BANK OF AMERICA CORP /DE/
Form 10-Q
November 01, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2016
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact name of registrant as specified in its charter:
Bank of America Corporation
State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

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

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

On October 31, 2016, there were 10,105,046,654 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
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Part I. Financial Information

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

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

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including under Item 1A. Risk Factors of the Corporation's 2015 Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to distinguish certain aspects of the New York Court of Appeals' ACE Securities Corp v. DB Structured Products, Inc. (ACE) decision or to assert other claims seeking to avoid the impact of the ACE decision; the possibility that the Corporation could face increased servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, other parties involved in securitizations, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation and regulatory proceedings, including the possibility that amounts may be in excess of the Corporation's recorded liability and estimated range of possible loss for litigation exposures; the possible outcome of LIBOR, other reference rate, financial instrument and foreign exchange inquiries, investigations and litigation; uncertainties about the financial stability and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation's exposures to such risks, including direct, indirect and operational; the impact of U.S. and global interest rates (including negative or continued low interest rates), currency exchange rates and economic conditions; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior and other uncertainties; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; the impact on the Corporation's business, financial condition and results of operations from a protracted period of lower oil prices or ongoing volatility with respect to oil prices; our ability to achieve our expense targets; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including the potential adoption of total loss-absorbing capacity requirements; the potential for payment protection insurance exposure to increase as a result of Financial Conduct Authority actions; the impact of Federal Reserve actions on the Corporation's capital plans; the possible impact of the Corporation's failure to remediate deficiencies and shortcomings identified by banking regulators in the Corporation's Recovery and Resolution plans; the impact of implementation and compliance with U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, FDIC assessments, the Volcker Rule, fiduciary standards and derivatives regulations; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations from the potential exit of the United Kingdom from the European Union; and other similar matters.

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

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

The Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 as supplemented by a Current Report on Form 8-K filed on August 1, 2016 to reflect reclassified business segment information is referred to herein as the 2015 Annual Report on Form 10-K.

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Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through four business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At September 30, 2016, the Corporation had approximately $2.2 trillion in assets and approximately 209,000 full-time equivalent employees.

At September 30, 2016, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,600 retail financial centers, approximately 16,000 ATMs, and leading online (www.bankofamerica.com) and mobile banking platforms with approximately 34 million active accounts and more than 21 million mobile active users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of approximately $2.5 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes, serving corporations, governments, institutions and individuals around the world.

Third-Quarter 2016 Economic and Business Environment

In the third quarter of 2016, the macroeconomic environment in the U.S. was mixed. Continued strengthening in the labor market and a rebound in gross domestic product (GDP) growth were offset by continued weakness in certain sectors. The unemployment rate remained slightly below five percent, close to what is generally regarded as the natural rate of unemployment. However, retail sales and industrial production declined. Manufacturing output was weak, and businesses remained reluctant to invest in equipment and software. The economic pick-up during the quarter stemmed from continued moderate growth in domestic demand, largely reflecting consumption gains, along with a rebound in exports and signs that businesses may have passed the peak of their inventory reductions. Overall, these were minimal changes in the U.S. macroeconomic environment in comparison to the prior quarter.

Oil prices were generally stable over the quarter. Core inflation maintained the momentum gained early in the year, but remained below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term annual target of two percent. Treasury yields fell during the quarter, reaching their lows in mid-July. Corporate spreads narrowed on the perception of an improving U.S. economy and strong international demand due to negative rates in Europe and Japan. U.S. equities rose moderately.

The Federal Open Market Committee (FOMC) cited continued improvement in the labor market and progress toward meeting the requirements for another interest rate hike. However, the low level of inflation and weak spots in the economy kept the FOMC on hold regarding the increase in rates.

Following the U.K.'s Referendum on exiting the European Union (EU) (U.K. Referendum) in June, economic indicators in the U.K. proved resilient despite the risk of negative growth during the third quarter. The unemployment rate in the U.K., for instance, remained below five percent. Economic momentum in the eurozone was sustained despite the U.K. Referendum, with available indicators pointing to moderate expansion in the third quarter. However, political uncertainty remained elevated and continued to impact financial markets. The European Central Bank maintained accommodative conditions, but did not commit to a possible extension of quantitative easing beyond March 2017. Government bond yields remained low, with German 10-year Bund yields remaining in negative territory.

Amid persistently low inflation, the Bank of Japan introduced a new policy focusing on maintaining the 10-year government bond yield near zero percent. In early July, a coup attempt in Turkey increased political instability, although the current government remained in power and financial market reaction outside of Turkey was minimal. The Chinese economy was stable during the quarter, but real estate remained a major concern.

