BANK OF AMERICA CORP /DE/
Form 10-K
February 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[ü] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

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
Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange London Stock Exchange Tokyo Stock Exchange
Warrants to purchase Common Stock (expiring October 28, 2018)	New York Stock Exchange
Warrants to purchase Common Stock (expiring January 16, 2019)	

	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.204% Non-Cumulative Preferred Stock, Series D	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series E	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series I	New York Stock Exchange
7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 1	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 2	New York Stock Exchange

Title of each class	Name of each exchange on which registered
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation 6.375% Non-Cumulative Preferred Stock, Series 3	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 4	New York Stock Exchange
Depositary Shares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 5	New York Stock Exchange
6.75% Trust Preferred Securities of Countrywide Capital IV (and the guarantees related thereto)	New York Stock Exchange
7.00% Capital Securities of Countrywide Capital V (and the guarantees related thereto)	New York Stock Exchange
6% Capital Securities of BAC Capital Trust VIII (and the guarantee related thereto)	New York Stock Exchange
Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIII (and the guarantee related thereto)	New York Stock Exchange
5.63% Fixed to Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIV (and the guarantee related thereto)	New York Stock Exchange
MBNA Capital B Floating Rate Capital Securities, Series B (and the guarantee related thereto)	New York Stock Exchange
Trust Preferred Securities of Merrill Lynch Capital Trust I (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
Trust Preferred Securities of Merrill Lynch Capital Trust II (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
Trust Preferred Securities of Merrill Lynch Capital Trust III (and the guarantee of the Registrant with respect thereto)	New York Stock Exchange
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠ due December 2, 2014	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due April 25, 2014	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due March 28, 2014	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due February 28, 2014	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due January 30, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due February 27, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due March 27, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due April 24, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due May 29, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due June 26, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due July 31, 2015	NYSE Arca, Inc.

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No ü

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ü

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	Smaller reporting company
		(do not check if a smaller reporting company)	

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

The aggregate market value of the registrant's common stock ("Common Stock") held on June 30, 2013 by non-affiliates was approximately $138,156,239,714 (based on the June 30, 2013 closing price of Common Stock of $12.86 per share as reported on the New York Stock Exchange). As of February 24, 2014, there were 10,568,135,287 shares of Common Stock outstanding.

Documents incorporated by reference: Portions of the definitive proxy statement relating to the registrant's annual meeting of stockholders scheduled to be held on May 7, 2014 are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

Table of Contents
Bank of America Corporation and Subsidiaries

Part I
Bank of America Corporation and Subsidiaries
Item 1. Business
General
Bank of America Corporation (together, with its consolidated subsidiaries, Bank of America, we or us) 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. On October 1, 2013, we completed the merger of our Merrill Lynch & Co., Inc. (Merrill Lynch) subsidiary into Bank of America Corporation. This merger had no effect on the Merrill Lynch name or brand and is not expected to have any effect on customers or clients. As part of our efforts to streamline the Corporation’s organizational structure, reduce complexity and costs, the Corporation has reduced and intends to continue to reduce the number of its corporate subsidiaries, including through intercompany mergers.
Bank of America is one of the world’s largest financial institutions, serving individual consumers, small- and middle-market businesses, institutional investors, large corporations and governments with a full range of banking, investing, asset management and other financial and risk management products and services. Our principal executive offices are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, North Carolina 28255.
Bank of America’s website is www.bankofamerica.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website at http://investor.bankofamerica.com under the heading Financial Information SEC Filings as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the U.S. Securities and Exchange Commission (SEC). In addition, we make available on http://investor.bankofamerica.com under the heading Corporate Governance: (i) our Code of Conduct (including our insider trading policy); (ii) our Corporate Governance Guidelines (accessible by clicking on the Governance Highlights link); and (iii) the charter of each active committee of our Board of Directors (the Board) (accessible by clicking on the committee names under the Committee Composition link), and we also intend to disclose any amendments to our Code of Conduct, or waivers of our Code of Conduct on behalf of our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, on our website. All of these corporate governance materials are also available free of charge in print to stockholders who request them in writing to: Bank of America Corporation, Attention: Office of the Corporate Secretary, Hearst Tower, 214 North Tryon Street, NC1-027-20-05, Charlotte, North Carolina 28202.
Segments
Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Wealth & Investment Management (GWIM), Global Banking and

Global Markets, with the remaining operations recorded in All Other. Additional information related to our business segments and the products and services they provide is included in the information set forth on pages 35 through 51 of Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), and Note 24 – Business Segment Information to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data (Consolidated Financial Statements).
Competition
We operate in a highly competitive environment. Our competitors include banks, thrifts, credit unions, investment banking firms, investment advisory firms, brokerage firms, investment companies, insurance companies, mortgage banking companies, credit card issuers, mutual fund companies and e-commerce and other internet-based companies. We compete with some of these competitors globally and with others on a regional or product basis.
Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits and customer convenience.

Our ability to continue to compete effectively also depends in large part on our ability to attract new employees and retain and motivate our existing employees, while managing compensation and other costs.

Employees

As of December 31, 2013, we had approximately 242,000 full-time equivalent employees. None of our domestic employees are subject to a collective bargaining agreement. Management considers our employee relations to be good.

Government Supervision and Regulation

The following discussion describes, among other things, elements of an extensive regulatory framework applicable to BHCs, financial holding companies, banks and broker/dealers, including specific information about Bank of America. U.S. federal regulation of banks, BHCs and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund (DIF) rather than for the protection of stockholders and creditors. For more information about recent regulatory programs, initiatives and legislation that impact us, see Regulatory Matters in the MD&A on page 59.

General

We are subject to an extensive regulatory framework applicable to BHCs, financial holding companies and banks.
As a registered financial holding company and BHC, the Corporation is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (Federal Reserve). Our banking subsidiaries (the Banks) organized as national banking associations are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation

(FDIC) and the Federal Reserve. The Consumer Financial Protection Bureau (CFPB) regulates consumer financial products and services.

U.S. financial holding companies, and the companies under their control, are permitted to engage in activities considered "financial in nature" as defined by the Gramm-Leach-Bliley Act and related Federal Reserve interpretations. Unless otherwise limited by the Federal Reserve, a financial holding company may engage directly or indirectly in activities considered financial in nature provided the financial holding company gives the Federal Reserve after-the-fact notice of the new activities. The Gramm-Leach-Bliley Act also permits national banks to engage in activities considered financial in nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the OCC. If the Federal Reserve finds that any of our Banks is not "well-capitalized" or "well-managed," we would be required to enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements, which may contain additional limitations or conditions relating to our activities.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 permits BHCs to acquire banks located in states other than their home state without regard to state law, subject to certain conditions, including the condition that the BHC, after and as a result of the acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the U.S. and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act) restricts acquisitions by financial companies if, as a result of the acquisition, the total liabilities of the financial company would exceed 10 percent of the total liabilities of all financial companies. At December 31, 2013, we held approximately 11 percent of the total amount of deposits of insured depository institutions in the U.S.

We are also subject to various other laws and regulations, as well as supervision and examination by other regulatory agencies, all of which directly or indirectly affect our operations and management and our ability to make distributions to stockholders. Our U.S. broker/dealer subsidiaries are subject to regulation by and supervision of the SEC, New York Stock Exchange and Financial Industry Regulatory Authority; our commodities businesses in the U.S. are subject to regulation by and supervision of the U.S. Commodity Futures Trading Commission (CFTC); our derivatives activity is generally subject to regulation and supervision of the CFTC and National Futures Association or the SEC, and, in the case of the Banks, certain banking regulators; and our insurance activities are subject to licensing and regulation by state insurance regulatory agencies.

Our non-U.S. businesses are also subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. Prior to April 1, 2013, our financial services operations in the U.K. were subject to regulation by and supervision of the Financial Services Authority (FSA). Beginning on April 1, 2013, our financial services operations in the U.K. became subject to regulation by and supervision of the Financial Policy Committee (FPC) and the Prudential Regulatory Authority (PRA) for prudential matters and the Financial Conduct Authority for the conduct of business matters.

Financial Reform Act

As a result of the July 2010 Financial Reform Act, several significant regulatory developments occurred in 2013, and additional regulatory developments may occur in 2014 and beyond. The Financial Reform Act has impacted and will continue to impact our earnings through reduced fees, higher costs and new operating restrictions. For a description of significant developments, see Regulatory Matters – Financial Reform Act in the MD&A on page 59.

Capital and Operational Requirements

As a financial services holding company, we and our banking subsidiaries are subject to the risk-based capital guidelines issued by the Federal Reserve and other U.S. banking regulators, including the FDIC and the OCC. These capital rules are complex and are evolving as U.S. and international regulatory authorities propose enhanced capital rules in response to the financial crisis and pursuant to legislation, including the Financial Reform Act. The Corporation seeks to manage its capital position to maintain sufficient capital to meet these regulatory guidelines and to support our business activities. These evolving capital rules are likely to influence our regulatory capital and liquidity planning processes, require additional liquidity, and may impose additional operational and compliance costs on the Corporation.

For a discussion of regulatory capital rules, capital composition, and pending or proposed regulatory capital changes, see Capital Management – Regulatory Capital in the MD&A on page 65, and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements, which are incorporated by reference in this Item 1.

Distributions

We are subject to various regulatory policies and requirements relating to capital actions, including payment of dividends and common stock repurchases, as well as requirements to maintain capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine, under certain circumstances relating to the financial condition of a bank or BHC, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. For instance, we are required to submit to the Federal Reserve a capital plan as part of an annual Comprehensive Capital Analysis and Review (CCAR). Supervisory review of the CCAR has a stated purpose of assessing the capital planning process of major U.S. BHCs, including any planned capital actions (e.g., payment of dividends on common stock and common stock repurchases).

In addition, our ability to pay dividends is affected by the various minimum capital requirements and the capital and non-capital standards established under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). The right of the Corporation, our stockholders and our creditors to participate in any distribution of the assets or earnings of our subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries. For more information regarding the requirements relating to the payment of dividends, including the minimum capital requirements, see Note 13 – Shareholders' Equity and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements.

Source of Strength

According to the Financial Reform Act and Federal Reserve policy, BHCs are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. Similarly, under the cross-guarantee provisions of FDICIA, in the event of a loss suffered or anticipated by the FDIC, either as a result of default of a banking subsidiary or related to FDIC assistance provided to such a subsidiary in danger of default, the affiliate banks of such a subsidiary may be assessed for the FDIC's loss, subject to certain exceptions. For more information about our calculation of regulatory capital and capital composition, and proposed capital rules, see Capital Management – Regulatory Capital in the MD&A on page 65, and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements.

Deposit Insurance

Deposits placed at U.S. domiciled banks (U.S. banks) are insured by the FDIC, subject to limits and conditions of applicable law and the FDIC's regulations. Pursuant to the Financial Reform Act, FDIC insurance coverage limits were permanently increased to

$250,000 per customer. All insured depository institutions are required to pay assessments to the FDIC in order to fund the DIF.

The FDIC is required to maintain at least a designated minimum ratio of the DIF to insured deposits in the U.S. The Financial Reform Act requires the FDIC to assess insured depository institutions to achieve a DIF ratio of at least 1.35 percent by September 30, 2020. The FDIC has adopted new regulations that establish a long-term target DIF ratio of greater than two percent. The DIF ratio is currently below the required targets and the FDIC has adopted a restoration plan that may result in substantially higher deposit insurance assessments for all depository institutions over the coming years. Deposit insurance assessment rates are subject to change by the FDIC and will be impacted by the overall economy and the stability of the banking industry as a whole. For more information regarding deposit insurance, see Item 1A. Risk Factors – Regulatory and Legal Risk on page 13 and Regulatory Matters – Financial Reform Act in the MD&A on page 59.

Transactions with Affiliates

The Banks are subject to restrictions under federal law that limit certain types of transactions between the Banks and their non-bank affiliates. In general, U.S. Banks are subject to quantitative and qualitative limits on extensions of credit, purchases of assets and certain other transactions involving Bank of America and its non-bank affiliates. Transactions between U.S. Banks and their non-bank affiliates are required to be on arm's length terms. For more information regarding transactions with affiliates, see Regulatory Matters – Derivatives in the MD&A on page 60.

Privacy and Information Security

We are subject to many U.S. federal, state and international laws and regulations governing requirements for maintaining policies and procedures to protect the non-public confidential information of our customers. The

Gramm-Leach-Bliley Act requires the Banks to periodically disclose Bank of America's privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. Other laws and regulations, at both the federal and state level, impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The Gramm-Leach-Bliley Act also requires the Banks to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations.

Item 1A. Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own businesses. The discussion below addresses the most significant factors, of which we are aware, that could affect our businesses, results of operations and financial condition. Additional factors that could affect our businesses, results of operations and financial condition are discussed in Forward-looking Statements in the MD&A on page 23. However, other factors not discussed below or elsewhere in this Annual Report on Form 10-K could also adversely affect our businesses, results of operations and financial condition. Therefore, the risk factors below should not be considered a complete list of potential risks that we may face.

Any risk factor described in this Annual Report on Form 10-K or in any of our other SEC filings could by itself, or together with other factors, materially adversely affect our liquidity, cash flows, competitive position, business, reputation, results of operations or financial condition, including by materially increasing our expenses or decreasing our revenues, which could result in material losses.

General Economic and Market Conditions Risk

Our businesses and results of operations may be adversely affected by the U.S. and international financial markets, U.S. and non-U.S. fiscal and monetary policy, and economic conditions generally.

Our businesses and results of operations are affected by the financial markets and general economic conditions in the U.S. and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, the sustainability of economic growth in the U.S., Europe, China and Japan, and economic, market, political and social conditions in several larger emerging market countries. The deterioration of any of these conditions could adversely affect our consumer and commercial businesses and securities portfolios, our level of charge-offs and provision for credit losses, the carrying value of our deferred tax assets, our capital levels and liquidity, and our results of operations.

Continued elevated unemployment, under-employment and household debt and rising interest rates, along with continued stress in the consumer real estate market and certain commercial real estate markets in the U.S. pose challenges for domestic economic performance and the financial services industry. The sustained high unemployment rate and the lengthy duration of unemployment have directly impaired consumer finances and pose risks to the financial services industry.

Continued uncertainty in a number of housing markets and elevated levels of distressed and delinquent mortgages remain risks to the housing market. The current environment of heightened scrutiny of financial institutions has resulted in increased public awareness of and sensitivity to banking fees and practices. Mortgage and housing market-related risks may be accentuated by attempts to forestall foreclosure proceedings, as well as state and federal investigations into foreclosure practices by mortgage

servicers. Each of these factors may adversely affect our fees and costs.

Our businesses and results of operations are also affected by domestic and international fiscal and monetary policy. The actions of the Federal Reserve in the U.S. and central banks internationally regulate the supply of money and credit in the global financial system. Their policies affect our cost of funds for lending, investing and capital raising activities and the return we earn on those loans and investments, both of which affect our net interest margin. The actions of the Federal Reserve in the U.S. and central banks internationally also can affect the value of financial instruments and other assets, such as debt securities and mortgage servicing rights (MSRs), and its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Our businesses and earnings are also affected by the fiscal or other policies that are adopted by the U.S. government, various U.S. regulatory authorities, and non-U.S. governments and regulatory authorities. Changes in domestic and international fiscal and monetary policies are beyond our control and difficult to predict but could have an adverse impact on our capital requirements and the costs of running our business.

For more information about economic conditions and challenges discussed above, see Executive Summary – 2013 Economic and Business Environment in the MD&A on page 24.

Mortgage and Housing Market-Related Risk

Our mortgage loan repurchase obligations or claims from third parties could result in additional losses.

