, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets securities borrowing and lending transactions with the same counterparty on the Consolidated Balance Sheet where it has such a legally enforceable master netting agreement and the transactions have the same maturity date.

The table below presents securities financing agreements included on the Consolidated Balance Sheet in federal funds sold and securities borrowed or purchased under agreements to resell, and in federal funds purchased and securities loaned or sold under agreements to repurchase at September 30, 2013 and December 31, 2012. Balances are presented on a gross basis, prior to the application of counterparty netting. Gross assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. For more information on the offsetting of derivatives, see Note 3 – Derivatives.

The "other" amount in the table below relates to transactions where the Corporation acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral. In these transactions, the Corporation recognizes an asset at fair value, representing the securities received, and a liability for the same amount, representing the obligation to return those securities. The "other" amount is included on the Consolidated Balance Sheet in other assets and in accrued expenses and other liabilities.

The column titled "Financial Instruments" in the table below includes securities collateral received or pledged under repurchase or securities lending agreements where there is a legally enforceable master netting agreement. These amounts are not offset on the Consolidated Balance Sheet, but are shown as a reduction to the net balance sheet amount in the table to derive a net asset or liability. Securities collateral received or pledged where the legal enforceability of the master netting agreements is not certain is not included.

Gross assets and liabilities include activity where uncertainty exists as to the enforceability of certain master netting agreements under bankruptcy laws in some countries or industries, and accordingly, these are reported on a gross basis.

Securities Financing Agreements

	September 30, 2013				
(Dollars in millions)	Gross Assets/Liabilities	Amounts Offset	Net Balance Sheet Amount	Financial Instruments	Net Assets/Liabilities
Securities borrowed or purchased under agreements to resell	$315,751	$(103,744)	$212,007	$(171,277)	$ 40,730
Securities loaned or sold under agreements to repurchase	$329,867	$(103,744)	$226,123	$(180,918)	$ 45,205
Other	9,180	—	9,180	(9,180)	—

Total	$339,047	$(103,744)	$235,303	$(190,098)	$ 45,205
	December 31, 2012				
Securities borrowed or purchased under agreements to resell	$366,238	$(146,914)	$219,324	$(173,593)	$ 45,731
Securities loaned or sold under agreements to repurchase	$439,022	$(146,914)	$292,108	$(217,817)	$ 74,291
Other	12,306	—	12,306	(12,302)	4
Total	$451,328	$(146,914)	$304,414	$(230,119)	$ 74,295

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NOTE 11 – Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Consolidated Balance Sheet. For more information on commitments and contingencies, see Note 13 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. The Credit Extension Commitments table includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated) to other financial institutions of $21.0 billion and $23.9 billion at September 30, 2013 and December 31, 2012. At September 30, 2013, the carrying value of these commitments, excluding commitments accounted for under the fair value option, was $499 million, including deferred revenue of $19 million and a reserve for unfunded lending commitments of $480 million. At December 31, 2012, the comparable amounts were $534 million, $21 million and $513 million, respectively. The carrying value of these commitments is classified in accrued expenses and other liabilities on the Consolidated Balance Sheet.

The table below also includes the notional amount of commitments of $14.7 billion and $18.3 billion at September 30, 2013 and December 31, 2012 that are accounted for under the fair value option. However, the table below excludes cumulative net fair value adjustments of $412 million and $528 million on these commitments, which are classified in accrued expenses and other liabilities. For more information regarding the Corporation's loan commitments accounted for under the fair value option, see Note 17 – Fair Value Option.

Credit Extension Commitments

	September 30, 2013				
(Dollars in millions)	Expire in One Year or Less	Expire After One Year Through Three Years	Expire After Three Years Through Five Years	Expire After Five Years	Total
Notional amount of credit extension commitments					
Loan commitments	$84,608	$102,677	$133,045	$22,056	$342,386
Home equity lines of credit	3,711	16,398	21,976	14,631	56,716
Standby letters of credit and financial guarantees [(1)]	22,536	9,739	2,437	4,461	39,173
Letters of credit	1,603	76	764	290	2,733
Legally binding commitments	112,458	128,890	158,222	41,438	441,008
Credit card lines [(2)]	379,036	—	—	—	379,036
Total credit extension commitments	$491,494	$128,890	$158,222	$41,438	$820,044
	December 31, 2012				
Notional amount of credit extension commitments					
Loan commitments	$103,791	$83,885	$130,805	$19,942	$338,423
Home equity lines of credit	2,134	13,584	23,344	21,856	60,918
Standby letters of credit and financial guarantees [(1)]	24,593	11,387	3,094	4,751	43,825
Letters of credit	2,003	70	10	546	2,629