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Recent Events

Change in Accounting Method Related to Certain Debt Securities

Effective July 1, 2016, the Corporation changed its accounting method for the amortization of premiums and accretion of discounts related to certain debt securities under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310-20, Nonrefundable fees and other costs, from the prepayment method (also referred to as the retrospective method), to the contractual method. All prior periods presented herein have been restated to conform to current period presentation. Under the applicable bank regulatory rules, we are not required to and, accordingly, will not restate previously-filed capital metrics and ratios. The cumulative impact of the change in accounting method would have resulted in an insignificant pro forma change to our capital metrics and ratios. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Capital Management

Our 2016 Comprehensive Capital Analysis and Review (CCAR) capital plan included requests (i) to repurchase $5.0 billion of common stock over four quarters beginning in the third quarter of 2016, (ii) to repurchase common stock to offset the dilution resulting from certain equity-based compensation awards and (iii) to increase the quarterly common stock dividend from $0.05 per share to $0.075 per share. On June 29, 2016, following the Federal Reserve's non-objection to our 2016 CCAR capital plan, the Board of Directors (the Board) authorized the common stock repurchases described above. The common stock repurchase authorization includes both common stock and warrants. During the three months ended September 30, 2016, pursuant to the Board's authorization, we repurchased $1.4 billion of common stock, which includes common stock to offset equity-based compensation awards. On July 27, 2016, the Board declared a quarterly common stock dividend of $0.075 per share, payable on September 23, 2016 to shareholders of record as of September 2, 2016. For additional information, see the Corporation's Current Report on Form 8-K as filed on June 29, 2016.

Selected Financial Data

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

Table 1
Selected Financial Data

	Three Months Ended September 30				Nine Months Ended September 30			
(Dollars in millions, except per share information)	2016		2015		2016		2015	
Income statement								
Revenue, net of interest expense	$21,635		$20,992		$63,711		$63,383	
Net income	4,955		4,619		13,210		12,552	
Diluted earnings per common share	0.41		0.38		1.10		1.03	
Dividends paid per common share	0.075		0.05		0.175		0.15	
Performance ratios								
Return on average assets	0.90	%	0.84	%	0.81	%	0.78	%
Return on average common shareholders' equity	7.27		7.16		6.61		6.67	
Return on average tangible common shareholders' equity [1]	10.28		10.40		9.40		9.74	
Efficiency ratio	62.31		66.40		65.59		68.98	

	September 30 2016	December 31 2015
Balance sheet		
Total loans and leases	$905,008	$896,983
Total assets	2,195,314	2,144,287
Total deposits	1,232,895	1,197,259
Total common shareholders' equity	244,863	233,903
Total shareholders' equity	270,083	256,176

(1) Return on average tangible common shareholders' equity is a non-GAAP financial measure. For more information and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 13.

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Financial Highlights

Net income was $5.0 billion, or $0.41 per diluted share, and $13.2 billion, or $1.10 per diluted share for the three and nine months ended September 30, 2016 compared to $4.6 billion, or $0.38, and $12.6 billion, or $1.03 for the same periods in 2015. The results for the three months ended September 30, 2016 compared to the prior-year period were primarily driven by increased revenue and lower noninterest expense. The results for the nine months ended September 30, 2016 compared to the prior-year period were primarily driven by lower noninterest expense and increased revenue, offset by higher provision for credit losses.

Total assets increased $51.0 billion from December 31, 2015 to $2.2 trillion at September 30, 2016 primarily driven by higher securities borrowed or purchased under agreements to resell due to increased customer financing activity, an increase in debt securities driven by the deployment of deposit inflows, higher trading account assets, and an increase in loans and leases driven by demand for commercial loans outpacing consumer loan sales and run-off. Total liabilities increased $37.1 billion from December 31, 2015 to $1.9 trillion at September 30, 2016 primarily driven by increases in deposits and trading account liabilities, partially offset by a decrease in long-term debt. Shareholders' equity increased $13.9 billion from December 31, 2015 driven by earnings, an increase in accumulated other comprehensive income (OCI) due to a positive net change in the fair value of available-for-sale (AFS) debt securities as a result of lower interest rates, and preferred stock issuances, partially offset by returns of capital to shareholders of $6.9 billion through common and preferred stock dividends and common stock repurchases.

Table 2
Summary Income Statement

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Net interest income	$10,201	$9,900	$30,804	$29,272
Noninterest income	11,434	11,092	32,907	34,111
Total revenue, net of interest expense	21,635	20,992	63,711	63,383
Provision for credit losses	850	806	2,823	2,351
Noninterest expense	13,481	13,939	41,790	43,724
Income before income taxes	7,304	6,247	19,098	17,308
Income tax expense	2,349	1,628	5,888	4,756
Net income	4,955	4,619	13,210	12,552
Preferred stock dividends	503	441	1,321	1,153
Net income applicable to common shareholders	$4,452	$4,178	$11,889	$11,399
Per common share information				
Earnings	$0.43	$0.40	$1.15	$1.09
Diluted earnings	0.41	0.38	1.10	1.03

Net Interest Income

Net interest income increased $301 million to $10.2 billion, and $1.5 billion to $30.8 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015. The net interest yield increased four basis points (bps) to 2.18 percent, and six bps to 2.21 percent. The increases for the three- and nine- month periods were primarily driven by growth in commercial loans, the impact from higher short-end interest rates and increased debt securities balances.