We and our legacy companies have sold significant amounts of residential mortgage loans. In connection with these sales, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties, breaches of which may result in a requirement that we repurchase the mortgage loans, or otherwise make whole or provide other remedies to counterparties. As of December 31, 2013, we had approximately $19.7 billion of unresolved repurchase claims and an additional approximately $1.2 billion of repurchase demands that we do not consider to be valid repurchase claims. These repurchase claims and demands relate primarily to private-label securitizations and monoline-insured securitizations. Private-label securitization unresolved repurchase claims have increased in recent periods, and we expect such claims to continue to increase. In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices) and the number of such notices has remained elevated.

We have recorded a liability of $13.3 billion for obligations under representations and warranties exposures (which includes exposures related to MI rescission notices). We have also established an estimated range of possible loss of up to $4 billion over our recorded liability. Although we have not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where we have little to no claim experience, these exposures are included in the estimated range of possible loss. Reserves and estimated range of possible loss for certain potential monoline representations and warranties exposures are considered in our litigation reserve and estimated range of possible loss. Our recorded liability and estimated range of possible loss for representations and warranties exposures are based on currently available information and are necessarily dependent on, and limited by a number of factors, including our historical claims and settlement experiences as well as significant judgment and a number of assumptions that are subject to change. As a result, our liability and estimated range of possible loss related to our representations and warranties exposures may materially change in the future. If future representations and warranties losses occur in excess of our recorded liability, such losses could have an adverse effect on our cash flows, financial condition and results of operations.

The liability for obligations under representations and warranties exposures and the corresponding estimated range of possible loss do not consider any losses related to litigation matters, including residential mortgage-backed securities (RMBS) litigation or 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 (defined below)), potential securities law or fraud claims or potential indemnity or other claims against us, including claims related to loans insured by the Federal Housing Administration (FHA). We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against us, except to the extent reflected in existing accruals or the estimated range of possible loss for litigation and regulatory matters disclosed in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements; however, such loss could have an adverse effect on our cash flows, financial condition and results of operations.

For more information about our representations and warranties exposure, including the range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties in the MD&A on page 52, Consumer Portfolio Credit Risk Management in the MD&A on page 77 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Our representations and warranties losses could be substantially different from existing accruals and the existing estimated range of possible loss for representations and warranties liability if court approval of the BNY Mellon Settlement is not obtained or if it is otherwise abandoned.

The Bank of New York Mellon settlement (BNY Mellon Settlement) remains subject to final court approval and certain other conditions. It is not currently possible to predict the ultimate outcome of the court approval process, which can include appeals and could take a substantial period of time. The court approval hearing began in the New York Supreme Court, New York County, on June 3, 2013 and concluded on November 21, 2013. On January 31, 2014, the court issued a decision, order and judgment approving the BNY Mellon Settlement. The court overruled the objections to the settlement, holding that the Trustee, BNY Mellon, acted in good faith, within its discretion and within the bounds of reasonableness in determining that the settlement agreement was in the best interests of the covered trusts. The court declined to approve the Trustee's conduct only with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. On February 4, 2014, one of the objectors filed a motion to stay entry of judgment and to hold additional proceedings in the trial court on issues it alleged had not been litigated or decided by the court in its January 31, 2014 decision, order and judgment. On February 18, 2014, the same objector also filed a motion for reargument of the trial court's January 31, 2014 decision. The court held a hearing on the motion to stay on February 19, 2014, and rejected the application for stay and for further proceedings in the trial court. The court also ruled it would not hold oral argument on the objector's motion for reargument before April 2014. On February 21, 2014, final judgment was entered and the Trustee filed a notice of appeal regarding the court's ruling on loan modification claims in the settlement. The court's January 31, 2014 decision, order and judgment remain subject to appeal and the motion to reargue, and it is not possible to predict the timetable for appeals or when the court approval process will be completed.

If final court approval is not obtained with respect to the BNY Mellon Settlement, or if the Corporation and legacy Countrywide determine to withdraw from the BNY Mellon Settlement agreement in accordance with its terms, the Corporation's future representations and warranties losses could be substantially different from existing accruals, together with our estimated range of possible loss for all representations and warranties exposures of up to $4 billion over existing accruals at December 31, 2013. Developments with respect to one or more of the assumptions underlying the estimated range of possible loss for representations and warranties (including the timing and ultimate outcome of the court approval process relating to the BNY Mellon Settlement) could result in changes in our non-government-sponsored enterprise (GSE) reserve and/or our estimated range of possible loss.

For more information regarding the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

If the U.S. housing market weakens, or home prices decline, our consumer loan portfolios, credit quality, credit losses, representations and warranties exposures, and earnings may be adversely affected.

Although U.S. home prices continued to improve during 2013, the declines in prior years have negatively impacted the demand for many of our products and the credit performance of our consumer mortgage portfolios. Additionally, our mortgage loan production volume is generally influenced by the rate of growth in residential mortgage debt outstanding and the size of the residential mortgage market.

Conditions in the U.S. housing market in prior years have also resulted in significant write-downs of asset values in several asset classes, notably mortgage-backed securities (MBS), and increased exposure to monolines. If the U.S. housing market were to weaken, the value of real estate could decline, which could negatively affect our exposure to representations and warranties. While there were continued indications in 2013 that the U.S. economy is stabilizing, the performance of our overall consumer portfolios may not significantly improve in the near future. A protracted continuation or worsening of difficult housing market conditions may exacerbate the adverse effects outlined above and could have an adverse effect on our financial condition and results of operations.

In addition, our home equity portfolio, which makes up approximately 27 percent of our total home loans portfolio, contains a significant percentage of loans in second-lien or more junior-lien positions, and such loans have elevated risk characteristics. Our home equity portfolio had an outstanding balance of $93.7 billion as of December 31, 2013, including $80.3 billion of home equity lines of credit (HELOC), $12.0 billion of home equity loans and $1.4 billion of reverse mortgages. Of the total home equity portfolio at December 31, 2013, $23.0 billion, or 25 percent, were in first-lien positions (26 percent excluding the purchased credit-impaired (PCI) home equity portfolio) and $70.7 billion, or 75 percent (74 percent excluding the PCI home equity portfolio) were in second-lien or more junior-lien positions. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the home equity line of credit portfolio as a whole. Loans in our home equity line of credit portfolio generally have an initial draw period of 10 years and more than 85 percent of these loans will not enter their amortization period until 2015 or later. As a result, delinquencies and defaults may increase in future periods.

Continued mortgage foreclosure delays and investigations into our residential mortgage foreclosure practices may increase our costs. In addition, mortgage foreclosure proceedings have been slow in certain states due to a high volume of pending proceedings, which may cause us to have higher credit losses.

Foreclosure sales in states where foreclosure requires a court order (judicial states) have been much slower than in those states where foreclosure does not require a court order (non-judicial states). There continues to be a backlog of foreclosure inventory in judicial states as the process of obtaining a court order can significantly increase the time required to complete a foreclosure. Excluding fully-insured portfolios, approximately 30 percent of our residential mortgage loan portfolio, including 37 percent of nonperforming residential mortgage loans, and 36 percent of our home equity portfolio, including 44 percent of nonperforming home equity loans, were in judicial states as of December 31, 2013.

The implementation of changes in procedures and controls, including loss mitigation procedures related to our ability to recover on FHA insurance-related claims, and governmental, regulatory and judicial actions, may result in continuing delays in foreclosure proceedings and foreclosure sales and create obstacles to the collection of certain fees and expenses, in both judicial and non-judicial foreclosures, which could cause us to have higher credit losses. Although we expect total servicing costs will decline if the number of delinquencies continue to decline, we expect that mortgage-related assessments and waiver costs, including compensatory fees and similar costs, and other costs associated with foreclosures will remain elevated as additional loans are delayed in the foreclosure process. These elevated costs, along with elevated default servicing costs and legal expense, may result in elevated noninterest expense in future periods. Contributing to the elevated default servicing costs are required process changes, including those required under the consent orders with federal bank regulators and new requirements from the Consumer Financial Protection Bureau. Delays in foreclosure sales may result in additional costs associated with the maintenance of properties or possible home price declines, result in a greater number of nonperforming loans and increased servicing advances and may adversely impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties. With respect to GSE MBS, the valuation of certain MBS could be negatively affected under certain scenarios due to changes in the

timing of cash flows. With respect to non-GSE MBS, under certain scenarios, the timing and amount of cash flows could be negatively affected.

For more information regarding our foreclosure sales, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters in the MD&A on page 57.

Continued investigations into and heightened scrutiny regarding our mortgage-related activities could result in additional costs and damage to our reputation.

In 2012, we entered into the National Mortgage Settlement with the U.S. Department of Justice, various federal regulatory agencies and 49 state Attorneys General, the U.S. Department of Housing and Urban Development (HUD), the Federal Reserve and the OCC, which resolved a significant amount of HUD claims and federal and state investigations into certain origination, servicing and foreclosure practices. However, the National Mortgage Settlement did not cover claims arising out of securitization (including representations made to investors with respect to MBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to Mortgage Electronic Registration Systems, Inc. (MERS), and claims by the GSEs (including repurchase demands), among other items.

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current origination, servicing, transfer of servicing and servicing rights, and foreclosure activities, including those claims not covered by the National Mortgage Settlement. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. We are also subject to inquiries, investigations, actions and claims from regulators, trustees, investors and other third parties relating to other mortgage-related activities such as the purchase, sale, pooling, and origination and securitization of loans, as well as structuring, marketing, underwriting and issuance of MBS and other securities, including claims relating to the adequacy and accuracy of disclosures in offering documents and representations and warranties made in connection with whole-loan sales or securitizations, including claims for contractual indemnification. The ongoing environment of heightened scrutiny may subject us to governmental or regulatory inquiries, investigations, actions, penalties and fines, including by the U.S. Department of Justice, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force, or by other regulators or government agencies that could adversely affect our reputation and result in costs to us in excess of current reserves and management's estimate of the aggregate range of possible loss for litigation matters. For more information regarding the National Mortgage Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters in the MD&A on page 57.

Failure to satisfy our obligations as servicer in the residential mortgage securitization process, including residential mortgage foreclosure obligations, along with other losses we could incur in our capacity as servicer, could cause losses.

We and our legacy companies have securitized a significant portion of the residential mortgage loans that we originated or acquired. We service a large portion of the loans we have securitized and also service loans on behalf of third-party securitization vehicles and other investors. At December 31, 2013, we serviced approximately 6.1 million loans with an aggregate unpaid principal balance of $810 billion, including loans owned by us and by others. Of the 3.6 million loans serviced for others, approximately 65 percent and 35 percent are held in GSE and non-GSE securitization vehicles, respectively. In addition to identifying specific servicing criteria, pooling and servicing arrangements in a securitization or whole-loan sale typically impose standards of care on the servicer that may include the obligation to adhere to the accepted servicing practices of prudent mortgage lenders and/or to exercise the degree of care and skill that the servicer employs when servicing loans for its own account. Servicing agreements with the government-sponsored entities, Fannie Mae (FNMA) and Freddie Mac (FHLMC) (collectively, the GSEs), generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors.

With regard to alleged irregularities in foreclosure process-related activities referred to above, we may incur costs or losses if we elect or are required to re-execute or re-file documents or take other action in connection with pending or completed foreclosures. We may also incur costs or losses if the validity of a foreclosure action is challenged by a borrower, or overturned by a court because of errors or deficiencies in the foreclosure process. These costs and liabilities may not be reimbursable to us. We may also incur costs or losses relating to delays or alleged deficiencies in processing documents necessary to comply with state law governing foreclosures. We may be subject to deductions by insurers for MI or guarantee benefits relating to delays or alleged deficiencies.

If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may have liability for any failure by us, as a servicer or master servicer, for any act or omission on our part that involves willful misfeasance, bad faith, gross negligence or reckless disregard of our duties. If any of these actions were to occur, it may harm our reputation, increase our servicing costs or adversely impact our results of operations.

Mortgage notes, assignments or other documents are often required to be maintained and are often necessary to enforce mortgage loans. We currently use the MERS system for approximately half of the residential mortgage loans that we have originated and remain in our servicing portfolio, including loans that have been sold to investors or securitization trusts. Additionally, certain local and state governments have commenced legal actions against us, MERS and other MERS members, questioning the validity of the MERS model. Other challenges have also been made to the process for transferring mortgage loans to securitization trusts, asserting that having a mortgagee of record that is different than the holder of the mortgage note could “break the chain of title” and cloud the ownership of the loan. If certain required documents are missing or defective, or if the use of MERS is found not to be valid, we could be obligated to cure certain defects or in some circumstances be subject to additional costs and expenses. Our use of MERS as nominee for the mortgage may also create reputational risks for us.

In addition to the adverse impact these factors could directly have on us, we may also face negative reputational costs from these servicing risks, which could reduce our future business opportunities in this area or cause that business to be on less favorable terms to us.

For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A on page 52.

Liquidity Risk

Liquidity Risk is the Potential Inability to Meet Our Contractual and Contingent Financial Obligations, On- or Off-balance Sheet, as they Become Due.

Adverse changes to our credit ratings from the major credit rating agencies could significantly limit our access to funding or the capital markets, increase our borrowing costs, or trigger additional collateral or funding requirements.

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including over-the-counter (OTC) derivatives. Credit ratings and outlooks are opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the rating agencies, which consider a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control.

Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa2/P-2 (Stable) by Moody's Investors Service, Inc. (Moody's); A-/A-2 (Negative) by Standard & Poor's Ratings Services (S&P); and A/F1 (Stable) by Fitch Ratings (Fitch). The rating agencies could make adjustments to our credit ratings at any time. There can be no assurance that downgrades will not occur.

A reduction in certain of our credit ratings could negatively affect our liquidity, access to credit markets, the related cost of funds, our businesses and certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. If the short-term credit ratings of our parent company, bank or broker/dealer subsidiaries were downgraded by one or more levels, we may suffer the potential loss of access to short-term funding sources such as repo financing, and/or increased cost of funds.

In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of a downgrade of our credit ratings or certain subsidiaries' credit ratings, counterparties to those agreements may require us or certain subsidiaries to provide additional collateral, terminate these contracts or agreements, or provide other remedies. At December 31, 2013, if the rating agencies had downgraded their long-term senior debt ratings for us or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $1.3 billion, including $881 million for Bank of America, N.A. (BANA). If the rating agencies had downgraded their long-term senior debt ratings for these entities by an additional incremental notch, approximately $4.1 billion in additional incremental collateral, including $3.0 billion for BANA would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for us or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2013 was $927 million against which $733 million of collateral has been posted. If the rating agencies had downgraded their long-term senior debt ratings for us and certain subsidiaries by a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2013 was an incremental $1.9 billion, against which $1.5 billion of collateral has been posted.

While certain potential impacts are contractual and quantifiable, the full consequences of a credit ratings downgrade to a financial institution are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties.

For more information about our credit ratings and their potential effects to our liquidity, see Liquidity Risk – Credit Ratings in the MD&A on page 75 and Note 2 – Derivatives to the Consolidated Financial Statements.

If we are unable to access the capital markets, continue to maintain deposits, or our borrowing costs increase, our liquidity and competitive position will be negatively affected.

Liquidity is essential to our businesses. We fund our assets primarily with globally sourced deposits in our bank entities, as well as secured and unsecured liabilities transacted in the capital markets. We rely on certain secured funding sources, such as repo markets, which are typically short-term and credit-sensitive in nature. We also engage in asset securitization transactions, including with the GSEs, to fund consumer lending activities. Our liquidity could be adversely affected by any inability to access the capital markets; illiquidity or volatility in the capital markets; unforeseen outflows of cash, including customer deposits, funding for commitments and contingencies, including Variable Rate Demand Notes; increased liquidity requirements on our banking and nonbanking subsidiaries imposed by their home countries; or negative perceptions about our short- or long-term business prospects, including downgrades of our credit ratings. Several of these factors may arise due to circumstances beyond our control, such as a general market disruption, negative views about the financial services industry generally, changes in the regulatory environment, actions by credit rating agencies or an operational problem that affects third parties or us.