Legally binding commitments	132,521	108,926	157,253	47,095	445,795
Credit card lines [2]	397,862	—	—	—	397,862
Total credit extension commitments	$530,383	$108,926	$157,253	$47,095	$843,657

(1) The notional amounts of SBLCs and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name within the instrument were $28.6 billion and $10.1 billion at September 30, 2013, and $31.5 billion and $11.6 billion at December 31, 2012. Amounts include consumer SBLCs of $537 million and $669 million at September 30, 2013 and December 31, 2012.

(2) Includes business card unused lines of credit.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Corporation against deterioration in the borrower's ability to pay.

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Other Commitments

At September 30, 2013 and December 31, 2012, the Corporation had unfunded equity investment commitments of $235 million and $307 million.

At September 30, 2013 and December 31, 2012, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $1.4 billion and $1.3 billion, which upon settlement will be included in loans or LHFS.

At September 30, 2013 and December 31, 2012, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $92.3 billion and $67.3 billion, and commitments to enter into forward-dated repurchase and securities lending agreements of $59.1 billion and $42.3 billion. All of these commitments expire within the next 12 months.

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately $731 million, $2.7 billion, $2.4 billion, $2.0 billion and $1.6 billion for the remainder of 2013 and the years through 2017, respectively, and $7.1 billion in the aggregate for all years thereafter.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed-income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At September 30, 2013 and December 31, 2012, the notional amount of these guarantees totaled $13.3 billion and $13.4 billion and the Corporation's maximum exposure related to these guarantees at both dates totaled $3.0 billion with estimated maturity dates between 2030 and 2040. The net fair value including the fee receivable associated with these guarantees was $42 million and $52 million at September 30, 2013 and December 31, 2012, and reflects the probability of surrender as well as the multiple structural protection features in the contracts.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of the Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed-income securities and is intended to cover any shortfall in the event that plan participants continue to make qualified withdrawals after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the investment manager will either terminate the contract or convert the portfolio into a high-quality fixed-income portfolio, typically all government or government-backed agency securities, with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with significant structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At September 30, 2013 and December 31, 2012, the notional amount of these guarantees totaled $6.1 billion and $18.4 billion with estimated maturity dates up to 2017 if the exit option is exercised on all

deals. The decline in notional amount in the nine months ended September 30, 2013 was primarily the result of plan sponsors terminating contracts pursuant to exit options. As of September 30, 2013, the Corporation had not made a payment under these products.

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Merchant Services

In accordance with credit and debit card association rules, the Corporation sponsors merchant processing servicers that process credit and debit card transactions on behalf of various merchants. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor. If the merchant defaults on its obligation to reimburse the cardholder, the cardholder, through its issuing bank, generally has until six months after the date of the transaction to present a chargeback to the merchant processor, which is primarily liable for any losses on covered transactions. However, if the merchant processor fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation, as the sponsor, could be held liable for the disputed amount. For the three and nine months ended September 30, 2013, the sponsored entities processed and settled $154.7 billion and $460.9 billion of transactions and recorded losses of $4 million and $12 million. For the three and nine months ended September 30, 2012, the sponsored entities processed and settled $153.9 billion and $442.7 billion of transactions and recorded losses of $3 million and $7 million. A significant portion of this activity was processed by a joint venture in which the Corporation holds a 49 percent ownership. At September 30, 2013 and December 31, 2012, the sponsored merchant processing servicers held as collateral $207 million and $202 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants.

The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of September 30, 2013 and December 31, 2012, the maximum potential exposure for sponsored transactions totaled $260.4 billion and $263.9 billion. However, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure and does not expect to make material payments in connection with these guarantees.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and VIEs that are not consolidated on the Consolidated Balance Sheet. The total notional amount of these derivative contracts was $2.4 billion and $2.9 billion with commercial banks and $1.4 billion with VIEs at both September 30, 2013 and December 31, 2012. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation has entered into additional guarantee agreements and commitments, including lease-end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps, divested business commitments and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $6.7 billion and $6.8 billion at September 30, 2013 and December 31, 2012. The estimated maturity dates of these obligations extend up to 2033. The Corporation has made no material payments under these guarantees.