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Noninterest Income

Table 3
Noninterest Income

(Dollars in millions)	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
Card income	$1,455	$1,510	$4,349	$4,381
Service charges	1,952	1,898	5,660	5,519
Investment and brokerage services	3,160	3,336	9,543	10,101
Investment banking income	1,458	1,287	4,019	4,300
Trading account profits	2,141	1,616	5,821	5,510
Mortgage banking income	589	407	1,334	2,102
Gains on sales of debt securities	51	437	490	886
Other income	628	601	1,691	1,312
Total noninterest income	$11,434	$11,092	$32,907	$34,111

Noninterest income increased $342 million to $11.4 billion, and decreased $1.2 billion to $32.9 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015. The following highlights the significant changes.

- Investment and brokerage services income decreased $176 million and $558 million driven by lower market valuations and lower transactional revenue, partially offset by the impact of long-term assets under management (AUM) flows.

- Investment banking income increased $171 million for the three-month period primarily driven by an increase in debt and equity issuance fees, partially offset by lower advisory fees. Investment banking income decreased $281 million for the nine-month period driven by lower equity issuance and advisory fees due to a decline in market fee pools.

- Trading account profits increased $525 million and $311 million for the three and nine months ended September 30, 2016 compared to the same periods in 2015 primarily due to a stronger performance globally across credit products led by mortgages and continued strength in rates products, partially offset by reduced client activity in equities.

- Mortgage banking income increased $182 million for the three-month period primarily due to favorable mortgage servicing rights (MSR) results, net of the related hedge performance, partially offset by a decline in production income. Mortgage banking income decreased $768 million for the nine-month period primarily driven by a decline in production revenue, a provision for representations and warranties in the current-year period compared to a benefit in the prior-year period, as well as lower servicing fees, partially offset by favorable MSR results, net of the related hedge performance.

- Other income increased $27 million and $379 million primarily due to lower debit valuation adjustment (DVA) losses on structured liabilities, as well as improved results from loans and the related hedging activities in the fair value option portfolio, partially offset by lower gains on asset sales. DVA losses related to structured liabilities were $24 million and $77 million for the three and nine months ended September 30, 2016 compared to $54 million and $604 million in the same periods in 2015.

Provision for Credit Losses

The provision for credit losses increased $44 million to $850 million, and $472 million to $2.8 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015 due to a slower pace of credit quality improvement and, for the nine-month period, an increase in energy sector reserves for the higher risk energy sub-sectors. For more information on the provision for credit losses, see Provision for Credit Losses on page 79. For more information on our energy sector exposure, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 74.

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Noninterest Expense

Table 4
Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Personnel	$7,704	$7,829	$24,278	$25,333
Occupancy	1,005	1,028	3,069	3,082
Equipment	443	499	1,357	1,511
Marketing	410	445	1,243	1,330
Professional fees	536	673	1,433	1,588
Amortization of intangibles	181	207	554	632
Data processing	685	731	2,240	2,298
Telecommunications	189	210	551	583
Other general operating	2,328	2,317	7,065	7,367
Total noninterest expense	$13,481	$13,939	$41,790	$43,724

Noninterest expense decreased $458 million to $13.5 billion, and $1.9 billion to $41.8 billion for the three and nine months ended September 30, 2016 compared to the same periods in 2015. Personnel expense decreased $125 million and $1.1 billion as we continue to manage headcount and achieve cost savings. Continued expense management, as well as the expiration of certain advisor retention awards, more than offset the increases in client-facing professionals. Other general operating expense decreased $302 million for the nine-month period compared to the same period in 2015 primarily driven by lower foreclosed properties expense and lower brokerage fees, partially offset by higher FDIC expense.

Income Tax Expense

Table 5
Income Tax Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Income before income taxes	$7,304	$6,247	$19,098	$17,308
Income tax expense	2,349	1,628	5,888	4,756
Effective tax rate	32.2 %	26.1 %	30.8 %	27.5 %

The effective tax rates for the three and nine months ended September 30, 2016 were driven by our recurring tax preference benefits, and included the $350 million charge for the impact of the U.K. tax law changes discussed below. The effective tax rates for the three and nine months ended September 30, 2015 were driven by our recurring tax preference benefits, as well as benefits related to certain non-U.S. restructurings.

The U.K. Finance Bill 2016 was enacted on September 15, 2016. The changes include reducing the U.K. corporate income tax rate by one percent to 17 percent, effective April 1, 2020. This reduction favorably affects income tax expense on future U.K. earnings, but required a remeasurement of our U.K. net deferred tax assets using the lower tax rate. Accordingly, upon enactment, we recorded an income tax charge of approximately $350 million. In addition, for banking companies, the portion of U.K. taxable income that can be reduced by existing net operating loss carryforwards in any one taxable year has been reduced from 50 percent to 25 percent retroactive to April 1, 2016.