Our cost of obtaining funding is directly related to prevailing market interest rates and to our credit spreads. Credit spreads are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of a similar maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads can increase the cost of our funding. Changes in our credit spreads are market-driven and may be influenced by market perceptions of our creditworthiness. Changes to interest rates and our credit spreads occur continuously and may be unpredictable and highly volatile.

For more information about our liquidity position and other liquidity matters, including credit ratings and outlooks and the policies and procedures we use to manage our liquidity risks, see Capital Management and Liquidity Risk in the MD&A on pages 65 and 71.

Bank of America Corporation is a holding company and we depend upon our subsidiaries for liquidity, including our ability to pay dividends to stockholders. Applicable laws and regulations, including capital and liquidity requirements, may restrict our ability to transfer funds from our subsidiaries to Bank of America Corporation or other subsidiaries.

Bank of America Corporation, as the parent company, is a separate and distinct legal entity from our banking and nonbanking subsidiaries. We evaluate and manage liquidity on a legal entity basis. Legal entity liquidity is an important consideration as there are legal and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, including the parent company. For instance, the parent company depends on dividends, distributions and other payments from our banking and nonbanking subsidiaries to fund dividend payments on our common stock and preferred stock and to fund all payments on our other obligations, including debt obligations. Many of our subsidiaries, including our bank and broker/dealer subsidiaries, are subject to laws that restrict dividend payments, or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the parent company or other subsidiaries. In addition, our bank and broker/dealer subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital and liquidity requirements, as well as restrictions on their ability to use funds deposited with them in bank or brokerage accounts to fund their businesses.

Additional restrictions on related party transactions, increased capital and liquidity requirements and additional limitations on the use of funds on deposit in bank or brokerage accounts, as well as lower earnings, can reduce the amount of funds available to meet the obligations of the parent company and even require the parent company to provide additional funding to such subsidiaries. Regulatory action of that kind could impede access to funds we need to make payments on our obligations or dividend payments. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. For more information regarding our ability to pay dividends, see Note 13 – Shareholders' Equity and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements.

Credit Risk
Credit Risk is the Risk of Loss Arising from a Borrower, Obligor or Counterparty Default when a Borrower, Obligor or Counterparty does not Meet its Obligations.
Economic or market disruptions, insufficient credit loss reserves or concentration of credit risk may necessitate an increase in the provision for credit losses, which could have an adverse effect on our financial condition and results of operations.
When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their agreements. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. As one of the nation's largest lenders, the credit quality of our consumer and commercial portfolios has a significant impact on our earnings.
Global and U.S. economic conditions may impact our credit portfolios. To the extent economic or market disruptions occur, such disruptions would likely increase our credit exposure to customers, obligors or other counterparties due to the increased risk that they may default on their obligations to us. These potential increases in delinquencies and default rates could adversely affect our consumer credit card, home equity, consumer real estate and PCI portfolios through increased charge-offs and provision for credit losses. Additionally, increased credit risk could also adversely affect our commercial loan portfolios.
We estimate and establish an allowance for credit losses for losses inherent in our lending activities (including unfunded lending commitments), excluding those measured at fair value, through a charge to earnings. The amount of allowance is determined based on our evaluation of the potential credit losses included within our loan portfolio. The process for determining the amount of the allowance, which is critical to our financial condition and results of operations, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how borrowers will react to those conditions. Our ability to assess future economic conditions or the creditworthiness of our customers, obligors or other counterparties is imperfect. The ability of our borrowers to repay their loans will likely be impacted by changes in economic conditions, which in turn could impact the accuracy of our forecasts.
As with any such assessments, there is also the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify.
We may suffer unexpected losses if the models and assumptions we use to establish reserves and make judgments in extending credit to our borrowers and other counterparties become less predictive of future events. Although we believe that our allowance for credit losses was in compliance with applicable accounting standards at December 31, 2013, there is no guarantee that it will be sufficient to address future credit losses, particularly if economic conditions deteriorate. In such an event, we might need to increase the size of our allowance, which reduces our earnings.
In the ordinary course of our business, we also may be subject to a concentration of credit risk in a particular industry, country, counterparty, borrower or issuer. A deterioration in the financial

condition or prospects of a particular industry or a failure or downgrade of, or default by, any particular entity or group of entities could negatively affect our businesses, and the processes by which we set limits and monitor the level of our credit exposure to individual entities, industries and countries may not function as we have anticipated.
While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers/dealers, commercial banks, investment banks, insurers, mutual and hedge funds, and other institutional clients and funds. This has resulted in significant credit concentration with respect to this industry. Financial services institutions and other counterparties are inter-related because of trading, funding, clearing or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to significant future liquidity problems, including losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of a counterparty or client. In addition, our credit risk may be impacted when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivatives exposure due us.
In the ordinary course of business, we also enter into transactions with sovereign nations, U.S. states and U.S. municipalities. Unfavorable economic or political conditions, disruptions to capital markets, currency fluctuations,

changes in energy prices, social instability and changes in government policies could impact the operating budgets or credit ratings of sovereign nations, U.S. states and U.S. municipalities and expose us to credit risk.

We also have a concentration of credit risk with respect to our consumer real estate, consumer credit card and commercial real estate portfolios, which represent a large percentage of our overall credit portfolio. The economic downturn has adversely affected these portfolios and further exposed us to this concentration of risk. Continued economic weakness or deterioration in real estate values or household incomes could result in higher credit losses.

For more information about our credit risk and credit risk management policies and procedures, see Credit Risk Management in the MD&A on page 76 and Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Our derivatives businesses may expose us to unexpected risks and potential losses.

We are party to a large number of derivatives transactions, including credit derivatives. Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses. Severe declines in asset values, unanticipated credit events or unforeseen circumstances that may cause previously uncorrelated factors to become correlated (and vice versa) may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument. The terms of certain of our OTC derivative contracts and other trading agreements provide that upon the occurrence of certain specified events, such as a change in our credit ratings, we may be required to provide additional collateral or to provide other remedies, or our counterparties may have the right to terminate or otherwise diminish our rights under these contracts or agreements.

Many derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling some positions difficult. Many derivatives require that we deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold, and may not be able to obtain, the underlying security, loan or other obligation.

In the event of a downgrade of the Corporation's credit ratings, certain derivative and other counterparties may request we substitute BANA as counterparty for certain derivative contracts and other trading agreements. Our ability to substitute or make changes to these agreements to meet counterparties' requests may be subject to certain limitations, including counterparty willingness, regulatory limitations on naming BANA as the new counterparty, and the type or amount of collateral required. It is possible that such limitations on our ability to substitute or make changes to these agreements, including naming BANA as the new counterparty, could adversely affect our results of operations.

Derivatives contracts, including new and more complex derivatives products, and other transactions entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While a transaction remains unconfirmed, or during any delay in settlement, we are subject to heightened credit, market and operational risk and, in the event of default, may find it more difficult to enforce the contract. In addition, disputes may arise with counterparties, including government entities, about the terms, enforceability and/or suitability of the underlying contracts. These factors could negatively impact our ability to effectively manage our risk exposures from these products and subject us to increased credit and operating costs and reputational risk.

For more information on our derivatives exposure, see Note 2 – Derivatives to the Consolidated Financial Statements.

Market Risk

Market Risk is the Risk that Values of Assets and Liabilities or Revenues will be Adversely Affected by Changes in Market Conditions Such as Market Volatility. Market Risk is Inherent in the Financial Instruments Associated with our Operations, Including Loans, Deposits, Securities, Short-term Borrowings, Long-term Debt, Trading Account Assets and Liabilities, and Derivatives.

Increased market volatility and adverse changes in other financial or capital market conditions may increase our market risk.

Our liquidity, cash flows, competitive position, business, results of operations and financial condition are affected by market risk factors such as changes in interest and currency exchange rates, equity and futures prices, the implied volatility of interest rates, credit spreads and other economic and business factors. These market risks may adversely affect, among other things, (i) the value of our on- and off-balance sheet securities, trading assets, other financial instruments, and MSRs, (ii) the cost of debt capital and our access to credit markets, (iii) the value of assets under management (AUM), (iv) fee income relating to AUM, (v) customer allocation of capital among investment alternatives, (vi) the volume of client activity in our trading operations, (vii) investment banking fees, and (viii) the general profitability and risk level of the transactions in which we engage. For example, the value of certain

of our assets is sensitive to changes in market interest rates. If the Federal Reserve changes or signals a change in the timing or pace of tapering of its current mortgage securities repurchase program, market interest rates could be affected, which could adversely impact the value of such assets.

We use various models and strategies to assess and control our market risk exposures but those are subject to inherent limitations. Our models, which rely on historical trends and assumptions, may not be sufficiently predictive of future results due to limited historical patterns, extreme or unanticipated market movements and illiquidity, especially during severe market downturns or stress events. The models that we use to assess and control our market risk exposures also reflect assumptions about the degree of correlation among prices of various asset classes or other market indicators. In addition, market conditions in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

In times of market stress or other unforeseen circumstances, such as the market conditions experienced in 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to ours. In these and other cases, it may be difficult to reduce our risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets. To the extent that we own securities that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, we may not be able to reduce our positions and therefore reduce our risk associated with such positions. In addition, challenging market conditions may also adversely affect our investment banking fees.

For more information about market risk and our market risk management policies and procedures, see Market Risk Management in the MD&A on page 108.

A downgrade in the U.S. government's sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions, agencies or instrumentalities, could result in risks to the Corporation and its credit ratings and general economic conditions that we are not able to predict.

On October 15, 2013, Fitch placed its AAA long-term and F1+ short-term sovereign credit rating on the U.S. government on rating watch negative. On July 18, 2013, Moody's revised its outlook on the U.S. government to stable from negative and affirmed its AAA long-term sovereign credit rating on the U.S. government. On June 10, 2013, S&P affirmed its AA+ long-term and A-1+ short-term sovereign credit rating on the U.S. government, and revised the outlook on the long-term credit rating to stable from negative. All three rating agencies have indicated that they will continue to assess fiscal projections and consolidation measures, as well as the medium-term economic outlook for the U.S.

The ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any downgrade. Instruments of this nature are often held as trading, investment or excess liquidity positions on the balance sheets of financial institutions, including the Corporation, and are widely used as collateral by financial institutions to raise cash in the secured financing markets. A downgrade of the sovereign credit ratings of the U.S. government and perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments.

We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. The credit rating agencies' ratings for the Corporation or its subsidiaries could be directly or indirectly impacted by a downgrade of the U.S. government's sovereign rating because certain credit ratings of large systemically important financial institutions, including those of the Corporation or its subsidiaries, currently include a degree of uplift due to rating agencies' assumptions concerning potential government support. In addition, the Corporation presently delivers a material portion of the residential mortgage loans it originates into GSEs, agencies or instrumentalities (or instruments insured or guaranteed thereby). We cannot predict if, when or how any changes to the credit ratings of these organizations will affect their ability to finance residential mortgage loans.

A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instrumentalities would exacerbate the other risks to which the Corporation is subject and any related adverse effects on our business, financial condition and results of operations.

Our businesses may be affected by uncertainty 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.

Risks and ongoing concerns about the financial stability of several non-U.S. jurisdictions could impact our operations and have a detrimental impact on the global economic recovery. For instance, sovereign and non-sovereign debt levels remain elevated. Market and economic disruptions have affected, and may continue to affect, consumer confidence levels and spending, corporate investment and job creation, bankruptcy rates, levels of incurrence and default on consumer debt and corporate debt, economic growth rates and asset values, among other factors.

A number of non-U.S. jurisdictions in which we do business have been negatively impacted by slowing growth rates or recessionary conditions, market volatility and/or political unrest. Additionally, there can be no assurance that the recent market stabilization in Europe, including reduced costs of funding for certain governments and financial institutions, is sustainable, nor can there be any assurance that future assistance packages, if required, will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. To the extent European economic recovery uncertainty continues to negatively impact consumer and business confidence and credit factors, or should the EU enter a deep recession, both the U.S. economy and our business and results of operations could be adversely affected.

The Corporation has substantial U.K. net deferred tax assets, which consist primarily of net operating losses (NOLs) that are expected to be realized by certain subsidiaries over an extended number of years. Management concluded that no valuation allowance was necessary with respect to such net deferred tax

assets. Management's conclusion is supported by recent financial results and forecasts, the reorganization of certain business activities and the indefinite period to carry forward NOLs. However, significant changes to those expectations, such as would be caused by a substantial and prolonged worsening of the condition of Europe's capital markets, could lead management to reassess its U.K. valuation allowance conclusions.

Global economic and political uncertainty, regulatory initiatives and reform have impacted, and will likely continue to impact, non-U.S. credit and trading portfolios. There can be no assurance our risk mitigation efforts in this respect will be sufficient or successful. Our total sovereign and non-sovereign exposure to Greece, Italy, Ireland, Portugal and Spain was $17.1 billion at December 31, 2013 compared to $14.5 billion at December 31, 2012. Our total net sovereign and non-sovereign exposure to these countries was $10.4 billion at December 31, 2013 compared to $9.5 billion at December 31, 2012, after taking into account net credit default protection. At December 31, 2013 and 2012, the fair value of hedges and credit default protection was $6.8 billion and $5.1 billion. Losses could still result because our credit protection contracts only pay out under certain scenarios. For example, it is possible that a voluntary restructuring will not constitute a credit event under the terms of a credit default swap (CDS), and consequently may

not trigger a payment under the relevant CDS contract.
For more information on our direct sovereign and non-sovereign exposures in the top 20 non-U.S. countries and Europe, see Non-U.S. Portfolio in the MD&A on page 100.
We may incur losses if the values of certain assets decline, including due to changes in interest rates and prepayment speeds.
We have a large portfolio of financial instruments, including, among others, certain loans and loan commitments, loans held-for-sale, securities financing agreements, asset-backed secured financings, long-term deposits, long-term debt, trading account assets and liabilities, derivatives assets and liabilities, available-for-sale (AFS) debt and equity securities, other debt securities carried at fair value, certain MSRs and certain other assets and liabilities that we measure at fair value. We determine the fair values of these instruments based on the fair value hierarchy under applicable accounting guidance. The fair values of these financial instruments include adjustments for market liquidity, credit quality and other transaction-specific factors, where appropriate.
Gains or losses on these instruments can have a direct impact on our results of operations, including higher or lower mortgage banking income and earnings, unless we have effectively hedged our exposures. For example, decreases in interest rates and increases in mortgage prepayment speeds, which are influenced by interest rates, among other things, could adversely impact the value of our MSR asset, cause a significant acceleration of purchase premium amortization on our mortgage portfolio, and adversely affect our net interest margin. Conversely, increases in interest rates may result in a decrease in residential mortgage loan originations. In addition, increases in interest rates may adversely impact the fair value of debt securities and, accordingly, for debt securities classified as AFS, may adversely affect accumulated other comprehensive income (OCI) and, thus, capital levels.
Fair values may be impacted by declining values of the underlying assets or the prices at which observable market transactions occur and the continued availability of these transactions. The financial strength of counterparties, with whom we have economically hedged some of our exposure to these

assets, also will affect the fair value of these assets. Sudden declines and volatility in the prices of assets may curtail or eliminate the trading activity for these assets, which may make it difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may increase our risk-weighted assets, which requires us to maintain additional capital and increases our funding costs.