In the normal course of business, the Corporation periodically guarantees the obligations of its affiliates in a variety of transactions including ISDA-related transactions and non-ISDA related transactions such as commodities trading, repurchase agreements, prime brokerage agreements and other transactions.

Payment Protection Insurance Claims Matter

In the U.K., the Corporation previously sold payment protection insurance (PPI) through its international card services business to credit card customers and consumer loan customers. PPI covers a consumer's loan or debt repayment if certain events occur such as loss of job or illness. In response to an elevated level of customer complaints across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Services Authority investigated and raised concerns about the way some companies have handled complaints related to the sale of these insurance policies. In connection with this matter, the Corporation established a reserve for PPI. The reserve was $300 million and $510 million at September 30, 2013 and December 31, 2012. The Corporation recorded $66 million and $95 million of expense for the three and nine months ended September 30, 2013 compared to $267 million and $467 million for the same periods in 2012. It is reasonably possible that the Corporation will incur additional expense related to PPI claims; however, the amount of such additional expense cannot be reasonably estimated.

Litigation and Regulatory Matters

The following supplements the disclosure in Note 13 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K and in Note 11 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's Quarterly Report on Form 10-Q for the quarterly periods ended June 30, 2013 and March 31, 2013 (the prior commitments and contingencies disclosure).

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of consumer protection, securities, environmental, banking, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries.

In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the Financial Industry Regulatory Authority, the European Commission, the Prudential Regulatory Authority, the Financial Conduct Authority and other international, federal and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Corporation generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Corporation establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Corporation does not establish an accrued liability. As a litigation or regulatory matter develops, the Corporation, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Corporation will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Corporation continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Excluding expenses of internal or external legal service providers, litigation-related expense of $1.1 billion and $3.8 billion was recognized for the three and nine months ended September 30, 2013 compared to $1.6 billion and $3.3 billion for the same periods in 2012.

For a limited number of the matters disclosed in this Note, and in the prior commitments and contingencies disclosure, for which a loss is probable or reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, the Corporation is able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Corporation reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. These may include information learned through the

discovery process, rulings on dispositive motions, settlement discussions, and other rulings by courts, arbitrators or others. In cases in which the Corporation possesses sufficient appropriate information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate may not be possible. For those matters where an estimate is possible, management currently estimates the aggregate range of possible loss is $0 to $5.1 billion in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate, including as a result of the current and future governmental and regulatory environment. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, this estimated range of possible loss represents what the Corporation believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Corporation's maximum loss exposure. Information is provided below, or in the prior commitments and contingencies disclosure, regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending matters, including the matters described herein, and in the prior commitments and contingencies disclosure, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Corporation's control, and the very large or indeterminate damages sought in some of these matters,

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an adverse outcome in one or more of these matters could be material to the Corporation's results of operations or cash flows for any particular reporting period.

FIRREA and False Claims Act Litigation

In the O'Donnell action, trial began on September 24, 2013. On October 23, 2013, a verdict of liability was returned against Countrywide Home Loans, Inc., Countrywide Bank, FSB and BANA. The Court may impose civil monetary penalties as early as December 2013. The Corporation is currently considering its options for appeal.

Fontainebleau Las Vegas Litigation

On August 30, 2013, the U.S. District Court for the Southern District of Florida entered an order requesting that the U.S. Judicial Panel on Multidistrict Litigation (JPML) remand the disbursement agent claims in the Avenue Action back to the District of Nevada. On September 4, 2013, the JPML issued a conditional remand order (CRO) to remand the Avenue Action back to the District of Nevada. BANA filed a motion to vacate the CRO on September 26, 2013.

Interchange and Related Litigation

On August 16, 2013, the Corporation entered into an agreement to settle the Canadian interchange class actions for an amount not material to the Corporation's results of operations. The settlement is subject to court approval in five provinces.