The majority of our U.K. deferred tax assets, which consist primarily of net operating losses, are expected to be realized by certain subsidiaries over a number of years. Significant changes to management's earnings forecasts for those subsidiaries, such as changes caused by a substantial and prolonged worsening of the condition of Europe's capital markets, changes in applicable laws, further changes in tax laws or changes in the ability of our U.K. subsidiaries to conduct business in the EU, could lead management to reassess our ability to realize the U.K. deferred tax assets.

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Table 6
Selected Quarterly Financial Data

	2016 Quarters			2015 Quarters	
(In millions, except per share information)	Third	Second	First	Fourth	Third
Income statement					
Net interest income	$10,201	$10,118	$10,485	$9,686	$9,900
Noninterest income	11,434	11,168	10,305	9,896	11,092
Total revenue, net of interest expense	21,635	21,286	20,790	19,582	20,992
Provision for credit losses	850	976	997	810	806
Noninterest expense	13,481	13,493	14,816	14,010	13,939
Income before income taxes	7,304	6,817	4,977	4,762	6,247
Income tax expense	2,349	2,034	1,505	1,478	1,628
Net income	4,955	4,783	3,472	3,284	4,619
Net income applicable to common shareholders	4,452	4,422	3,015	2,954	4,178
Average common shares issued and outstanding	10,250	10,328	10,370	10,399	10,444
Average diluted common shares issued and outstanding	11,000	11,059	11,100	11,153	11,197
Performance ratios					
Return on average assets	0.90 %	0.88 %	0.64 %	0.60 %	0.84 %
Four quarter trailing return on average assets [1]	0.76	0.74	0.73	0.73	0.74
Return on average common shareholders' equity	7.27	7.40	5.11	4.99	7.16
Return on average tangible common shareholders' equity [2]	10.28	10.54	7.33	7.19	10.40
Return on average shareholders' equity	7.33	7.25	5.36	5.07	7.22
Return on average tangible shareholders' equity [2]	9.98	9.93	7.40	7.04	10.08
Total ending equity to total ending assets	12.30	12.23	12.03	11.95	11.88
Total average equity to total average assets	12.28	12.13	11.98	11.79	11.70
Dividend payout	17.32	11.73	17.13	17.57	12.48
Per common share data					
Earnings	$0.43	$0.43	$0.29	$0.28	$0.40
Diluted earnings	0.41	0.41	0.28	0.27	0.38
Dividends paid	0.075	0.05	0.05	0.05	0.05
Book value	24.19	23.71	23.14	22.53	22.40
Tangible book value [2]	17.14	16.71	16.19	15.62	15.50
Market price per share of common stock					
Closing	$15.65	$13.27	$13.52	$16.83	$15.58
High closing	16.19	15.11	16.43	17.95	18.45
Low closing	12.74	12.18	11.16	15.38	15.26
Market capitalization	$158,438	$135,577	$139,427	$174,700	$162,457

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

(2) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 13.

(3) For more information on the impact of the purchased credit-impaired (PCI) loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 52.

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

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

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 65 and corresponding Table 35, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 73 and corresponding Table 42.

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

(7) Net charge-offs exclude $83 million, $82 million, $105 million, $82 million and $148 million of write-offs in the PCI loan portfolio in the third, second and first quarters of 2016 and in the fourth and third quarters of 2015, respectively. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

(8) Risk-based capital ratios reported under Basel 3 Advanced - Transition beginning in the fourth quarter of 2015. Prior to the fourth quarter of 2015, we were required to report risk-based capital ratios under Basel 3 Standardized - Transition only. For additional information, see Capital Management on page 39.

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Table 6
Selected Quarterly Financial Data (continued)

	2016 Quarters			2015 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Average balance sheet					
Total loans and leases	$900,594	$899,670	$892,984	$886,156	$877,429
Total assets	2,189,490	2,188,241	2,173,922	2,180,507	2,168,930
Total deposits	1,227,186	1,213,291	1,198,455	1,186,051	1,159,231
Long-term debt	227,269	233,061	233,654	237,384	240,520
Common shareholders' equity	243,679	240,376	237,229	234,800	231,524
Total shareholders' equity	268,899	265,354	260,423	257,074	253,798
Asset quality (3)					
Allowance for credit losses (4)	$12,459	$12,587	$12,696	$12,880	$13,318
Nonperforming loans, leases and foreclosed properties (5)	8,737	8,799	9,281	9,836	10,336
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (5)	1.30 %	1.32 %	1.35 %	1.37 %	1.45 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (5)	140	142	136	130	129
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (5)	135	135	129	122	120
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (6)	$4,068	$4,087	$4,138	$4,518	$4,682
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (5, 6)	91 %	93 %	90 %	82 %	81 %
Net charge-offs (7)	$888	$985	$1,068	$1,144	$932
Annualized net charge-offs as a percentage of average loans and leases outstanding (5, 7)	0.40 %	0.44 %	0.48 %	0.52 %	0.43 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (5)	0.40	0.45	0.49	0.53	0.43
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (5)	0.43	0.48	0.53	0.55	0.49
Nonperforming loans and leases as a percentage of total loans and leases outstanding (5)	0.93	0.94	0.99	1.05	1.12
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (5)	0.97	0.98	1.04	1.10	1.18
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (7)	3.31	2.99	2.81	2.70	3.42
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	3.18	2.85	2.67	2.52	3.18
	3.03	2.76	2.56	2.52	2.95