Asset values also directly impact revenues in our asset management businesses. We receive asset-based management fees based on the value of our clients' portfolios or investments in funds managed by us and, in some cases, we also receive performance fees based on increases in the value of such investments. Declines in asset values can reduce the value of our clients' portfolios or fund assets, which in turn can result in lower fees earned for managing such assets.

For more information about fair value measurements, see Note 20 – Fair Value Measurements to the Consolidated Financial Statements. For more information about our asset management businesses, see Business Segment Operations – Global Wealth & Investment Management in the MD&A on page 44. For more information about interest rate risk management, see Interest Rate Risk Management for Nontrading Activities in the MD&A on page 113.

Changes in the method of determining the London Interbank Offered Rate (LIBOR) or other reference rates may adversely impact the value of debt securities and other financial instruments we hold or issue that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition or results of operations.

In recent years, concerns have been raised about the accuracy of the calculation of LIBOR. Aspects of the method for determining how LIBOR is formulated and its use in the market have changed and may continue to change, including, but not limited to, requiring that LIBOR submissions be kept confidential, replacing the administrator of LIBOR, reducing the currencies and tenors for which LIBOR is calculated and requiring banks to provide LIBOR submissions based on actual transaction data or otherwise changing the structure of LIBOR, each of which could impact the availability and volatility of LIBOR. For example, the British Bankers' Association (BBA) reduced the tenors for which LIBOR is calculated and published. In addition, the BBA has announced the administration of LIBOR will transfer from the BBA to the ICE Benchmark Administration Limited. Similar changes may occur with respect to other reference rates. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would impact the value of any debt securities we hold or issue that are linked to LIBOR or other reference rates, or any loans, derivatives and other financial obligations or extensions of credit we hold or are due to us, or for which we are an obligor, that are linked to LIBOR or other reference rates, or whether, or to what extent, such changes would impact our financial condition or results of operations.

Regulatory and Legal Risk

Bank regulatory agencies may require us to hold higher levels of regulatory capital, increase our regulatory capital ratios or increase liquidity, which could result in the need to issue additional securities that qualify as regulatory capital or to take other actions, such as to sell company assets.

We are subject to the Federal Reserve's risk-based capital guidelines. These guidelines establish regulatory capital requirements for banking institutions to meet minimum requirements as well as to qualify as a "well-capitalized" institution. If any of our subsidiary insured depository institutions fail to maintain its status as "well-capitalized" under the applicable regulatory capital rules, the Federal Reserve will require us to agree to bring the insured depository institution or institutions back to "well-capitalized" status. For the duration of such an agreement, the Federal Reserve may impose restrictions on our activities. If we were to fail to enter into such an agreement, or fail to comply with the terms of such agreement, the Federal Reserve may impose more severe restrictions on our activities, including requiring us to cease and desist activities permitted under the Bank Holding Company Act of 1956.

It is possible that increases in regulatory capital requirements, changes in how regulatory capital is calculated or increases to liquidity requirements may cause the loss of our "well-capitalized" status unless we increase our capital levels by issuing additional common stock, thus diluting our existing shareholders, or by taking other actions, such as selling company assets.

In July 2013, U.S. banking regulators approved the final Basel 3 Regulatory Capital Rules (Basel 3). Basel 3 materially changes how our Tier 1 common, Tier 1 and Total capital are calculated. Additionally, Basel 3 introduces new minimum capital ratios and buffer requirements, a supplementary leverage ratio, changes the composition of regulatory capital, revises the adequately capitalized minimum requirement under the Prompt Corrective Action framework, expands and modifies the calculation of risk-weighted assets for credit and market risk and introduces a Standardized approach for the calculation of risk-weighted assets. The U.S. banking regulators are expected to propose and enact regulations to implement a systemically important financial institution (SIFI) capital buffer. The SIFI buffer would require us to hold Tier 1 common capital in addition to regulatory minimums.

The U.S. banking regulators are also expected to adopt regulatory liquidity requirements, including a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR), which are intended to ensure that firms hold sufficient liquid assets over different time horizons to fund operations if other funding sources are unavailable. In October 2013, the U.S. banking regulators issued a notice of proposed rulemaking, which, if adopted, would implement the LCR beginning on January 1, 2015 and be fully phased in by January 1, 2017. Additionally, although the timing is uncertain, the U.S. banking regulators are expected to propose and enact rules regarding the NSFR. For additional information, see Liquidity Risk – Basel 3 Liquidity Standards on page 73.

Compliance with the regulatory capital and liquidity requirements may impact our operations by requiring us to liquidate assets, increase borrowings, issue additional equity or other securities, cease or alter certain operations, or hold highly liquid assets, which may adversely affect our results of operations.
For more information about the proposals and regulatory changes described above, see Capital Management – Regulatory Capital in the MD&A on page 65.
We are subject to extensive government legislation and regulations, both domestically and internationally, which impact our operating costs and could require us to make changes to our operations, which could result in an adverse impact on our results of operations. Additionally, these regulations, and certain consent orders and settlements we have entered into, have increased and will continue to increase our compliance and operational costs.
We are subject to extensive laws and regulations promulgated by U.S. state, U.S. federal and non-U.S. laws in the jurisdictions in which we operate. In response to the financial crisis, the U.S. adopted the Financial Reform Act, which has resulted in significant rulemaking and proposed rulemaking by the Treasury, the Federal Reserve, the OCC, the CFPB, FSOC, the FDIC, the SEC and CFTC. A number of the provisions of the Financial Reform Act, including those described below, may have an impact on our operations.
Consumer Businesses. Our consumer businesses are subject to extensive regulation and oversight by the OCC, the CFPB, the FDIC and other federal and state regulators. The CFPB has promulgated several proposed and final rules that have affected and will continue to affect our consumer businesses, including, but not limited to, establishing enhanced underwriting standards and new mortgage loan servicing standards. The CFPB has also proposed rules addressing items such as remittance transfer services, appraisal requirements and loan originator compensation requirements, and debt collection practices. The Corporation is devoting substantial compliance, legal and operational business resources to facilitate compliance with these rules by their respective effective dates; however, it is possible that the final and proposed rules could have an adverse impact on our results of operations.
Debit Interchange. On July 31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve's rules implementing a limit on debit interchange fees mandated by the Durbin Amendment of the Financial Reform Act. The ruling requires the Federal Reserve to reconsider the current $0.21 per transaction cap on debit card interchange fees. The Federal Reserve is appealing the ruling and final resolution is expected in the first half of 2014. If the Federal Reserve, upon final resolution, implements a lower per transaction cap, it may have an adverse impact on our debit card interchange fee revenue.
Derivatives. The Financial Reform Act includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives; imposing new capital, margin, reporting, registration and business conduct requirements for certain market participants; and imposing position limits on certain OTC derivatives. Compliance with these rules could have an adverse impact on our results of operations.
FDIC. The FDIC has broad discretionary authority to increase assessments on large and highly complex institutions on a case by case basis. Any future increases in required deposit insurance premiums or other bank industry fees could have an adverse impact on our financial condition and results of operations.

Orderly Liquidation. The Financial Reform Act established an orderly liquidation process in the event of the failure of a large systemically important financial institution. Specifically, when a systemically important financial institution such as the Corporation is in default or danger of default, the FDIC may be appointed receiver under the orderly liquidation authority instead of the U.S. Bankruptcy Code. In certain circumstances under the orderly liquidation authority, the FDIC could permit payment of obligations it determines to be systemically significant (e.g., short-term creditors or operating creditors) in lieu of paying other obligations (e.g., long-term senior and subordinated creditors, among others) without the need to obtain creditors' consent or prior court review. The insolvency and resolution process could also lead to a large reduction in or total elimination of the value of a BHC's outstanding equity. Additionally, under the orderly liquidation authority, amounts owed to the U.S. government generally receive a statutory payment priority.
Resolution Planning. Under the Financial Reform Act, all BHCs with assets of $50 billion or more are required to develop and submit resolution plans annually to the FDIC and the Federal Reserve, who will review such plans to determine whether they are credible. If the FDIC and the Federal Reserve determine that our plan is not credible and we fail to cure the deficiencies in a timely manner, the FDIC and the Federal Reserve may jointly impose more

stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations of the Corporation. We could be required to take certain actions that could impose operating costs and could potentially result in the divestiture or restructuring of certain businesses and subsidiaries.
Volcker Rule. On December 10, 2013, the Federal Reserve, OCC, FDIC, SEC and CFTC issued final regulations under the Financial Reform Act implementing limitations on proprietary trading as well as the sponsorship of, or investment in, hedge funds and private equity funds (the Volcker Rule) and set a conformance period that will expire on July 21, 2015. Subject to certain exceptions, the Volcker Rule prohibits us from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options for our own account, as well as imposes limits on our investments in, and other relationships with, hedge funds and private equity funds.
We are still in the process of evaluating the full impact of the Volcker Rule on our current trading activities and our ownership interests in and transactions with hedge funds, private equity funds, commodity pools and other subsidiary operations. The Volcker Rule will likely increase our operational and compliance costs, reduce our trading revenues, and adversely affect our results of operations.
CCAR. On October 12, 2012, the Federal Reserve issued final rules requiring covered entities to undergo annual stress tests conducted by the Federal Reserve, the CCAR, and to conduct their own “company-run” stress tests twice a year. As part of the CCAR process, we must submit our capital plan, including any potential requests for capital actions, to the Federal Reserve on an annual basis. Our ability to return capital to shareholders, through dividends, share repurchases or otherwise, is subject to the Federal Reserve’s not objecting to our capital plan.
In addition, non-U.S. regulators, such as the PRA and the European Parliament and Commission, have adopted or have proposed laws and regulations regarding financial institutions located in their jurisdictions. For example, in the United Kingdom, the PRA has issued proposed rules regarding resolution planning for our U.K.-based entities that could require us to take certain

actions over the next several years that could impose operating costs on us and could potentially result in the restructuring of certain of our businesses and subsidiaries. In addition, we are subject to the European Market Infrastructure Regulation (EMIR), which regulates OTC derivatives, central counterparties and trade repositories, and imposes requirements for certain market participants with respect to derivatives reporting, clearing, business conduct and collateral. Adapting to and implementing EMIR requirements could impose operating costs. The ultimate impact of these laws and regulations remains uncertain. Many rules are still being finalized, and upon finalization could require additional regulatory guidance and interpretation. Additionally, laws proposed by different jurisdictions could create competing or conflicting requirements.

We are also subject to other significant regulations, such as OFAC, FCPA, and U.S. and international anti-money laundering regulations. Laws proposed by different jurisdictions could create competing or conflicting requirements. We could become subject to regulatory requirements beyond those currently proposed, adopted or contemplated. Additionally, we are subject to the terms of settlements we have entered into with government agencies, such as the OCC Consent Order and the National Mortgage settlement.

While we believe that we have adopted appropriate risk management and compliance programs, compliance risks will continue to exist, particularly as we adapt to new rules and regulations. Our regulators have assumed an increasingly active oversight, inspection and investigatory role over our operations and the financial services industry generally. In addition, legal and regulatory proceedings and other contingencies will arise from time to time that may result in fines, penalties, equitable relief and changes to our business practices. As a result, we are and will continue to be subject to heightened compliance and operating costs that could adversely affect our results of operations.

For more information about the regulatory initiatives discussed above, see Regulatory Matters in the MD&A on page 59.

Changes in the structure of the GSEs and the relationship among the GSEs, the government and the private markets, or the conversion of the current conservatorship of the GSEs into receivership, could result in significant changes to our business operations and may adversely impact our business.

We have sold over $2.0 trillion of loans to the GSEs. Each GSE is currently in a conservatorship, with its primary regulator, the Federal Housing Finance Agency, acting as conservator. We cannot predict if, when or how the conservatorships will end, or any associated changes to the GSEs' business structure that could result. We also cannot predict whether the conservatorships will end in receivership. There are several proposed approaches to reform the GSEs that, if enacted, could change the structure of the GSEs and the relationship among the GSEs, the government and the private markets, including the trading markets for agency conforming mortgage loans and markets for mortgage-related securities in which we participate. We cannot predict the prospects for the enactment, timing or content of legislative or rulemaking proposals regarding the future status of the GSEs. Accordingly, there continues to be uncertainty regarding the future of the GSEs, including whether they will continue to exist in their current form.

We are subject to significant financial and reputational risks from potential liability arising from lawsuits, regulatory or government action.

We face significant legal risks in our business, and the volume of claims and amount of damages, penalties and fines claimed in

litigation, and regulatory and government proceedings against us and other financial institutions remain high and are increasing. For example, we are currently involved in MBS litigation including purported class action suits, actions brought by individual MBS purchasers, actions brought by the Federal Housing Finance Agency (FHFA) as conservator for the GSEs and governmental actions. Increased litigation and investigation costs, substantial legal liability or significant regulatory or government action against us could have adverse effects on our financial condition and results of operations or cause significant reputational harm to us, which in turn could adversely impact our business prospects. We continue to experience increased litigation and other disputes, including claims for contractual indemnification, with counterparties regarding relative rights and responsibilities. Consumers, clients and other counterparties have grown more litigious. Our experience with certain regulatory authorities suggests an increasing supervisory focus on enforcement, including in connection with alleged violations of law and customer harm. Additionally, the ongoing environment of heightened scrutiny may subject us to governmental or regulatory inquiries, investigations, actions, penalties and fines, including by the U.S. Department of Justice, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force, or by other regulators or government agencies that could adversely affect our reputation and result in costs to us in excess of current reserves and management's estimate of the aggregate range of possible loss for litigation matters. Recent actions by regulators and government agencies indicate that they may, on an industry basis, increasingly pursue claims under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the False Claims Act (FCA). For example, the Civil Division of the U.S. Attorney's office for the Eastern District of New York is conducting an investigation concerning our compliance with the requirements of the Federal Housing Administration's Direct Endorsement Program. FIRREA contemplates civil monetary penalties as high as $1.1 million per violation or, if permitted by the court, based on pecuniary gain derived or pecuniary loss suffered as a result of the violation. Treble damages are potentially available for FCA claims. The ongoing environment of additional regulation, increased regulatory compliance burdens, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory environment, has resulted in operational and compliance costs and may limit our ability to continue providing certain products and services.

For a further discussion of litigation risks, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

We may be adversely affected by changes in U.S. and non-U.S. tax and other laws and regulations.

The U.S. Congress and the Administration have indicated an interest in reforming the U.S. corporate income tax code. Possible approaches include lowering the 35 percent corporate tax rate, modifying the taxation of income earned outside the U.S. and limiting or eliminating various other deductions, tax credits and/or other tax preferences. Also, the Governor of New York has issued a proposal to reform the New York state corporate income tax. It is not possible at this time to quantify either the one-time impacts from the remeasurement of deferred tax assets and liabilities that might result upon tax reform enactment or the ongoing impacts reform proposals might have on income tax expense.

In addition, income from certain non-U.S. subsidiaries has not been subject to U.S. income tax as a result of long-standing deferral provisions applicable to income that is derived in the active conduct of a banking and financing business abroad. These deferral provisions have expired for taxable years beginning on or after January 1, 2014. However, the U.S. Congress has extended these provisions several times, most recently in January 2013, when it reinstated the provisions retroactively to apply to 2012 taxable years. Congress this year may similarly consider reinstating these provisions to apply to 2014 taxable years. Absent an extension, active financing income earned by certain non-U.S. subsidiaries will generally be subject to a tax provision that considers incremental U.S. income tax. The impact of the expiration of these provisions would depend upon the amount, composition and geographic mix of our future earnings.