Mortgage-backed Securities Litigation

Civil RMBS Matter Filed by the DOJ and the SEC

On August 6, 2013, the DOJ and the SEC filed civil actions in the U.S. District Court for the Western District of North Carolina against Merrill Lynch, Pierce, Fenner & Smith (MLPF&S), BANA and Banc of America Mortgage Securities, Inc. (and, in the DOJ case, the Corporation). Both cases allege generally that the offering materials for a single 2008 RMBS offering contained material misstatements and omissions regarding, inter alia, the concentration of loans originated in the wholesale loan channel. The DOJ case asserts violations of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the SEC case asserts claims under Sections 17(a)(2) and (3) and Section 5(b)(1) of the Securities Act of 1933. The complaints demand unspecified damages and other relief. Defendants have until November 8, 2013 to answer or move to dismiss the complaints.

Luther Litigation and Related Actions

On August 8, 2013, the Multidistrict Litigation Court preliminarily approved the settlement of the Maine State, David H. Luther and Western Conference of Teamsters actions. The settlement provides, among other things, that all claims that have been asserted in any putative class action against Countrywide concerning Countrywide-issued MBS will be released and discharged upon final court approval of the settlement.

Regulatory Investigations

The Corporation has received a number of subpoenas and other requests for information from regulators and governmental authorities regarding MBS and other mortgage-related matters, including inquiries, investigations and potential proceedings related to a number of transactions involving the underwriting and issuance of MBS by the Corporation (including legacy entities the Corporation acquired) and participation in certain CDO offerings. These inquiries and investigations include, among others, an investigation by the SEC related to risk control, valuation,

structuring, marketing and purchase of CDOs by MLPF&S, and investigations by the RMBS Working Group of the Financial Fraud Enforcement Task Force, including the DOJ, the SEC, the New York Attorney General (the NYAG) and the California Attorney General, concerning the purchase, securitization and underwriting of mortgage loans and RMBS. The Corporation has provided documents and testimony, and continues to cooperate fully with these inquiries and investigations.

The staff of the NYAG has advised that they intend to recommend filing an action against MLPF&S as a result of their RMBS investigation. In addition, the staff of a U.S. Attorney’s office recently advised that they intend to recommend that the DOJ file a civil action against affiliates of the Corporation related to the securitization of RMBS.

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Mortgage Repurchase Litigation

Policemen's Annuity and Related Litigation

On August 23, 2013, the Vermont Pension Investment Committee and the Washington State Investment Board brought a new putative class action in the U.S. District Court for the Southern District of New York entitled Vermont Pension Investment Committee and the Washington State Investment Board v. Bank of America, N.A. and U.S. Bank National Association (Vermont Pension). The Vermont Pension action is based on similar factual allegations and the same claims and legal theories as the Policemen’s Annuity action, but concerns six different RMBS trusts collateralized by Washington Mutual-originated mortgages for which BANA is the former trustee and U.S. Bank is the current trustee. As in Policemen’s Annuity, plaintiffs seek unspecified compensatory damages and/or equitable relief, and costs and expenses. The case was marked as related to Policemen’s Annuity and assigned to the same judge, who ordered the two cases coordinated for pre-trial purposes.

Ocala Litigation

FDIC Action

On August 26, 2013, the U.S. District Court for the District of Columbia granted the FDIC’s motion to dismiss BANA’s claims against the FDIC in its capacity as receiver for Colonial Bank. The court ruled that the order of judgment would be held in abeyance pending resolution of BANA’s challenge filed on July 22, 2013 to the FDIC’s No Value Determination.

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NOTE 12 – Shareholders' Equity

Common Stock

The table below presents the declared quarterly cash dividends on common stock during 2013 and through October 30, 2013.

Declaration Date	Record Date	Payment Date	Dividend Per Share
October 24, 2013	December 6, 2013	December 27, 2013	$0.01
July 24, 2013	September 6, 2013	September 27, 2013	0.01
April 30, 2013	June 7, 2013	June 28, 2013	0.01
January 23, 2013	March 1, 2013	March 22, 2013	0.01

On March 14, 2013, the Corporation announced that its Board of Directors authorized the repurchase of up to $5.0 billion of common stock. The timing and amount of common stock repurchases have been and will continue to be consistent with the Corporation's 2013 capital plan and will be subject to various factors, including the Corporation's capital position, liquidity, applicable legal considerations, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The remaining 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.

During the three and nine months ended September 30, 2013, the Corporation repurchased and retired 60.0 million and 139.6 million shares of common stock, which reduced shareholders' equity by $866 million and $1.9 billion.