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs										
Capital ratios at period end										
Risk-based capital: (8)										
Common equity tier 1 capital	11.0	%	10.6	%	10.3	%	10.2	%	11.6	%
Tier 1 capital	12.4		12.0		11.5		11.3		12.9	
Total capital	14.2		13.9		13.4		13.2		15.8	
Tier 1 leverage	9.1		8.9		8.7		8.6		8.5	
Tangible equity (2)	9.4		9.3		9.1		8.9		8.8	
Tangible common equity (2)	8.2		8.1		7.9		7.8		7.8	

For footnotes see page 9.

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Table 7
Selected Year-to-Date Financial Data

	Nine Months Ended September 30	
(In millions, except per share information)	2016	2015
Income statement		
Net interest income	$30,804	$29,272
Noninterest income	32,907	34,111
Total revenue, net of interest expense	63,711	63,383
Provision for credit losses	2,823	2,351
Noninterest expense	41,790	43,724
Income before income taxes	19,098	17,308
Income tax expense	5,888	4,756
Net income	13,210	12,552
Net income applicable to common shareholders	11,889	11,399
Average common shares issued and outstanding	10,313	10,483
Average diluted common shares issued and outstanding	11,047	11,234
Performance ratios		
Return on average assets	0.81 %	0.78 %
Return on average common shareholders' equity	6.61	6.67
Return on average tangible common shareholders' equity (1)	9.40	9.74
Return on average shareholders' equity	6.66	6.71
Return on average tangible shareholders' equity (1)	9.13	9.42
Total ending equity to total ending assets	12.30	11.88
Total average equity to total average assets	12.13	11.62
Dividend payout	15.19	13.78
Per common share data		
Earnings	$1.15	$1.09
Diluted earnings	1.10	1.03
Dividends paid	0.175	0.15
Book value	24.19	22.40
Tangible book value (1)	17.14	15.50
Market price per share of common stock		
Closing	$15.65	$15.58
High closing	16.43	18.45
Low closing	11.16	15.15
Market capitalization	$158,438	$162,457

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 13.

(2) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 52.

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

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 65 and corresponding Table 35, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 73 and corresponding Table 42.

(5)

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

(6) Net charge-offs exclude $270 million and $726 million of write-offs in the PCI loan portfolio for the nine months ended September 30, 2016 and 2015. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 62.

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

	Nine Months Ended September 30	
(Dollars in millions)	2016	2015
Average balance sheet		
Total loans and leases	$897,760	$873,630
Total assets	2,183,905	2,153,353
Total deposits	1,213,029	1,145,686
Long-term debt	231,313	240,960
Common shareholders' equity	240,440	228,614
Total shareholders' equity	264,907	250,265
Asset quality (2)		
Allowance for credit losses (3)	$12,459	$13,318
Nonperforming loans, leases and foreclosed properties (4)	8,737	10,336
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (4)	1.30 %	1.45 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (4)	140	129
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (4)	135	120
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (5)	$4,068	$4,682
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (4, 5)	91 %	81 %
Net charge-offs (6)	$2,941	$3,194
Annualized net charge-offs as a percentage of average loans and leases outstanding (4, 6)	0.44 %	0.49 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (4)	0.45	0.50
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (4)	0.48	0.61
Nonperforming loans and leases as a percentage of total loans and leases outstanding (4)	0.93	1.12
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (4)	0.97	1.18
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (6)	2.98	2.96
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.86	2.76
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.73	2.41

For footnotes see page 11.

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Supplemental Financial Data

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

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

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

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

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

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

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

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

The aforementioned supplemental data and performance measures are presented in Tables 6 and 7.

Table 8 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 8

Supplemental Financial Data

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Fully taxable-equivalent basis data				
Net interest income	$10,429	$10,127	$31,470	$29,936
Total revenue, net of interest expense	21,863	21,219	64,377	64,047
Net interest yield	2.23 %	2.19 %	2.26 %	2.20 %
Efficiency ratio	61.66	65.70	64.91	68.27

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Tables 9 and 10 provide reconciliations of these non-GAAP financial measures to GAAP financial measures.