Other countries have also proposed and adopted certain regulatory changes targeted at financial institutions or that otherwise affect us. The EU has adopted increased capital requirements and the U.K. has (i) increased liquidity requirements for local financial institutions, including regulated U.K. subsidiaries of non-U.K. BHCs and other financial institutions as well as branches of non-U.K. banks located in the U.K.; (ii) adopted a Bank Levy, which will apply to the aggregate balance sheet of branches and subsidiaries of non-U.K. banks and banking groups operating in the U.K.; and (iii) proposed the creation and production of recovery and resolution plans by U.K.-regulated entities.

Risk of the Competitive Environment in which We Operate

We face significant and increasing competition in the financial services industry.

We operate in a highly competitive environment. Over time, there has been substantial consolidation among companies in the financial services industry, and this trend accelerated in recent years. This trend has also hastened the globalization of the securities and financial services markets. We will continue to experience intensified competition as consolidation in and globalization of the financial services industry may result in larger, better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices. To the extent we expand into new business areas and new geographic regions, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to compete. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. Increased competition may negatively affect our earnings by creating pressure to lower prices on our products and services and/or reducing market share.

Damage to our reputation could harm our businesses, including our competitive position and business prospects.

Our ability to attract and retain customers, clients, investors and employees is impacted by our reputation. We continue to face increased public and regulatory scrutiny resulting from the financial crisis and economic downturn as well as alleged irregularities in servicing, foreclosure, consumer collections, mortgage loan modifications and other practices, compensation practices, our

acquisitions of Countrywide and Merrill Lynch & Co., Inc. and the suitability or reasonableness of recommending particular trading or investment strategies.

Harm to our reputation can also arise from other sources, including employee misconduct, unethical behavior, litigation or regulatory outcomes, failing to deliver minimum or required standards of service and quality, compliance failures, unintended disclosure of confidential information, and the activities of our clients, customers and counterparties, including vendors. Actions by the financial services industry generally or by certain members or individuals in the industry also can adversely affect our reputation.

We are subject to complex and evolving laws and regulations regarding privacy, data protections and other matters.

Principles concerning the appropriate scope of consumer and commercial privacy vary considerably in different jurisdictions, and regulatory and public expectations regarding the definition and scope of consumer and commercial privacy may remain fluid in the future. It is possible that these laws may be interpreted and applied by various jurisdictions in a manner inconsistent with our current or future practices, or that is inconsistent with one another. We face regulatory, reputational and operational risks if personal, confidential or proprietary information of customers or clients in our possession is mishandled or misused.

Additionally, the ongoing environment of heightened scrutiny may subject us to governmental or regulatory inquiries, investigations, actions, penalties and fines, including by the RMBS Working Group of the Financial Fraud Enforcement Task Force, or by other regulators or government agencies that could adversely affect our reputation and result in costs to us in excess of current reserves and management's estimate of the aggregate range of possible loss for litigation matters.

We could suffer reputational harm if we fail to properly identify and manage potential conflicts of interest.

Management of potential conflicts of interests has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions, which could adversely affect our businesses.

Our actual or perceived failure to address these and other issues gives rise to reputational risk that could cause harm to us and our business prospects, including failure to properly address operational risks. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions, legal risks and reputational harm, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

Our ability to attract and retain qualified employees is critical to the success of our business and failure to do so could hurt our business prospects and competitive position.

Our performance is heavily dependent on the talents and efforts of highly skilled individuals. Competition for qualified personnel within the financial services industry and from businesses outside the financial services industry has been, and is expected to continue to be, intense. Our competitors include non-U.S.-based institutions and institutions subject to different compensation and hiring regulations than those imposed on U.S. institutions and financial institutions. The difficulty we face in competing for key personnel is exacerbated in emerging markets, where we are often competing for qualified employees with entities that may have a significantly greater presence or more extensive experience in the region.

In order to attract and retain qualified personnel, we must provide market-level compensation. As a large financial and banking institution, we may be subject to limitations on compensation practices (which may or may not affect our competitors) by the Federal Reserve, the FDIC or other regulators around the world. Any future limitations on executive compensation imposed by legislation or regulation could adversely affect our ability to attract and maintain qualified employees. Furthermore, a substantial portion of our annual incentive compensation paid to our senior employees has in recent years taken the form of long-term equity awards. Therefore, the ultimate value of this compensation depends on the price of our common stock when the awards vest. If we are unable to continue to attract and retain qualified individuals, our business prospects and competitive position could be adversely affected.

In addition, if we fail to retain the wealth advisors that we employ in GWIM, particularly those with significant client relationships, such failure could result in a loss of clients or the withdrawal of significant client assets.

We may not be able to achieve expected cost savings from cost-saving initiatives or in accordance with currently anticipated time frames.

We are currently engaged in numerous efforts to achieve certain cost savings, including, among other things, Project New BAC. We currently expect our planned New BAC cost savings of $2 billion per quarter to be fully realized by mid-2015 and for our Legacy Assets and Servicing costs, excluding litigation costs, to decrease to approximately $1.1 billion per quarter by the fourth quarter of 2014. However, we may be unable to fully realize the cost savings and other anticipated benefits from our cost saving initiatives or in accordance with currently anticipated timeframes. In addition, our litigation expense may vary from period to period and may cause our noninterest expense to increase for any particular period even if we otherwise achieve the cost savings mentioned above.

Our inability to adapt our products and services to evolving industry standards and consumer preferences could harm our business.

Our business model is based on a diversified mix of business that provides a broad range of financial products and services, delivered through multiple distribution channels. Our success depends on our ability to adapt our products and services to evolving industry standards. There is increasing pressure by competitors to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. In addition, the widespread adoption

of new technologies, including internet services, could require us to incur substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing or introducing new products and services, responding or adapting to changes in consumer spending and saving habits, achieving market acceptance of our products and services, or sufficiently developing and maintaining loyal customers.

Risks Related to Risk Management

Our risk management framework may not be effective in mitigating risk and reducing the potential for losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to the types of risk to which we are subject, including strategic, credit, market, liquidity, compliance, operational and reputational risks, among others. While we employ a broad and diversified set of risk monitoring and mitigation techniques, including hedging strategies and techniques that seek to balance our ability to profit from trading positions with our exposure to potential losses, those techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. The Volcker Rule may impact our ability to engage in certain hedging strategies. Recent economic conditions, heightened legislative and regulatory scrutiny of the financial services industry and increases in the overall complexity of our operations, among other developments, have resulted in a heightened level of risk for us. Accordingly, we could suffer losses as a result of our failure to properly anticipate and manage these risks.

For more information about our risk management policies and procedures, see Managing Risk in the MD&A on page 61.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

Our businesses are highly dependent on our ability to process, record and monitor, on a continuous basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. The potential for operational risk exposure exists throughout our organization and is not limited to operations functions. Operational risk exposures can impact our results of operations, such as losses resulting from unauthorized trades by employees, and their impact may extend beyond financial losses.

Integral to our performance is the continued efficacy of our internal processes, systems, relationships with third parties and the vast array of employees and key executives in our day-to-day and ongoing operations. With regard to the physical infrastructure and systems that support our operations, we have taken measures to implement backup systems and other safeguards, but our ability to conduct business may be adversely affected by any significant and widespread disruption to our infrastructure or systems. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our ability to process these transactions or provide these services. There could be sudden increases in customer transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and cyber attacks. We continuously update these systems to support our operations and growth. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones.

Information security risks for large financial institutions like us have significantly increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. Our operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in our computer systems and networks. Our banking, brokerage, investment advisory and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our customers may use personal smartphones, PCs and other computing devices, tablet PCs and other mobile devices that are beyond our control systems. Our technologies, systems, networks and our customers' devices have been subject to, and are likely to continue to be the target of, cyber attacks, computer viruses, malicious code, phishing attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Corporation, our employees or our customers, or otherwise disrupt our or our customers' or other third parties' business operations. For example, our websites have been subject to a series of distributed denial of service cyber security incidents. Although these incidents have not had a material impact on Bank of America, nor have they resulted in unauthorized access to our or our customers' confidential, proprietary or other information, because of our prominence, we believe that such incidents may continue.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains

heightened because of, among other things, the evolving nature of these threats, our prominent size and scale and our role in the financial services industry, our plans to continue to implement our internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, the continued uncertain global economic environment, threats of cyberterrorism, external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends, and system and customer account conversions. As a result, cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

In addition, we also face the risk of operational failure, termination or capacity constraints of any of the third parties with which we do business or that facilitate our business activities, including clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. In recent years, there has been significant consolidation among clearing agents, exchanges and clearing houses and increased interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses. This consolidation and interconnectivity increases the risk of operational failure, on both individual and industry-wide bases, as disparate complex systems need to be integrated, often on an accelerated basis. Any such failure, termination or constraint could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses, and could have an adverse impact on our liquidity, financial condition and results of operations.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in the loss of customers and business opportunities, significant business disruption to the Corporation's operations and business, misappropriation of the Corporation's confidential information and/or that of its customers, or damage to the Corporation's computers or systems and/or those of its customers and/or counterparties, and could result in violations of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in the Corporation's security measures, reputational damage, reimbursement or other compensatory costs, and additional compliance costs.

For more information on operational risks and our operational risk management, see Operational Risk Management in the MD&A on page 116.

Risk of Being an International Business

We are subject to numerous political, economic, market, reputational, operational, legal, regulatory and other risks in the non-U.S. jurisdictions in which we operate.

We do business throughout the world, including in developing regions of the world commonly known as emerging markets. Our businesses and revenues derived from non-U.S. jurisdictions are subject to risk of loss from currency fluctuations, social or judicial instability, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, capital controls, exchange controls, other restrictive actions, unfavorable political and diplomatic developments, and changes in legislation. These risks are especially acute in emerging markets. A number of non-U.S. jurisdictions in which we do business have been negatively impacted by slowing growth rates or recessionary conditions, market volatility and/or political unrest. Several emerging market economies are particularly vulnerable to the impact of rising interest rates, inflationary pressures, large external deficits, and political uncertainty. While some of these jurisdictions are showing signs of stabilization or recovery, others continue to experience increasing levels of stress and volatility. In addition, the potential risk of default on sovereign debt in some non-U.S. jurisdictions could expose us to substantial losses. Risks in one country can limit our opportunities for portfolio growth and negatively affect our operations in another country or countries, including our operations in the U.S. As a result, any such unfavorable conditions or developments could have an adverse impact on our company.

Our non-U.S. businesses are also subject to extensive regulation by various regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. In many countries, the laws and regulations applicable to the financial services and securities industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market or manage our relationships with multiple regulators in various jurisdictions. Our potential inability to remain in compliance with local laws in a particular market and manage our relationships with regulators could have an adverse effect not only on our businesses in that market but also on our reputation generally.

We also invest or trade in the securities of corporations and governments located in non-U.S. jurisdictions, including emerging markets. Revenues from the trading of non-U.S. securities may be subject to negative fluctuations as a result of the above factors. Furthermore, the impact of these fluctuations could be magnified, because non-U.S. trading markets, particularly in emerging market countries, are generally smaller, less liquid and more volatile than U.S. trading markets.

In addition to non-U.S. legislation, our international operations are also subject to U.S. legal requirements. For example, our international operations are subject to U.S. laws on foreign corrupt practices, the Office of Foreign Assets Control, and anti-money laundering regulations.

We are subject to geopolitical risks, including acts or threats of terrorism, and actions taken by the U.S. or other governments in response thereto and/or military conflicts, which could adversely affect business and economic conditions abroad as well as in the U.S.

For more information on our non-U.S. credit and trading portfolios, see Non-U.S. Portfolio in the MD&A on page 100.

Risk from Accounting Changes

Changes in accounting standards or inaccurate estimates or assumptions in applying accounting policies could adversely affect us.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements. Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board (FASB), the SEC, banking regulators and our independent registered public accounting firm) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes may be difficult to predict and could impact how we prepare and report our financial statements. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the Corporation needing to revise and republish prior period financial statements.

The FASB issued on December 20, 2012 a proposed standard on accounting for credit losses. The standard would replace multiple existing impairment models, including replacing an “incurred loss” model for loans with an “expected loss” model. The FASB announced it will establish the effective date when it issues the final standard. We cannot predict whether or when a final standard will be issued, when it will be effective or what its final provisions will be. The final standard may materially reduce retained earnings in the period of adoption.

For more information on some of our critical accounting policies and standards and recent accounting changes, see Complex Accounting Estimates in the MD&A on page 117 and Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

As of December 31, 2013, our principal offices and other materially important properties consisted of the following:

Facility Name	Location	General Character of the Physical Property	Primary Business Segment	Property Status	Property Square Feet [1]
Corporate Center	Charlotte, NC	60 Story Building	Principal Executive Offices	Owned	1,200,392
One Bryant Park	New York, NY	54 Story Building	GWIM, Global Banking and Global Markets	Leased [2]	1,798,373
Merrill Lynch Financial Centre	London, UK	4 Building Campus	GWIM, Global Banking and Global Markets	Leased	563,944
Nihonbashi 1-Chome Building	Tokyo, Japan	24 Story Building	Global Banking and Global Markets	Leased	186,901

(1) For leased properties, property square feet represents the square footage occupied by the Corporation.

(2) The Corporation has a 49.9 percent joint venture interest in this property.

We own or lease approximately 100.2 million square feet in 23,297 locations globally, including approximately 93.3 million square feet in the U.S. (all 50 U.S. states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico) and approximately 6.9 million square feet in more than 40 countries.

We believe our owned and leased properties are adequate for our business needs and are well maintained. We continue to evaluate our owned and leased real estate and may determine from time to time that certain of our premises and facilities, or ownership structures, are no longer necessary for our operations. In connection therewith, we are evaluating the sale or sale/leaseback of certain properties and we may incur costs in connection with any such transactions.

Item 3. Legal Proceedings

See Litigation and Regulatory Matters in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

None

Part II
Bank of America Corporation and Subsidiaries
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
The principal market on which our common stock is traded is the New York Stock Exchange. Our common stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The table below sets forth the high and low closing sales prices of the common stock on the New York Stock Exchange for the periods indicated:

	Quarter	High	Low
2012	first	$9.93	$5.80
	second	9.68	6.83
	third	9.55	7.04
	fourth	11.61	8.93
2013	first	12.78	11.03
	second	13.83	11.44
	third	14.95	12.83
	fourth	15.88	13.69

As of February 24, 2014, there were 215,755 registered shareholders of common stock. During 2012 and 2013, we paid dividends on the common stock on a quarterly basis.

The table below sets forth dividends paid per share of our common stock for the periods indicated:

	Quarter	Dividend
2012	first	$0.01
	second	0.01
	third	0.01
	fourth	0.01
2013	first	0.01
	second	0.01
	third	0.01
	fourth	0.01

For more information regarding our ability to pay dividends, see Note 13 – Shareholders' Equity and Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements, which are incorporated herein by reference.
For information on our equity compensation plans, see Note 18 – Stock-based Compensation Plans to the Consolidated Financial Statements and Item 12 on page 285 of this report, which are incorporated herein by reference.
The table below presents share repurchase activity for the three months ended December 31, 2013. We did not have any unregistered sales of our equity securities in 2013.

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased (1)	Weighted-Average Per Share Price	Shares Purchased as Part of Publicly Announced Programs	Remaining Buyback Authority Amounts (2)
October 1 - 31, 2013	23,734	$ 14.39	23,403	$2,794
November 1 - 30, 2013	57,961	14.55	57,894	1,951

December 1 - 31, 2013	10,840	15.88	10,800	1,780
Three months ended December 31, 2013	92,535	14.67		

(1) Includes shares of the Corporation's common stock acquired by the Corporation in connection with satisfaction of tax withholding obligations on vested restricted stock or restricted stock units and certain forfeitures and terminations of employment-related awards under equity incentive plans.