During the nine months ended September 30, 2013, in connection with employee stock plans, the Corporation issued approximately 73 million shares and repurchased approximately 28 million shares of its common stock to satisfy tax withholding obligations. At September 30, 2013, the Corporation had reserved 1.8 billion unissued shares of common stock for future issuances under employee stock plans, common stock warrants, convertible notes and preferred stock.

Preferred Stock

During the three months ended March 31, 2013, June 30, 2013 and September 30, 2013, the cash dividends declared on preferred stock were $373 million, $365 million and $255 million for a total of $993 million for the nine months ended September 30, 2013.

During the nine months ended September 30, 2013, the Corporation redeemed for $6.6 billion its Non-Cumulative Preferred Stock, Series H, J, 6, 7 and 8. The $100 million difference between the carrying value of $6.5 billion and the redemption price of the preferred stock was recorded as a preferred stock dividend. In addition, the Corporation issued $1.0 billion of its Fixed-to-Floating Rate Semi-annual Non-Cumulative Preferred Stock, Series U.

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NOTE 13 – Accumulated Other Comprehensive Income (Loss)

The table below presents the changes in accumulated OCI after-tax for the nine months ended September 30, 2013 and 2012.

(Dollars in millions)	Available-for-sale Debt Securities	Available-for-sale Marketable Equity Securities	Derivatives	Employee Benefit Plans [1]	Foreign Currency [2]	Total
Balance, December 31, 2011	$ 3,100	$ 3	$(3,785)	$(4,391)	$(364)	$(5,437)
Net change	2,645	326	535	1,106	14	4,626
Balance, September 30, 2012	$ 5,745	$ 329	$(3,250)	$(3,285)	$(350)	$(811)
Balance, December 31, 2012	$ 4,443	$ 462	$(2,869)	$(4,456)	$(377)	$(2,797)
Net change	(5,303)	(467)	365	1,513	(134)	(4,026)
Balance, September 30, 2013	$ (860)	$ (5)	$(2,504)	$(2,943)	$(511)	$(6,823)

(1) During the three months ended September 30, 2013, the Corporation merged certain pension plans into one plan. For additional information, see Note 15 – Pension, Postretirement and Certain Compensation Plans.

(2) Net change in fair value represents the impact of changes in spot foreign exchange rates on the Corporation's net investment in non-U.S. operations and related hedges.

The table below presents the net change in fair value recorded in accumulated OCI and realized net gains and losses reclassified into earnings for each component of OCI before- and after-tax for the nine months ended September 30, 2013 and 2012.

Changes in OCI Components Before- and After-tax

	Nine Months Ended September 30					
	2013			2012		
(Dollars in millions)	Before-tax	Tax effect	After-tax	Before-tax	Tax effect	After-tax
Available-for-sale debt securities:						
Net change in fair value	$(7,573)	$2,813	$(4,760)	$5,576	$(2,024)	$3,552
Net realized gains reclassified into earnings	(861)	318	(543)	(1,439)	532	(907)
Net change	(8,434)	3,131	(5,303)	4,137	(1,492)	2,645
Available-for-sale marketable equity securities:						
Net change in fair value	28	(10)	18	542	(200)	342
Net realized gains reclassified into earnings	(765)	280	(485)	(25)	9	(16)
Net change	(737)	270	(467)	517	(191)	326
Derivatives:						
Net change in fair value	(3)	—	(3)	123	(46)	77
Net realized losses reclassified into earnings	584	(216)	368	726	(268)	458
Net change	581	(216)	365	849	(314)	535
Employee benefit plans:						
Net change in fair value related to pension plan remeasurement	2,138	(795)	1,343	—	—	—
Net realized losses reclassified into earnings	204	(68)	136	371	(135)	236
Settlements and curtailments	46	(12)	34	1,381	(511)	870
Net change	2,388	(875)	1,513	1,752	(646)	1,106
Foreign currency:						
Net change in fair value	214	(347)	(133)	(340)	354	14

Net realized (gains) losses reclassified into earnings	31	(32)	(1)	2	(2)	—
Net change	245	(379)	(134)	(338)	352	14
Total other comprehensive income (loss)	$(5,957)	$1,931	$(4,026)	$6,917	$(2,291)	$4,626

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The table below presents impacts on net income of significant amounts reclassified out of each component of accumulated OCI before- and after-tax for the nine months ended September 30, 2013 and 2012.