Table 9
Quarterly and Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Three Months Ended September 30					
	2016			2015		
(Dollars in millions)	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis	As Reported	Fully taxable-equivalent adjustment	Fully taxable-equivalent basis
Net interest income	$10,201	$ 228	$ 10,429	$9,900	$ 227	$ 10,127
Total revenue, net of interest expense	21,635	228	21,863	20,992	227	21,219
Income tax expense	2,349	228	2,577	1,628	227	1,855
	Nine Months Ended September 30					
	2016			2015		
Net interest income	$30,804	$ 666	$ 31,470	$29,272	$ 664	$ 29,936
Total revenue, net of interest expense	63,711	666	64,377	63,383	664	64,047
Income tax expense	5,888	666	6,554	4,756	664	5,420

Table 10
Period-end and Average Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Period-end		Average			
			Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	September 30 2016	December 31 2015	2016	2015	2016	2015
Common shareholders' equity	$244,863	$233,903	$243,679	$231,524	$240,440	$228,614
Goodwill	(69,744)	(69,761)	(69,744)	(69,774)	(69,752)	(69,775)
Intangible assets (excluding MSRs)	(3,168)	(3,768)	(3,276)	(4,099)	(3,480)	(4,307)
Related deferred tax liabilities	1,588	1,716	1,628	1,811	1,666	1,885
Tangible common shareholders' equity	$173,539	$162,090	$172,287	$159,462	$168,874	$156,417
Shareholders' equity	$270,083	$256,176	$268,899	$253,798	$264,907	$250,265
Goodwill	(69,744)	(69,761)	(69,744)	(69,774)	(69,752)	(69,775)
Intangible assets (excluding MSRs)	(3,168)	(3,768)	(3,276)	(4,099)	(3,480)	(4,307)
Related deferred tax liabilities	1,588	1,716	1,628	1,811	1,666	1,885
Tangible shareholders' equity	$198,759	$184,363	$197,507	$181,736	$193,341	$178,068
Total assets	$2,195,314	$2,144,287				
Goodwill	(69,744)	(69,761)				
Intangible assets (excluding MSRs)	(3,168)	(3,768)				
Related deferred tax liabilities	1,588	1,716				
Tangible assets	$2,123,990	$2,072,474				

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Table 11
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Third Quarter 2016			Third Quarter 2015		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$133,866	$148	0.44%	$145,174	$96	0.26 %
Time deposits placed and other short-term investments	9,336	34	1.45	11,503	38	1.32
Federal funds sold and securities borrowed or purchased under agreements to resell	214,254	267	0.50	210,127	275	0.52
Trading account assets	128,879	1,111	3.43	140,484	1,170	3.31
Debt securities	423,182	2,169	2.07	394,265	2,282	2.32
Loans and leases [1]:						
Residential mortgage	188,234	1,612	3.42	193,791	1,690	3.49
Home equity	70,603	681	3.84	79,715	730	3.64
U.S. credit card	88,210	2,061	9.30	88,201	2,033	9.15
Non-U.S. credit card	9,256	231	9.94	10,244	267	10.34
Direct/Indirect consumer [2]	92,870	585	2.51	85,975	515	2.38
Other consumer [3]	2,358	18	2.94	1,980	15	3.01
Total consumer	451,531	5,188	4.58	459,906	5,250	4.54
U.S. commercial	276,833	2,040	2.93	251,908	1,744	2.75
Commercial real estate [4]	57,606	452	3.12	53,605	384	2.84
Commercial lease financing	21,194	153	2.88	20,013	153	3.07
Non-U.S. commercial	93,430	599	2.55	91,997	514	2.22
Total commercial	449,063	3,244	2.87	417,523	2,795	2.66
Total loans and leases	900,594	8,432	3.73	877,429	8,045	3.65
Other earning assets	59,951	677	4.50	62,848	717	4.52
Total earning assets [5]	1,870,062	12,838	2.73	1,841,830	12,623	2.73
Cash and due from banks	27,361			27,730		
Other assets, less allowance for loan and lease losses	292,067			299,370		
Total assets	$2,189,490			$2,168,930		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$49,885	$2	0.01%	$46,297	$2	0.02 %
NOW and money market deposit accounts	592,907	73	0.05	545,741	67	0.05
Consumer CDs and IRAs	48,695	33	0.27	53,174	38	0.29
Negotiable CDs, public funds and other deposits	32,023	43	0.54	30,631	26	0.33
Total U.S. interest-bearing deposits	723,510	151	0.08	675,843	133	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,294	9	0.87	4,196	7	0.71
Governments and official institutions	1,391	3	0.61	1,654	1	0.33
Time, savings and other	59,340	103	0.70	53,793	73	0.53
Total non-U.S. interest-bearing deposits	65,025	115	0.71	59,643	81	0.54
Total interest-bearing deposits	788,535	266	0.13	735,486	214	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	207,634	569	1.09	257,323	597	0.92
Trading account liabilities	73,452	244	1.32	77,443	342	1.75

Long-term debt	227,269	1,330	2.33	240,520	1,343	2.22
Total interest-bearing liabilities [5]	1,296,890	2,409	0.74	1,310,772	2,496	0.76
Noninterest-bearing sources:						
Noninterest-bearing deposits	438,651			423,745		
Other liabilities	185,050			180,615		
Shareholders' equity	268,899			253,798		
Total liabilities and shareholders' equity	$2,189,490			$2,168,930		
Net interest spread			1.99%			1.97 %
Impact of noninterest-bearing sources			0.24			0.22
Net interest income/yield on earning assets		$10,429	2.23%		$10,127	2.19 %

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

(2) Includes non-U.S. consumer loans of $3.2 billion and $4.0 billion for the three months ended September 30, 2016 and 2015.