(2) On March 14, 2013, the Corporation announced that its Board of Directors authorized the repurchase of up to $5.0 billion of the Corporation's common stock through open market purchases or privately negotiated transactions, including Rule 10b5-1 plans, over four quarters beginning with the second quarter of 2013. For additional information, see Capital Management – Regulatory Capital on page 65 and Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

Item 6. Selected Financial Data

See Table 7 in the MD&A on page 31 and Table XII of the Statistical Tables in the MD&A on page 138, which are incorporated herein by reference.

Item 7. Bank of America Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Annual Report on Form 10-K, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressi future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, and other matters. These statements are not guarantees of future results or performance and involve certain 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 this report and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's ability to resolve representations and warranties repurchase claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more of the government-sponsored enterprises, monolines or private-label and other investors; the possibility that final court approval of negotiated settlements is not obtained; the possibility that the court decision with respect to the BNY Mellon Settlement is appealed and overturned in whole or in part; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; the possibility that the Corporation may not collect mortgage insurance claims; the possible impact of a future FASB standard on accounting for credit losses; 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; uncertainties related to the timing and pace of Federal Reserve tapering of quantitative easing, and the impact on global interest rates, currency exchange rates, and economic conditions in a number of countries; the possibility of

future inquiries or investigations regarding pending or completed foreclosure activities; the possibility that unexpected foreclosure delays could impact the rate of decline of default-related servicing costs; uncertainty regarding timing and the potential impact of regulatory capital and liquidity requirements (including Basel 3); the negative impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the potential impact on debit card interchange fee revenue in connection with the U.S. District Court for the District of Columbia's ruling on July 31, 2013 regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment; the potential impact of implementing and conforming to the Volcker Rule; the potential impact of future derivative regulations; 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; reputational damage that may result from negative publicity, fines and penalties from regulatory violations and judicial proceedings; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the impact of potential regulatory enforcement action relating to optional identity theft protection services and certain optional credit card debt cancellation products; unexpected claims, damages, penalties and fines resulting from pending or future litigation and regulatory proceedings, including proceedings instituted by the U.S. Department of Justice, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force; the Corporation's ability to fully realize the cost savings and other anticipated benefits from Project New BAC, including in accordance with currently anticipated timeframes; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; and other similar matters.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), 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 two national bank charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA). On October 1, 2013, we completed the merger of our Merrill Lynch & Co., Inc. (Merrill Lynch) subsidiary into Bank of America Corporation. This merger had no effect on the Merrill Lynch name or brand and is not expected to have any effect on customers or clients. At December 31, 2013, the Corporation had approximately $2.1 trillion in assets and approximately 242,000 full-time equivalent employees.

As of December 31, 2013, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 50 million consumer and small business relationships with approximately 5,100 banking centers, 16,300 ATMs, nationwide call centers, and leading online (www.bankofamerica.com) and mobile banking platforms. We offer industry-leading support to more than three million small business owners. 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.

2013 Economic and Business Environment

In the U.S., economic growth continued in 2013, ending the year in the midst of its fifth consecutive year of recovery. However, the year ended amid uncertainty as to whether the upward trend in economic performance would continue into 2014. Employment gains were generally steady but moderate, and the unemployment rate fell to 6.7 percent at year end, but with significant contribution from a declining labor force participation rate. Retail sales grew at a solid pace through most of 2013, and following extreme weakness through mid-2013, service spending also displayed a modest rebound late in the year. Core inflation fell in 2013 to

almost a full percentage point below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term target of two percent.

U.S. household net worth increased significantly in 2013. Home prices rose approximately 12 percent in 2013, but showed signs of deceleration late in the year, and equity markets surged. U.S. Treasury yields rose over the course of the year amid expectations that the Federal Reserve would adjust the pace of its purchases of agency mortgage-backed securities (MBS) and long-term U.S. Treasury securities if economic progress was sustained.

Despite a partial federal government shutdown in October, the impact on U.S. economic performance was minimal. The Federal Reserve announced that it would begin to reduce its securities purchases early in 2014, but would not raise its federal funds rate target until significantly after the unemployment rate reached its 6.5 percent threshold. By year end, the U.S. Congress agreed on a two-year budget framework that reduced fiscal uncertainty, and pending implementation, restored some of the planned federal sequester spending for 2014.

Internationally, Europe experienced significant economic improvement in 2013. European financial anxieties eased, reflected in sustained narrowing of bond spreads, following the European Central Bank's 2012 assertion of its role as lender of last resort. Economic performance also improved, with the long six-quarter recession in the European Union ending in the second quarter of 2013, followed by modest growth and varied performance in the second half of the year.

Monetary policies in Japan combined with the sharp depreciation of the yen led to moderate economic expansion in 2013, but economic growth diminished in the second half of 2013. In Japan, inflation rose gradually during the year, exceeding one percent annualized by year end. However, doubts remained about the sustainability of economic improvement in Japan in the absence of clear plans for long-run economic reform. As China's government focused on issues beyond simply maximizing economic growth, China's gross domestic product growth in 2013 decelerated. Additionally, growth rates in a number of emerging nations have decreased, while select countries are also dealing with greater social and political unrest and capital markets volatility. Following the announcement of the Federal Reserve's intent to reduce securities purchases in mid-2013, investors increased withdrawals of capital from certain emerging market countries, impacting interest rates, foreign exchange rates and credit spreads. These trends intensified as the Federal Reserve initiated its securities purchases tapering actions in January 2014, and investors became more concerned about the implications of a slowing Chinese economy on its key trading partners. For more information on our international exposure, see Non-U.S. Portfolio on page 100.

Recent Events

BNY Mellon Settlement

In the first quarter of 2014, the New York Supreme Court entered final judgment approving the BNY Mellon Settlement. The court overruled the objections to the settlement, holding that the Trustee, BNY Mellon, acted in good faith, within its discretion and within the bounds of reasonableness in determining that the settlement agreement was in the best interests of the covered trusts. The court declined to approve the Trustee's conduct only with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. The court's January 31, 2014 decision, order and judgment remain subject to appeal and the motion to reargue, and it is not possible to predict the timetable for appeals or when the court approval process will be completed. For additional information, including a description of the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Capital and Liquidity Related Matters

In July 2013, U.S. banking regulators approved final Basel 3 Regulatory Capital rules (Basel 3) which became effective January 1, 2014. Basel 3 generally continues to be subject to interpretation by the U.S. banking regulators. Basel 3 also will require us to calculate a supplementary leverage ratio. For additional information, see Capital Management – Regulatory Capital Changes on page 68.

The Basel Committee on Banking Supervision (Basel Committee) issued two liquidity risk-related standards that are considered part of Basel 3: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). For additional information, see Liquidity Risk – Basel 3 Liquidity Standards on page 73.

Freddie Mac Settlement

On November 27, 2013, we entered into an agreement with Freddie Mac (FHLMC) under which we paid FHLMC a total of $404 million (less credits of $13 million) to resolve all outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breach of selling representations and warranties related to loans that had been sold directly to FHLMC by entities related to Bank of America, N.A. from January 1, 2000 to December 31, 2009, and to compensate FHLMC for certain past losses and potential future losses relating to denials, rescissions and cancellations of mortgage insurance (MI).

In 2010, we had entered into an agreement with FHLMC to resolve all outstanding and potential representations and warranties claims related to loans sold by Countrywide Financial Corporation (Countrywide) to FHLMC through 2008.

With these agreements, combined with prior settlements with Fannie Mae (FNMA), Bank of America has resolved substantially all outstanding and potential representations and warranties claims on whole loans sold by legacy Bank of America and Countrywide to FNMA and FHLMC through 2008 and 2009, respectively, subject to certain exceptions which we do not believe are material.

For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Common Stock Repurchases and Liability Management Actions

As disclosed in prior filings, the capital plan that the Corporation submitted to the Federal Reserve in January 2013 pursuant to the 2013 Comprehensive Capital Analysis and Review (CCAR), included a request to repurchase up to $5.0 billion of common stock and redeem $5.5 billion in preferred stock over four quarters beginning in the second quarter of 2013, and continue the quarterly common stock dividend at $0.01 per share. During 2013, we repurchased and retired 231.7 million common shares for an aggregate purchase price of approximately $3.2 billion and redeemed our Series H and 8 preferred stock for $5.5 billion. As of December 31, 2013, under the capital plan, we can purchase up to $1.8 billion of additional common stock through the first quarter of 2014.

In addition to the CCAR actions, during 2013, we redeemed certain of our preferred stock for $1.0 billion and issued $1.0 billion of our Fixed-to-Floating Rate Semi-annual Non-Cumulative Preferred Stock, Series U. For additional information, see Capital Management – Regulatory Capital on page 65 and Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

During 2013, we repurchased certain of our debt and trust preferred securities with an aggregate carrying value of $10.1 billion for $10.2 billion in cash.

We may conduct additional redemptions, tender offers, exercises and other transactions in the future depending on prevailing market conditions, capital, liquidity and other factors.

Selected Financial Data

Table 1 provides selected consolidated financial data for 2013 and 2012.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2013		2012	
Income statement				
Revenue, net of interest expense (FTE basis) [1]	$89,801		$84,235	
Net income	11,431		4,188	
Diluted earnings per common share	0.90		0.25	
Dividends paid per common share	0.04		0.04	
Performance ratios				
Return on average assets	0.53	%	0.19	%
Return on average tangible shareholders' equity [1]	7.13		2.60	
Efficiency ratio (FTE basis) [1]	77.07		85.59	
Asset quality				
Allowance for loan and lease losses at December 31	$17,428		$24,179	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [2]	1.90	%	2.69	%
Nonperforming loans, leases and foreclosed properties at December 31 [2]	$17,772		$23,555	
Net charge-offs [3]	7,897		14,908	
Net charge-offs as a percentage of average loans and leases outstanding [2, 3]	0.87	%	1.67	%
Net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [2]	0.90		1.73	
Net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [2]	1.13		1.99	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3]	2.21		1.62	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the purchased credit-impaired loan portfolio	1.89		1.25	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and purchased credit-impaired write-offs	1.70		1.36	
Balance sheet at year end				
Total loans and leases	$928,233		$907,819	
Total assets	2,102,273		2,209,974	
Total deposits	1,119,271		1,105,261	
Total common shareholders' equity	219,333		218,188	
Total shareholders' equity	232,685		236,956	
Capital ratios at year end [4]				
Tier 1 common capital	11.19	%	11.06	%
Tier 1 capital	12.44		12.89	
Total capital	15.44		16.31	
Tier 1 leverage	7.86		7.37	

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information, see Supplemental Financial Data on page 33, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XV.

(2) 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 89 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed

Properties Activity on page 96 and corresponding Table 50.

(3) Net charge-offs exclude $2.3 billion of write-offs in the purchased credit-impaired loan portfolio for 2013 compared to $2.8 billion for 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

(4) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at December 31, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

Financial Highlights

Net income was $11.4 billion, or $0.90 per diluted share in 2013 compared to $4.2 billion, or $0.25 per diluted share in 2012. The results for 2013 reflect our efforts to stabilize revenue, decrease costs, strengthen the balance sheet and improve credit quality.

Table 2 Summary Income Statement

(Dollars in millions)	2013	2012
Net interest income (FTE basis) [1]	$43,124	$41,557
Noninterest income	46,677	42,678
Total revenue, net of interest expense (FTE basis) [1]	89,801	84,235
Provision for credit losses	3,556	8,169
Noninterest expense	69,214	72,093
Income before income taxes	17,031	3,973
Income tax expense (benefit) (FTE basis) [1]	5,600	(215)
Net income	11,431	4,188
Preferred stock dividends	1,349	1,428
Net income applicable to common shareholders	$10,082	$2,760
Per common share information		
Earnings	$0.94	$0.26
Diluted earnings	0.90	0.25

(1) FTE basis is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 33, and for a corresponding reconciliation to GAAP financial measures, see Statistical Table XV.

Net Interest Income

Net interest income on a fully taxable-equivalent (FTE) basis increased $1.6 billion to $43.1 billion for 2013 compared to 2012. The increase was primarily due to reductions in long-term debt balances, higher yields on debt securities including the impact of market-related premium amortization expense, lower rates paid on deposits, higher commercial loan balances and increased trading-related net interest income, partially offset by lower consumer loan balances as well as lower asset yields and the low rate environment. The net interest yield on a FTE basis increased 12 basis points (bps) to 2.47 percent for 2013 compared to 2012 due to the same factors as described above.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	2013	2012
Card income	$5,826	$6,121
Service charges	7,390	7,600
Investment and brokerage services	12,282	11,393
Investment banking income	6,126	5,299
Equity investment income	2,901	2,070
Trading account profits	7,056	5,870
Mortgage banking income	3,874	4,750
Gains on sales of debt securities	1,271	1,662
Other loss	(29)	(2,034)
Net impairment losses recognized in earnings on AFS debt securities	(20)	(53)
Total noninterest income	$46,677	$42,678

Noninterest income increased $4.0 billion to $46.7 billion for 2013 compared to 2012. The following highlights the significant changes.

Card income decreased $295 million primarily driven by lower revenue as a result of our exit of consumer protection products.

Investment and brokerage services income increased $889 million primarily driven by the impact of long-term assets under management (AUM) inflows and higher market levels.

Investment banking income increased $827 million primarily due to strong equity issuance fees attributable to a significant increase in global equity capital markets volume and higher debt issuance fees, primarily within leveraged finance and investment-grade underwriting.

Equity investment income increased $831 million. The results for 2013 included $753 million of gains related to the sale of our remaining investment in China Construction Bank Corporation (CCB) and gains of $1.4 billion on the sales of a portion of an equity investment. The results for 2012 included $1.6 billion of gains related to sales of certain equity and strategic investments.

Trading account profits increased $1.2 billion. Net debit valuation adjustment (DVA) losses on derivatives were $508 million in 2013 compared to losses of $2.5 billion in 2012. Excluding net DVA, trading account profits decreased $783 million due to decreases in our fixed-income, currency and commodities (FICC) businesses driven by a challenging trading environment, partially offset by an increase in our equities businesses.

Mortgage banking income decreased $876 million primarily driven by lower servicing income and lower core production revenue, partially offset by lower representations and warranties provision.

Other loss decreased $2.0 billion due to lower negative fair value adjustments on our structured liabilities of $649 million compared to negative fair value adjustments of $5.1 billion in 2012. The prior year included gains of $1.6 billion related to debt repurchases and exchanges of trust preferred securities.

Provision for Credit Losses

The provision for credit losses decreased $4.6 billion to $3.6 billion for 2013 compared to 2012. The provision for credit losses was $4.3 billion lower than net charge-offs for 2013, resulting in a reduction in the allowance for credit losses due to continued improvement in the home loans and credit card portfolios. This compared to a reduction of $6.7 billion in the allowance for credit losses for the prior year. If the economy and our asset quality continue to improve, we anticipate additional reductions in the allowance for credit losses in future periods, although at a significantly lower level than in 2013.

Net charge-offs totaled $7.9 billion, or 0.87 percent of average loans and leases for 2013 compared to $14.9 billion, or 1.67 percent for 2012. The decrease in net charge-offs was primarily driven by credit quality improvement across all major portfolios. Also, the prior year included charge-offs associated with the National Mortgage Settlement and loans discharged in Chapter 7 bankruptcy due to the implementation of regulatory guidance. Given improving trends in delinquencies and the Home Price Index, absent any unexpected changes in the economy, we expect net charge-offs to continue to improve in 2014, but at a slower pace than 2013. For more information on the provision for credit losses, see Provision for Credit Losses on page 104.