Reclassifications Out of Accumulated OCI

(Dollars in millions)		Nine Months Ended September 30	
Accumulated OCI Components	Income Statement Line Item	2013	2012
Available-for-sale debt securities:			
	Gain on sale of debt securities	$881	$1,491
	Other-than-temporary impairment	(20)	(52)
	Income before income taxes	861	1,439
	Income tax expense	318	532
	Net income	543	907
Available-for-sale marketable equity securities:			
	Equity investment income	765	25
	Income before income taxes	765	25
	Income tax expense	280	9
	Net income	485	16
Derivatives:			
Interest rate contracts	Net interest income	(818)	(637)
Commodity contracts	Trading account profits	(1)	—
Interest rate contracts	Other income	18	—
Equity compensation contracts	Personnel	217	(89)
	Loss before income taxes	(584)	(726)
	Income tax benefit	(216)	(268)
	Net loss	(368)	(458)
Employee benefit plans:			
Prior service cost	Personnel	(3)	(9)
Transition obligation	Personnel	—	(31)
Net actuarial losses	Personnel	(199)	(329)
Settlements and curtailments	Personnel	(2)	(62)
	Loss before income taxes	(204)	(431)
	Income tax benefit	(68)	(157)
	Net loss	(136)	(274)
Foreign currency:			
Insignificant items	Other loss	(31)	(2)
	Loss before income taxes	(31)	(2)
	Income tax benefit	(32)	(2)
	Net income	1	—
Total reclassification adjustments		$525	$191

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NOTE 14 – Earnings Per Common Share

The calculation of earnings per common share (EPS) and diluted EPS for the three and nine months ended September 30, 2013 and 2012 is presented below. For more information on the calculation of EPS, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share information; shares in thousands)	2013	2012	2013	2012
Earnings per common share				
Net income	$2,497	$340	$7,992	$3,456
Preferred stock dividends	(279)	(373)	(1,093)	(1,063)
Net income (loss) applicable to common shareholders	$2,218	$(33)	$6,899	$2,393
Dividends and undistributed earnings allocated to participating securities	(1)	—	(2)	(2)
Net income (loss) allocated to common shareholders	$2,217	$(33)	$6,897	$2,391
Average common shares issued and outstanding	10,718,918	10,776,173	10,764,216	10,735,461
Earnings per common share	$0.21	$0.00	$0.64	$0.22
Diluted earnings per common share				
Net income (loss) applicable to common shareholders	$2,218	$(33)	$6,899	$2,393
Add preferred stock dividends due to assumed conversions	75	—	225	—
Dividends and undistributed earnings allocated to participating securities	(1)	—	(2)	(2)
Net income (loss) allocated to common shareholders	$2,292	$(33)	$7,122	$2,391
Average common shares issued and outstanding	10,718,918	10,776,173	10,764,216	10,735,461
Dilutive potential common shares [1]	763,308	—	759,433	91,042
Total diluted average common shares issued and outstanding	11,482,226	10,776,173	11,523,649	10,826,503
Diluted earnings per common share	$0.20	$0.00	$0.62	$0.22

(1) Includes incremental shares from restricted stock units, restricted stock, stock options and warrants.

The Corporation previously issued a warrant to purchase 700 million shares of the Corporation's common stock to the holder of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock). The warrant may be exercised, at the option of the holder, through tendering the Series T Preferred Stock or paying cash. For both the three and nine months ended September 30, 2013, 700 million average dilutive potential common shares associated with the Series T Preferred Stock were included in the diluted share count under the "if-converted" method. For the same periods in 2012, they were not included in the diluted share count because the result would have been antidilutive under the "if-converted" method.

For both the three and nine months ended September 30, 2013 and 2012, 62 million average dilutive potential common shares associated with the 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L were not included in the diluted share count because the result would have been antidilutive under the "if-converted" method. For the three and nine months ended September 30, 2013, average options to purchase 123 million and 127 million shares of common stock were outstanding but not included in the computation of EPS because the result would have been antidilutive under the treasury stock method compared to 159 million and 166 million for the same periods in 2012. For the three and nine months ended September 30, 2013, average warrants to purchase 263 million and 272 million shares of common stock were outstanding but not included in the computation of EPS because the result

would have been antidilutive under the treasury stock method compared to 272 million for the same periods in 2012.