(3) Includes consumer finance loans of $501 million and $605 million, consumer leases of $1.7 billion and $1.2 billion, and consumer overdrafts of $187 million and $177 million for the three months ended September 30, 2016 and 2015.

(4) Includes U.S. commercial real estate loans of $54.3 billion and $49.8 billion, and non-U.S. commercial real estate loans of $3.3 billion and $3.8 billion for the three months ended September 30, 2016 and 2015.

(5) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $64 million and $8 million for the three months ended September 30, 2016 and 2015. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $560 million and $590 million for the three months ended September 30, 2016 and 2015. For additional information, see Interest Rate Risk Management for the Banking Book on page 89.

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Table 12
Year-to-Date Average Balances and Interest Rates – FTE Basis

	Nine Months Ended September 30					
	2016			2015		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$135,910	$460	0.45 %	$132,445	$261	0.26 %
Time deposits placed and other short-term investments	8,784	101	1.54	9,366	105	1.50
Federal funds sold and securities borrowed or purchased under agreements to resell	215,476	803	0.50	212,781	774	0.49
Trading account assets	130,785	3,432	3.50	138,861	3,406	3.28
Debt securities	414,115	6,990	2.27	387,988	6,763	2.34
Loans and leases (1):						
Residential mortgage	187,325	4,867	3.46	205,315	5,323	3.46
Home equity	73,015	2,095	3.83	82,404	2,269	3.68
U.S. credit card	87,362	6,065	9.27	88,117	6,040	9.17
Non-U.S. credit card	9,687	734	10.12	10,087	793	10.51
Direct/Indirect consumer (2)	91,291	1,698	2.48	83,481	1,510	2.42
Other consumer (3)	2,240	50	2.99	1,904	45	3.14
Total consumer	450,920	15,509	4.59	471,308	15,980	4.53
U.S. commercial	274,669	5,982	2.91	243,849	5,093	2.79
Commercial real estate (4)	57,550	1,320	3.06	50,792	1,113	2.93
Commercial lease financing	21,049	482	3.05	19,592	473	3.22
Non-U.S. commercial	93,572	1,748	2.50	88,089	1,478	2.24
Total commercial	446,840	9,532	2.85	402,322	8,157	2.71
Total loans and leases	897,760	25,041	3.72	873,630	24,137	3.69
Other earning assets	58,189	2,031	4.66	62,366	2,142	4.59
Total earning assets (5)	1,861,019	38,858	2.79	1,817,437	37,588	2.76
Cash and due from banks	28,041			28,726		
Other assets, less allowance for loan and lease losses	294,845			307,190		
Total assets	$2,183,905			$2,153,353		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$49,281	$4	0.01 %	$46,634	$6	0.02 %
NOW and money market deposit accounts	584,896	216	0.05	537,974	205	0.05
Consumer CDs and IRAs	48,920	101	0.28	55,883	125	0.30
Negotiable CDs, public funds and other deposits	32,212	107	0.45	29,784	70	0.32
Total U.S. interest-bearing deposits	715,309	428	0.08	670,275	406	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	4,218	28	0.90	4,633	24	0.70
Governments and official institutions	1,468	7	0.60	1,426	3	0.31
Time, savings and other	58,866	273	0.62	54,364	217	0.53
Total non-U.S. interest-bearing deposits	64,552	308	0.64	60,423	244	0.54
Total interest-bearing deposits	779,861	736	0.13	730,698	650	0.12
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	215,131	1,808	1.12	251,231	1,868	0.99

Trading account liabilities	73,176	778	1.42	77,996	1,071	1.84
Long-term debt	231,313	4,066	2.35	240,960	4,063	2.25
Total interest-bearing liabilities (5)	1,299,481	7,388	0.76	1,300,885	7,652	0.79
Noninterest-bearing sources:						
Noninterest-bearing deposits	433,168			414,988		
Other liabilities	186,349			187,215		
Shareholders' equity	264,907			250,265		
Total liabilities and shareholders' equity	$2,183,905			$2,153,353		
Net interest spread			2.03 %			1.97 %
Impact of noninterest-bearing sources			0.23			0.23
Net interest income/yield on earning assets		$31,470	2.26 %		$29,936	2.20 %

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

(2) Includes non-U.S. consumer loans of $3.5 billion and $4.0 billion for the nine months ended September 30, 2016 and 2015.

(3) Includes consumer finance loans of $526 million and $633 million, consumer leases of $1.5 billion and $1.1 billion, and consumer overdrafts of $171 million and $150 million for the nine months ended September 30, 2016 and 2015.

(4) Includes U.S. commercial real estate loans of $54.1 billion and $47.7 billion, and non-U.S. commercial real estate loans of $3.4 billion and $3.1 billion for the nine months ended September 30, 2016 and 2015.

(5) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $155 million and $27 million for the nine months ended September 30, 2016 and 2015. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.7 billion and $1.7 billion for the nine months ended September 30, 2016 and 2015. For additional information, see Interest Rate Risk Management for the Banking Book on page 89.