Noninterest Expense

Table 4 Noninterest Expense

(Dollars in millions)	2013	2012
Personnel	$34,719	$35,648
Occupancy	4,475	4,570
Equipment	2,146	2,269
Marketing	1,834	1,873
Professional fees	2,884	3,574
Amortization of intangibles	1,086	1,264
Data processing	3,170	2,961
Telecommunications	1,593	1,660
Other general operating	17,307	18,274
Total noninterest expense	$69,214	$72,093

Noninterest expense decreased $2.9 billion to $69.2 billion for 2013 compared to 2012 primarily driven by a $967 million decline in other general operating expense largely due to a provision of $1.1 billion in 2012 for the 2013 Independent Foreclosure Review (IFR) Acceleration Agreement, lower Federal Deposit Insurance Corporation (FDIC) expense, and lower default-related servicing expenses in Legacy Assets & Servicing and mortgage-related assessments, waivers and similar costs related to foreclosure delays. Partially offsetting these declines was a $1.9 billion increase in litigation expense to $6.1 billion in 2013. Personnel expense decreased $929 million in 2013 as we continued to streamline processes and achieve cost savings. Professional fees decreased $690 million due in part to reduced default-related management activities in Legacy Assets & Servicing.

In connection with Project New BAC, which was first announced in the third quarter of 2011, we continue to achieve cost savings in certain noninterest expense categories as we further streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles. We expect total cost savings from Project New BAC, since inception of the project, to reach $8 billion on an annualized basis, or $2 billion per quarter, by mid-2015, of which approximately $1.5 billion per quarter has been realized.

Income Tax Expense

Table 5 Income Tax Expense

(Dollars in millions)	2013	2012
Income before income taxes	$16,172	$3,072
Income tax expense (benefit)	4,741	(1,116)
Effective tax rate	29.3 %	(36.3)%

The effective tax rate for 2013 was driven by our recurring tax preference items and by certain tax benefits related to non-U.S. operations, including additional tax benefits from the 2012 non-U.S. restructurings. These benefits were partially offset by the $1.1 billion impact of the U.K. 2013 Finance Act enacted on July 17, 2013, which reduced the U.K. corporate income tax rate by three percent to 20 percent. Two percent of the reduction will become effective April 1, 2014 and the additional one percent reduction on April 1, 2015. These reductions, which represented the final in a series of announced reductions, are expected to favorably affect income tax expense on future U.K. earnings but also required us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rates. Because our deferred tax assets in excess of a certain amount are disallowed in calculating regulatory capital, this charge did not impact our capital ratios.

The negative effective tax rate for 2012 included a $1.7 billion tax benefit attributable to the excess of foreign tax credits recognized in the U.S. upon repatriation of the earnings of certain subsidiaries over the related U.S. tax liability. Partially offsetting the benefit was the $788 million impact of the U.K. 2012 Finance Act enacted in July 2012, which reduced the U.K. corporate income tax rate by two percent.

Balance Sheet Overview

Table 6 Selected Balance Sheet Data

	December 31			Average Balance		
(Dollars in millions)	2013	2012	% Change	2013	2012	% Change
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$190,328	$219,924	(13)%	$224,331	$236,042	(5)%
Trading account assets	200,993	227,775	(12)	217,865	203,799	7
Debt securities	323,945	360,331	(10)	337,953	353,577	(4)
Loans and leases	928,233	907,819	2	918,641	898,768	2
Allowance for loan and lease losses	(17,428)	(24,179)	(28)	(21,188)	(29,843)	(29)
All other assets	476,202	518,304	(8)	485,911	529,013	(8)
Total assets	$2,102,273	$2,209,974	(5)	$2,163,513	$2,191,356	(1)
Liabilities						
Deposits	$1,119,271	$1,105,261	1	$1,089,735	$1,047,782	4
Federal funds purchased and securities loaned or sold under agreements to repurchase	198,106	293,259	(32)	257,601	281,900	(9)
Trading account liabilities	83,469	73,587	13	88,323	78,554	12
Short-term borrowings	45,999	30,731	50	43,816	36,500	20
Long-term debt	249,674	275,585	(9)	263,416	316,393	(17)
All other liabilities	173,069	194,595	(11)	186,675	194,550	(4)
Total liabilities	1,869,588	1,973,018	(5)	1,929,566	1,955,679	(1)
Shareholders' equity	232,685	236,956	(2)	233,947	235,677	(1)
Total liabilities and shareholders' equity	$2,102,273	$2,209,974	(5)	$2,163,513	$2,191,356	(1)

Year-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities, primarily involving our portfolios of highly liquid assets. These portfolios are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and our customers, and to position the balance sheet in accordance with the Corporation's risk appetite. The execution of these activities requires the use of balance sheet and capital-related limits including spot, average and risk-weighted asset limits, particularly within the market-making activities of our trading businesses. One of our key regulatory metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets.

Assets

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed or purchased under agreements to resell are collateralized lending transactions utilized to accommodate customer transactions, earn interest rate spreads, and obtain securities for settlement and for collateral. Year-end and average federal funds sold and securities borrowed or purchased under agreements to resell decreased $29.6 billion from December 31, 2012 and $11.7 billion in 2013 compared to 2012 driven by a lower matched-book as we adjust our activity to address the adverse treatment of reverse repurchase agreements under the proposed supplementary leverage ratio.

Trading Account Assets

Trading account assets consist primarily of long positions in equity and fixed-income securities including U.S. government and agency securities, corporate securities, and non-U.S. sovereign debt. Year-end trading account assets decreased $26.8 billion primarily due to a reduction in U.S. government and agency securities. Average trading account assets increased $14.1 billion primarily due to higher equity securities inventory and client-based activity.

Debt Securities

Debt securities primarily include U.S. Treasury and agency securities, MBS, principally agency MBS, foreign bonds, corporate bonds and municipal debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. Year-end and average debt securities decreased $36.4 billion and $15.6 billion primarily due to net sales of U.S. Treasuries, paydowns and decreases in the fair value of available-for-sale (AFS) debt securities resulting from the impact of higher interest rates. For more information on debt securities, see Note 3 – Securities to the Consolidated Financial Statements.

Loans and Leases

Year-end and average loans and leases increased $20.4 billion and $19.9 billion. The increases were primarily due to higher commercial loan balances primarily in the U.S. commercial and non-U.S. commercial product types, partially offset by lower consumer loan balances driven by continued runoff in certain portfolios as well as paydowns and charge-offs outpacing originations. For a more detailed discussion of the loan portfolio, see Credit Risk Management on page 76.

Allowance for Loan and Lease Losses

Year-end and average allowance for loan and lease losses decreased $6.8 billion and $8.7 billion primarily due to the impact of the improving economy, partially offset by increases in reserves in the commercial portfolio due to loan growth. For a more detailed discussion, see Allowance for Credit Losses on page 104.

All Other Assets

Year-end other assets decreased $42.1 billion driven by lower customer and other receivables, other earning assets, loans held-for-sale and derivative assets, partially offset by increases in cash and cash equivalents. Average other assets decreased $43.1 billion primarily driven by lower derivative assets, other earning assets, and cash and cash equivalents.

Liabilities

Deposits

Year-end and average deposits increased $14.0 billion from December 31, 2012 and $42.0 billion in 2013 compared to 2012. The increases were primarily driven by customer and client shifts to more liquid products in the low rate environment.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned or sold under agreements to repurchase are collateralized borrowing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance assets on the balance sheet. Year-end federal funds purchased and securities loaned or sold under agreements to repurchase decreased $95.2 billion primarily driven by a lower matched-book as we adjust our activity to address the adverse treatment of repurchase agreements under the proposed supplementary leverage ratio and lower trading inventory. Average federal funds purchased and securities loaned or sold under agreements to repurchase decreased $24.3 billion due to lower matched-book activity.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in equity and fixed-income securities including U.S. government and agency securities, corporate securities, and non-U.S. sovereign debt. Year-end and average trading account liabilities increased $9.9 billion and $9.8 billion primarily due to increased short positions in equity securities.

Short-term Borrowings

Short-term borrowings provide an additional funding source and primarily consist of Federal Home Loan Bank (FHLB) short-term borrowings, notes payable and various other borrowings that generally have maturities of one year or less. Year-end and average short-term borrowings increased $15.3 billion and $7.3 billion due to an increase in short-term FHLB advances. For more information on short-term borrowings, see Note 10 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings to the Consolidated Financial Statements.

Long-term Debt

Year-end and average long-term debt decreased $25.9 billion and $53.0 billion. The decreases were attributable to planned reductions in long-term debt as maturities outpaced new issuances. For more information on long-term debt, see Note 11 – Long-term Debt to the Consolidated Financial Statements.

All Other Liabilities

Year-end all other liabilities decreased $21.5 billion driven by decreases in noninterest payables and derivative liabilities. Average all other liabilities decreased $7.9 billion driven by a decrease in derivative liabilities.

Shareholders' Equity

Year-end and average shareholders' equity decreased $4.3 billion and $1.7 billion. The decreases were driven by a decrease in the fair value of AFS debt securities resulting from the impact of higher interest rates, which is recorded in accumulated other comprehensive income (OCI), net preferred stock redemptions and common stock repurchases, partially offset by earnings.

Cash Flows Overview

The Corporation's operating assets and liabilities support our global markets and lending activities. We believe that cash flows from operations, available cash balances and our ability to generate cash through short- and long-term debt are sufficient to fund our operating liquidity needs. Our investing activities primarily include the debt securities portfolio and other short-term investments. Our financing activities reflect cash flows primarily related to increased customer deposits and net long-term debt reductions.

Cash and cash equivalents increased $20.6 billion during 2013 due to net cash provided by operating and investing activities, partially offset by net cash used in financing activities. Cash and cash equivalents decreased $9.4 billion during 2012 due to net cash used in operating and investing activities, partially offset by net cash provided by

financing activities.
During 2013, net cash provided by operating activities was $92.8 billion. The more significant adjustments to net income to arrive at cash used in operating activities included net decreases in other assets, and trading and derivative instruments, as well as net proceeds from sales, securitizations and paydowns of loans held-for-sale (LHFS). During 2012, net cash used in operating activities was $16.1 billion. The more significant adjustments to net income to arrive at cash used in operating activities included net increases in trading and derivative instruments, and the provision for credit losses.
During 2013, net cash provided by investing activities was $25.1 billion primarily driven by a decrease in federal funds sold and securities borrowed or purchased under agreements to resell and net sales of debt securities, partially offset by net increases in loans and leases. During 2012, net cash used in investing activities was $35.0 billion, primarily driven by net purchases of debt securities.
During 2013, net cash used in financing activities of $95.4 billion primarily reflected a decrease in federal funds purchased and securities loaned or sold under agreements to repurchase and net reductions in long-term debt, partially offset by growth in short-term borrowings and deposits. During 2012, the net cash provided by financing activities of $42.4 billion primarily reflected an increase in federal funds purchased and securities loaned or sold under agreements to repurchase and growth in deposits, partially offset by planned reductions in long-term debt.

Table 7 Five-year Summary of Selected Financial Data

(In millions, except per share information)	2013	2012	2011	2010	2009
Income statement					
Net interest income	$42,265	$40,656	$44,616	$51,523	$47,109
Noninterest income	46,677	42,678	48,838	58,697	72,534
Total revenue, net of interest expense	88,942	83,334	93,454	110,220	119,643
Provision for credit losses	3,556	8,169	13,410	28,435	48,570
Goodwill impairment	—	—	3,184	12,400	—
Merger and restructuring charges	—	—	638	1,820	2,721
All other noninterest expense (1)	69,214	72,093	76,452	68,888	63,992
Income (loss) before income taxes	16,172	3,072	(230)	(1,323)	4,360
Income tax expense (benefit)	4,741	(1,116)	(1,676)	915	(1,916)
Net income (loss)	11,431	4,188	1,446	(2,238)	6,276
Net income (loss) applicable to common shareholders	10,082	2,760	85	(3,595)	(2,204)
Average common shares issued and outstanding	10,731	10,746	10,143	9,790	7,729
Average diluted common shares issued and outstanding (2)	11,491	10,841	10,255	9,790	7,729
Performance ratios					
Return on average assets	0.53%	0.19%	0.06%	n/m	0.26%
Return on average common shareholders' equity	4.62	1.27	0.04	n/m	n/m
Return on average tangible common shareholders' equity (3)	6.97	1.94	0.06	n/m	n/m
Return on average tangible shareholders' equity(3)	7.13	2.60	0.96	n/m	4.18
Total ending equity to total ending assets	11.07	10.72	10.81	10.08%	10.38
Total average equity to total average assets	10.81	10.75	9.98	9.56	10.01
Dividend payout	4.25	15.86	n/m	n/m	n/m
Per common share data					
Earnings (loss)	$0.94	$0.26	$0.01	$(0.37)	$(0.29)
Diluted earnings (loss) (2)	0.90	0.25	0.01	(0.37)	(0.29)
Dividends paid	0.04	0.04	0.04	0.04	0.04
Book value	20.71	20.24	20.09	20.99	21.48
Tangible book value (3)	13.79	13.36	12.95	12.98	11.94
Market price per share of common stock					
Closing	$15.57	$11.61	$5.56	$13.34	$15.06
High closing	15.88	11.61	15.25	19.48	18.59
Low closing	11.03	5.80	4.99	10.95	3.14
Market capitalization	$164,914	$125,136	$58,580	$134,536	$130,273

(1) Excludes merger and restructuring charges and goodwill impairment charges.

(2) Due to a net loss applicable to common shareholders for 2010 and 2009, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios, see Supplemental Financial Data on page 33, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XV on page 143.

(4) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 77.

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

(6) 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 89 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 96 and corresponding Table 50.

(7) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.

(8) Net charge-offs exclude $2.3 billion and $2.8 billion of write-offs in the purchased credit-impaired loan portfolio for 2013 and 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

(9) There were no write-offs of PCI loans in 2011, 2010, and 2009.

(10) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at December 31, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

n/m = not meaningful

Table 7 Five-year Summary of Selected Financial Data (continued)

(Dollars in millions)	2013		2012		2011		2010		2009	
Average balance sheet										
Total loans and leases	$918,641		$898,768		$938,096		$958,331		$948,805	
Total assets	2,163,513		2,191,356		2,296,322		2,439,606		2,443,068	
Total deposits	1,089,735		1,047,782		1,035,802		988,586		980,966	
Long-term debt	263,416		316,393		421,229		490,497		446,634	
Common shareholders’ equity	218,468		216,996		211,709		212,686		182,288	
Total shareholders’ equity	233,947		235,677		229,095		233,235		244,645	
Asset quality (4)										
Allowance for credit losses (5)	$17,912		$24,692		$34,497		$43,073		$38,687	
Nonperforming loans, leases and foreclosed properties (6)	17,772		23,555		27,708		32,664		35,747	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6)	1.90	%	2.69	%	3.68	%	4.47	%	4.16	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6)	102		107		135		136		111	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (6)	87		82		101		116		99	
Amounts included in allowance that are excluded from nonperforming loans and leases (7)	$7,680		$12,021		$17,490		$22,908		$17,690	
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases (7)	57	%	54	%	65	%	62	%	58	%
Net charge-offs (8)	$7,897		$14,908		$20,833		$34,334		$33,688	
Net charge-offs as a percentage of average loans and leases outstanding (6, 8)	0.87	%	1.67	%	2.24	%	3.60	%	3.58	%
Net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (6)	0.90		1.73		2.32		3.73		3.71	
Net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (6, 9)	1.13		1.99		2.24		3.60		3.58	
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	1.87		2.52		2.74		3.27		3.75	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	1.93		2.62		3.01		3.48		3.98	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs (8)	2.21		1.62		1.62		1.22		1.10	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the PCI loan portfolio	1.89		1.25		1.22		1.04		1.00	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and PCI write-offs (9)	1.70		1.36		1.62		1.22		1.10	
Capital ratios at year end (10)										
Risk-based capital:										

Tier 1 common capital	11.19 %	11.06 %	9.86 %	8.60 %	7.81 %
Tier 1 capital	12.44	12.89	12.40	11.24	10.40
Total capital	15.44	16.31	16.75	15.77	14.66
Tier 1 leverage	7.86	7.37	7.53	7.21	6.88
Tangible equity (3)	7.86	7.62	7.54	6.75	6.40
Tangible common equity (3)	7.20	6.74	6.64	5.99	5.56

For footnotes see page 31.