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NOTE 15 – Pension, Postretirement and Certain Compensation Plans

Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed pension plans, a number of noncontributory nonqualified pension plans, and postretirement health and life plans that cover eligible employees. During the three months ended September 30, 2013, the Corporation merged a defined benefit pension plan, which covered eligible employees of certain legacy companies, into the Bank of America Pension Plan. This plan is referred to as the Qualified Pension Plan (Qualified Pension Plans prior to this merger). The benefit structures of the merged plans did not change and there was no impact to plan participants. The merger of the pension plans required a remeasurement, which was accelerated from the required December 31 remeasurement, of the qualified pension obligations and plan assets at fair value as of the merger date that resulted in an increase in accumulated OCI of $1.4 billion, net-of-tax. Under pension plan accounting guidance, pension assets and obligations are required to be measured again at December 31. Effective June 30, 2012, the benefits earned in the Qualified Pension Plans were frozen. For more information on these plans, see Note 18 – Employee Benefit Plans to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

Net periodic benefit cost of the Corporation's plans for the three and nine months ended September 30, 2013 and 2012 included the following components.

Components of Net Periodic Benefit Cost

(Dollars in millions)	Qualified Pension Plan	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans [1]	Postretirement Health and Life Plans
	Three Months Ended September 30, 2013			
Service cost	$—	$8	$—	$ 1
Interest cost	157	26	30	13
Expected return on plan assets	(258)	(31)	(27)	(2)
Amortization of prior service cost	—	—	—	1
Amortization of net actuarial loss (gain)	63	1	7	(16)
Recognized loss due to settlements and curtailments	—	—	2	—
Net periodic benefit cost (income)	$(38)	$4	$12	$ (3)
	Three Months Ended September 30, 2012			
Service cost	$5	$10	$—	$ 3
Interest cost	170	25	34	19
Expected return on plan assets	(313)	(36)	(38)	(3)
Amortization of transition obligation	—	—	—	15
Amortization of prior service cost	—	—	—	2
Amortization of net actuarial loss (gain)	116	(2)	2	(21)
Net periodic benefit cost (income)	$(22)	$(3)	$(2)	$ 15
	Nine Months Ended September 30, 2013			
Service cost	$—	$25	$1	$ 8
Interest cost	459	76	89	41
Expected return on plan assets	(763)	(94)	(82)	(4)
Amortization of prior service cost	—	—	—	3
Amortization of net actuarial loss (gain)	204	2	19	(26)

Recognized loss (gain) due to settlements and curtailments	17	(7)	2	—
Net periodic benefit cost (income)	$(83)	$2	$29	$ 22
	Nine Months Ended September 30, 2012			
Service cost	$236	$30	$—	$ 10
Interest cost	511	74	104	55
Expected return on plan assets	(934)	(105)	(114)	(6)
Amortization of transition obligation	—	—	—	31
Amortization of prior service cost (credits)	9	—	(4)	4
Amortization of net actuarial loss (gain)	354	(6)	7	(31)
Recognized loss due to settlements and curtailments	58	—	4	—
Net periodic benefit cost (income)	$234	$(7)	$(3)	$ 63

(1) Includes nonqualified pension plans and the terminated Merrill Lynch U.S. pension plan.

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The Corporation's best estimate of its contributions to be made to the Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans in 2013 is $123 million, $103 million and $107 million, respectively. For the nine months ended September 30, 2013, the Corporation contributed $112 million, $78 million and $81 million, respectively, to these plans. The Corporation has not made and does not expect to make a contribution to the Qualified Pension Plan in 2013.

Certain Compensation Plans

During the nine months ended September 30, 2013, the Corporation granted 183 million restricted stock unit (RSU) awards to certain employees under the Key Associate Stock Plan. Generally, one-third of the RSUs vest on each of the first three anniversaries of the grant date provided that the employee remains continuously employed with the Corporation during that time. Except for two million RSUs that are authorized to settle in shares of common stock of the Corporation, the RSUs will be paid in cash to the employees on the vesting date based on the fair value of the Corporation's common stock as of the vesting date. The RSUs are expensed ratably over the vesting period, net of estimated forfeitures, for non-retirement eligible employees based upon the fair value of the Corporation's common stock on the accrual date. For RSUs granted to employees who are retirement eligible or will become retirement eligible during the vesting period, the RSUs are expensed as of the grant date or ratably over the period from the grant date to the date the employee becomes retirement eligible, net of estimated forfeitures. The accrued liability for the RSUs is adjusted to fair value based on changes in the fair value of the Corporation's common stock. The Corporation enters into cash-settled equity derivatives for a significant portion of the RSUs to minimize the change in expense driven by fluctuations in the fair value of the RSUs over the applicable vesting period. For additional information, see Note 19 – Stock-based Compensation Plans to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K.