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Business Segment Operations

Segment Description and Basis of Presentation

We report our results of operations through the following four business segments: Consumer Banking, GWIM, Global Banking, and Global Markets, with the remaining operations recorded in All Other.

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-based capital models. The Corporation's internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see Managing Risk on page 39.

The change in accounting method for certain debt securities, as described in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements, impacted the amount of residual net interest income that is allocated to the business segments.

For more information on the basis of presentation for business segments and reconciliations to consolidated total revenue, net income and period-end total assets, see Note 18 – Business Segment Information to the Consolidated Financial Statements.

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Consumer Banking

	Three Months Ended September 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change
Net interest income (FTE basis)	$2,630	$2,397	$2,660	$2,696	$5,290	$5,093	4 %
Noninterest income:							
Card income	2	2	1,216	1,246	1,218	1,248	(2)
Service charges	1,071	1,057	1	—	1,072	1,057	1
Mortgage banking income	—	—	297	290	297	290	2
All other income (loss)	98	132	(7)	161	91	293	(69)
Total noninterest income	1,171	1,191	1,507	1,697	2,678	2,888	(7)
Total revenue, net of interest expense (FTE basis)	3,801	3,588	4,167	4,393	7,968	7,981	<(1)
Provision for credit losses	43	58	655	465	698	523	33
Noninterest expense	2,395	2,501	1,976	2,210	4,371	4,711	(7)
Income before income taxes (FTE basis)	1,363	1,029	1,536	1,718	2,899	2,747	6
Income tax expense (FTE basis)	511	370	575	620	1,086	990	10
Net income	$852	$659	$961	$1,098	$1,813	$1,757	3
Net interest yield (FTE basis)	1.73 %	1.72 %	4.31 %	4.64 %	3.30 %	3.46 %	
Return on average allocated capital	28	22	17	21	21	21	
Efficiency ratio (FTE basis)	63.03	69.69	47.40	50.31	54.86	59.02	

Balance Sheet

	Three Months Ended September 30						
Average	2016	2015	2016	2015	2016	2015	% Change
Total loans and leases	$4,837	$4,662	$243,846	$228,441	$248,683	$233,103	7 %
Total earning assets (1)	604,223	552,534	245,540	230,523	636,838	583,368	9
Total assets (1)	630,394	579,604	257,167	243,409	674,636	623,324	8
Total deposits	598,117	547,727	7,591	8,260	605,708	555,987	9
Allocated capital	12,000	12,000	22,000	21,000	34,000	33,000	3

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

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	Nine Months Ended September 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2016	2015	2016	2015	2016	2015	% Change
Net interest income (FTE basis)	$7,940	$ 7,083	$7,885	$ 8,116	$ 15,825	$ 15,199	4 %
Noninterest income:							
Card income	7	8	3,638	3,615	3,645	3,623	1
Service charges	3,079	3,055	1	1	3,080	3,056	1
Mortgage banking income	—	—	754	1,117	754	1,117	(32)
All other income	312	355	4	163	316	518	(39)
Total noninterest income	3,398	3,418	4,397	4,896	7,795	8,314	(6)
Total revenue, net of interest expense (FTE basis)	11,338	10,501	12,282	13,012	23,620	23,513	<1
Provision for credit losses	132	145	1,823	1,517	1,955	1,662	18
Noninterest expense	7,227	7,354	6,097	6,725	13,324	14,079	(5)
Income before income taxes (FTE basis)	3,979	3,002	4,362	4,770	8,341	7,772	7
Income tax expense (FTE basis)	1,473	1,103	1,615	1,756	3,088	2,859	8
Net income	$2,506	$ 1,899	$2,747	$ 3,014	$5,253	$ 4,913	7
Net interest yield (FTE basis)	1.79 %	1.74 %	4.39 %	4.74 %	3.39 %	3.53 %	
Return on average allocated capital	28	21	17	19	21	20	
Efficiency ratio (FTE basis)	63.74	70.02	49.64	51.69	56.41	59.88	

Balance Sheet

	Nine Months Ended September 30						
Average	2016	2015	2016	2015	2016	2015	% Change
Total loans and leases	$4,787	$ 4,733	$ 238,404	$ 226,666	$ 243,191	$ 231,399	5 %
Total earning assets (1)	591,913	545,708	239,870	228,681	623,840	576,309	8
Total assets (1)	618,466	572,723	251,610	241,916	662,133	616,559	7
Total deposits	586,334	540,850	7,170	8,363	593,504	549,213	8
Allocated capital	12,000	12,000	22,000	21,000	34,000	33,000	3

Period end	September 30 2016	December 31 2015	September 30 2016	December 31 2015	September 30 2016	December 31 2015	% Change
Total loans and leases	$4,810	$ 4,735	$ 246,315	$ 234,116	$ 251,125	$ 238,851	5 %
Total earning assets (1)	616,853	576,108	248,233	235,496	648,978	605,012	7
Total assets (1)	643,025	603,448	260,330	248,571	687,247	645,427	6
Total deposits	610,752	571,467	7,278				