NOTE 16 – Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. The Corporation conducts a review of its fair value hierarchy classifications on a quarterly basis. Transfers into or out of fair value hierarchy classifications are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are considered to be effective as of the beginning of the quarter in which they occur. For more information regarding the fair value hierarchy and how the Corporation measures fair value, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2012 Annual Report on Form 10-K. The Corporation accounts for certain financial instruments under the fair value option. For additional information, see Note 17 – Fair Value Option.

Valuation Processes and Techniques

The Corporation has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models by personnel who are independent of the front office, and periodic reassessments of models to ensure that they are continuing to perform as designed. In addition, detailed reviews of trading gains and losses are conducted on a daily basis by personnel who are independent of the front office. A price verification group, which is also independent of the front office, utilizes available market information including executed trades, market

prices and market-observable valuation model inputs to ensure that fair values are reasonably estimated. The Corporation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the nine months ended September 30, 2013, there were no changes to the valuation techniques that had, or are expected to have, a material impact on the Corporation's consolidated financial position or results of operations.

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Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when the valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Trading Account Assets and Liabilities and Debt Securities

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets and liabilities and debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased. Some of these instruments are valued using a discounted cash flow model, which estimates the fair value of the securities using internal credit risk, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Principal and interest cash flows are discounted using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value for the specific security. Other instruments are valued using a net asset value approach which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

Derivative Assets and Liabilities

The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that utilize multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. When third-party pricing services are used, the methods and assumptions used are reviewed by the Corporation. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available, or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other instrument-specific factors, where appropriate. In addition, the Corporation incorporates within its fair value measurements of OTC derivatives a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparty, and fair value for net long exposures is adjusted for counterparty credit risk while the fair value for net short exposures is adjusted for the Corporation's own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data.

Loans and Loan Commitments

The fair values of loans and loan commitments are based on market prices, where available, or discounted cash flow analyses using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower.

Mortgage Servicing Rights

The fair values of MSRs are determined using models that rely on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the option-adjusted spread (OAS) levels. For more information on MSRs, see Note 19 – Mortgage Servicing Rights.

Loans Held-for-sale

The fair values of LHFS are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans adjusted to reflect the inherent credit risk.

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Private Equity Investments

Private equity investments consist of direct investments and fund investments which are initially valued at their transaction price. Thereafter, the fair value of direct investments is based on an assessment of each individual investment using methodologies that include publicly-traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, entry level multiples and discounted cash flow analyses, and are subject to appropriate discounts for lack of liquidity or marketability. After initial recognition, the fair value of fund investments is based on the Corporation's proportionate interest in the fund's capital as reported by the respective fund managers.

Securities Financing Agreements

The fair values of certain reverse repurchase agreements, repurchase agreements and securities borrowed transactions are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

Deposits and Short-term Borrowings

The fair values of deposits and short-term borrowings are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The Corporation considers the impact of its own credit spreads in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary cash market.

Long-term Debt

The Corporation issues structured liabilities that have coupons or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities. The fair values of these structured liabilities are estimated using quantitative models for the combined derivative and debt portions of the notes. These models incorporate observable and, in some instances, unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs. The Corporation also considers the impact of its own credit spreads in determining the discount rate used to value these liabilities. The credit spread is determined by reference to observable spreads in the secondary bond market.

Asset-backed Secured Financings

The fair values of asset-backed secured financings are based on external broker bids, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans adjusted to reflect the inherent credit risk.

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Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis at September 30, 2013 and December 31, 2012, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the following tables.

	September 30, 2013 Fair Value Measurements				
(Dollars in millions)	Level 1 [1]	Level 2 [1]	Level 3	Netting Adjustments [2]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$—	$102,899	$—	$—	$ 102,899
Trading account assets:					