Supplemental Financial Data

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

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

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

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

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

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

The aforementioned supplemental data and performance measures are presented in Table 7 and Statistical Table XII. In addition, in Table 8, we have excluded the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures.

We evaluate our business segment results based on measures that utilize return on average allocated capital, and prior to January 1, 2013, the return on average economic capital, both of which represent non-GAAP financial measures. These ratios are calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital or average economic capital, as applicable. In addition, for purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity for the business segments is comprised of allocated capital (or economic capital prior to 2013) plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For additional information, see Business Segment Operations on page 35 and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

In 2009, Common Equivalent Securities were reflected in our reconciliations given the expectation that the underlying Common Equivalent Junior Preferred Stock, Series S would convert into common stock following shareholder approval of additional authorized shares. Shareholders approved the increase in the number of authorized shares of common stock and the Common Equivalent Stock converted into common stock on February 24, 2010.

Statistical Tables XV, XVI and XVII on pages 143, 144 and 145 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8 Five-year Supplemental Financial Data

(Dollars in millions, except per share information)	2013	2012	2011	2010	2009
Fully taxable-equivalent basis data					
Net interest income [1]	$43,124	$41,557	$45,588	$52,693	$48,410
Total revenue, net of interest expense	89,801	84,235	94,426	111,390	120,944
Net interest yield [1]	2.47 %	2.35 %	2.48 %	2.78 %	2.65 %
Efficiency ratio	77.07	85.59	85.01	74.61	55.16
Performance ratios, excluding goodwill impairment charges [2]					
Per common share information					
Earnings			$0.32	$0.87	
Diluted earnings			0.32	0.86	
Efficiency ratio (FTE basis)			81.64 %	63.48 %	
Return on average assets			0.20	0.42	
Return on average common shareholders' equity			1.54	4.14	
Return on average tangible common shareholders' equity			2.46	7.03	
Return on average tangible shareholders' equity			3.08	7.11	

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks.

(2) Performance ratios are calculated excluding the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010.

Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on a FTE basis and excluding the impact of trading-related activities. As discussed in Global Markets on page 48, we evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 9 provides additional clarity in assessing our results.

Table 9 Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	2013		2012	
Net interest income (FTE basis)				
As reported [1]	$43,124		$41,557	
Impact of trading-related net interest income	(3,868	)	(3,308	)
Net interest income excluding trading-related net interest income [2]	$39,256		$38,249	
Average earning assets				
As reported	$1,746,974		$1,769,969	
Impact of trading-related earning assets	(469,048	)	(449,660	)
Average earning assets excluding trading-related earning assets [2]	$1,277,926		$1,320,309	
Net interest yield contribution (FTE basis)				
As reported [1]	2.47	%	2.35	%
Impact of trading-related activities	0.60		0.55	
Net interest yield on earning assets excluding trading-related activities [2]	3.07	%	2.90	%

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks.

(2) Represents a non-GAAP financial measure.

Net interest income excluding trading-related net interest income increased $1.0 billion to $39.3 billion for 2013 compared to 2012. The increase was primarily due to reductions in long-term debt balances and yields, market-related premium amortization expense due to an increase in long-end rates, and lower rates paid on deposits, partially offset by lower consumer loan balances and yields as well as lower net interest income from the discretionary asset and liability management (ALM) portfolio. For more information on the impacts of interest rates, see Interest Rate Risk Management for Nontrading Activities on page 113.

Average earning assets excluding trading-related earning assets decreased $42.4 billion to $1,277.9 billion, or three percent, for 2013 compared to 2012. The decrease was primarily due to declines in consumer loans, debt securities and other earning assets, partially offset by an increase in commercial loans.

Net interest yield on earning assets excluding trading-related activities increased 17 bps to 3.07 percent for 2013 compared to 2012 due to the same factors as described above.

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through five business segments: CBB, CRES, GWIM, Global Banking and Global Markets, with the remaining operations recorded in All Other. The primary activities, products or businesses of the business segments and All Other are shown below. For additional detailed information, see the business segment and All Other discussions which follow.

We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 33. Table 10 provides selected summary financial data for our business segments and All Other for 2013 compared to 2012.

Table 10 Business Segment Results

	Total Revenue [1]		Provision for Credit Losses		Noninterest Expense		Net Income (Loss)	
(Dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Consumer & Business Banking	$29,867	$29,790	$3,107	$4,148	$16,357	$16,995	$6,588	$5,546
Consumer Real Estate Services	7,716	8,751	(156)	1,442	16,013	17,190	(5,155)	(6,439)
Global Wealth & Investment Management	17,790	16,518	56	266	13,038	12,721	2,974	2,245
Global Banking	16,481	15,674	1,075	(342)	7,552	7,619	4,974	5,344
Global Markets	16,058	14,284	140	34	12,013	11,295	1,563	1,229
All Other	1,889	(782)	(666)	2,621	4,241	6,273	487	(3,737)
Total FTE basis	89,801	84,235	3,556	8,169	69,214	72,093	11,431	4,188
FTE adjustment	(859)	(901)	—	—	—	—	—	—
Total Consolidated	$88,942	$83,334	$3,556	$8,169	$69,214	$72,093	$11,431	$4,188

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 33, and for a corresponding reconciliation to a GAAP financial measure, see Statistical Table XV.

The management accounting and reporting process derives segment and business results by utilizing allocation methodologies for revenue and expense. The net income derived for the businesses is dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

Total revenue, net of interest expense, includes net interest income on a FTE basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of our ALM activities.

Our ALM activities include an overall interest rate risk management strategy that incorporates the use of various derivatives and cash instruments to manage fluctuations in earnings and capital that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The results of a majority of our ALM activities are allocated to the business segments and fluctuate based on the performance of the ALM activities. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our internal funds transfer pricing process and the net effects of other ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and

certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain other centralized or shared functions are allocated based on methodologies that reflect utilization.

Effective January 1, 2013, on a prospective basis, we adjusted the amount of capital being allocated to our business segments. The adjustment reflected 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. 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 61 and Strategic Risk Management on page 65. The capital allocated to the business segments is currently referred to as allocated capital and, prior to January 1, 2013, was referred to as economic capital, both of which represent non-GAAP financial measures. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. For additional information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

Allocated capital is subject to change over time, and as part of our normal annual planning process, the capital being allocated to our business segments is expected to change in the first quarter of 2014. We expect that this change will result in a reduction of unallocated tangible capital and an aggregate increase to the amount of capital being allocated to the business segments.

For more information on the business segments and reconciliations to consolidated total revenue, net income (loss) and year-end total assets, see Note 24 – Business Segment Information to the Consolidated Financial Statements.

Consumer & Business Banking

	Deposits		Consumer Lending		Total Consumer & Business Banking		
(Dollars in millions)	2013	2012	2013	2012	2013	2012	% Change
Net interest income (FTE basis)	$9,808	$9,046	$10,243	$10,807	$20,051	$19,853	1 %
Noninterest income:							
Card income	60	62	4,744	5,253	4,804	5,315	(10)
Service charges	4,208	4,277	—	—	4,208	4,277	(2)
All other income (loss)	509	397	295	(52)	804	345	133
Total noninterest income	4,777	4,736	5,039	5,201	9,816	9,937	(1)
Total revenue, net of interest expense (FTE basis)	14,585	13,782	15,282	16,008	29,867	29,790	—
Provision for credit losses	299	488	2,808	3,660	3,107	4,148	(25)
Noninterest expense	10,927	11,310	5,430	5,685	16,357	16,995	(4)
Income before income taxes	3,359	1,984	7,044	6,663	10,403	8,647	20
Income tax expense (FTE basis)	1,232	723	2,583	2,378	3,815	3,101	23
Net income	$2,127	$1,261	$4,461	$4,285	$6,588	$5,546	19
Net interest yield (FTE basis)	1.88 %	1.90 %	7.18 %	7.18 %	3.72 %	4.04 %	
Return on average allocated capital [1]	13.82	—	30.60	—	21.98	—	
Return on average economic capital [1]	—	9.72	—	38.83	—	23.12	
Efficiency ratio (FTE basis)	74.92	82.07	35.53	35.51	54.76	57.05	
Balance Sheet							
Average							
Total loans and leases	$22,437	$23,369	$142,133	$149,667	$164,570	$173,036	(5)
Total earning assets [2]	522,870	477,142	142,725	150,515	539,213	491,767	10
Total assets [2]	555,653	510,384	151,443	158,333	580,714	532,827	9
Total deposits	518,470	474,822	n/m	n/m	518,980	475,180	9
Allocated capital [1]	15,400	—	14,600	—	30,000	—	n/m
Economic capital [1]	—	12,985	—	11,066	—	24,051	n/m
Year end							
Total loans and leases	$22,574	$22,907	$142,516	$146,359	$165,090	$169,266	(2)
Total earning assets [2]	534,946	498,147	143,917	146,809	550,610	513,109	7
Total assets [2]	567,837	531,354	153,394	155,408	592,978	554,915	7
Total deposits	530,947	495,711	n/m	n/m	531,707	496,159	7

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 35.

(2)

For presentation purposes, 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 CBB.

n/m = not meaningful

CBB, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 31 states and the District of Columbia. The franchise network includes approximately 5,100 banking centers, 16,300 ATMs, nationwide call centers, and online and mobile platforms. During 2013, Business Banking results were moved into Deposits as we continue to integrate these businesses. Also during 2013, consumer Dealer Financial Services (DFS) results were moved into CBB from Global Banking to align this business more closely with our consumer lending activity and better serve the needs of our customers. As a result, Card Services was renamed Consumer Lending. Prior periods were reclassified to conform to current period presentation.

CBB Results

Net income for CBB increased $1.0 billion to $6.6 billion in 2013 compared to 2012 primarily driven by lower provision for credit losses and noninterest expense. Net interest income of $20.1 billion remained relatively unchanged as the impact of higher deposit balances was offset by the impact of lower average loan balances. Noninterest income of $9.8 billion remained relatively unchanged as the allocation of certain card revenue to GWIM for clients with a credit card, as described below, and lower deposit service charges were offset by the net impact of consumer protection products, primarily due to charges recorded in 2012.

The provision for credit losses decreased $1.0 billion to $3.1 billion in 2013 primarily as a result of improvements in credit quality. Noninterest expense decreased $638 million to $16.4 billion driven by lower operating, personnel and FDIC expenses.

Deposits

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

Business Banking within Deposits provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include U.S.-based companies generally with annual sales of $1 million to $50 million. Our lending products and services include commercial loans, lines of credit and real estate lending. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Deposits also includes the results of our merchant services joint venture.

Deposits includes the net impact of migrating customers and their related deposit balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 44.

Net income for Deposits increased $866 million to $2.1 billion in 2013 driven by higher revenue, a decrease in noninterest expense and lower provision for credit losses. Net interest income increased $762 million to $9.8 billion driven by the impact of higher deposit balances, a customer shift to higher spread liquid products and continued pricing discipline, partially offset by compressed deposit spreads due to the continued low rate environment. Noninterest income of $4.8 billion remained relatively unchanged.

The provision for credit losses decreased $189 million to $299 million in 2013 due to improvements in credit quality in Business Banking. Noninterest expense decreased $383 million to $10.9 billion due to lower operating, personnel and FDIC expenses.

Average loans decreased $932 million to $22.4 billion in 2013 primarily driven by continued run-off of non-core portfolios. Average deposits increased $43.6 billion to $518.5 billion in 2013 driven by a customer shift to more liquid products in the low rate environment. Additionally, $15.5 billion of the increase in average deposits was due to net transfers from other businesses, largely GWIM. Growth in checking, traditional savings and money market savings of $49.5 billion was partially offset by a decline in time deposits of $5.9 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by seven bps to 11 bps.

Key Statistics

	2013	2012
Total deposit spreads (excludes noninterest costs)	1.52 %	1.81 %
Year end		
Client brokerage assets (in millions)	$96,048	$75,946
Online banking active accounts (units in thousands)	29,950	29,638
Mobile banking active accounts (units in thousands)	14,395	12,013
Banking centers	5,151	5,478
ATMs	16,259	16,347

Client brokerage assets increased $20.1 billion in 2013 driven by market valuations and increased account flows. Mobile banking customers increased 2.4 million reflecting continuing changes in our customers' banking preferences. The number of banking centers declined 327 and ATMs declined 88 as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending is one of the leading issuers of credit and debit cards to consumers and small businesses in the U.S. Our lending products and services also include direct and indirect consumer loans such as automotive, marine, aircraft, recreational vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions as well as annual credit card fees and other miscellaneous fees.

Beginning in March 2013, the revenue and expense associated with GWIM clients that hold credit cards was allocated to GWIM. Beginning in the fourth quarter of 2013, Consumer Lending migrated these related credit card loan balances to GWIM. For more information on the migration of customer balances to GWIM, see GWIM on page 44.

On July 31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve’s rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act’s (Financial Reform Act) Durbin Amendment. The ruling requires the Federal Reserve to reconsider the current $0.21 per transaction cap on debit card interchange fees. The Federal Reserve is appealing the ruling and final resolution is expected in the first half of 2014. If the Federal Reserve, upon final resolution, implements a lower per transaction cap than the initial range, it may have a significant adverse impact on our debit card interchange fee revenue.

Net income for Consumer Lending increased $176 million to $4.5 billion in 2013 as lower provision for credit losses and noninterest expense were partially offset by a decrease in revenue. Net interest income decreased $564 million to $10.2 billion driven by the impact of lower average loan balances. Noninterest income decreased $162 million to $5.0 billion driven by the allocation of certain card revenue to GWIM for clients with a credit card and the net impact of portfolio sales, partially offset by the net impact of consumer protection products, primarily due to charges recorded in 2012.

The provision for credit losses decreased $852 million to $2.8 billion in 2013 due to improvements in credit quality. Noninterest expense decreased $255 million to $5.4 billion driven by lower operating and personnel expenses. Average loans decreased $7.5 billion to $142.1 billion in 2013 primarily driven by charge-offs and continued run-off of non-core portfolios.

Key Statistics

(Dollars in millions)	2013		2012	
Total Corporation U.S. credit card [1]				
Gross interest yield	9.73	%	10.02	%
Risk-adjusted margin	8.68		7.54	
New accounts (in thousands)	3,911		3,258	
Purchase volumes	$205,914		$193,500	
Debit card purchase volumes	$267,087		$258,363	

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

During 2013, the total Corporation U.S. credit card risk-adjusted margin increased 114 bps due to an improvement in credit quality. During 2013, total Corporation U.S. credit card purchase volumes increased $12.4 billion, or six percent, to $205.9 billion and debit card purchase volumes increased $8.7 billion, or three percent, to $267.1 billion, reflecting higher levels of consumer spending.

Consumer Real Estate Services

	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2013	2012	2013	2012	2013	2012	% Change
Net interest income (FTE basis)	$1,349	$1,361	$1,541	$1,569	$2,890	$2,930	(1)%
Noninterest income:							
Mortgage banking income	1,916	3,284	2,669	2,269	4,585	5,553	(17)
All other income (loss)	(6)	1	247	267	241	268	(10)
Total noninterest income	1,910	3,285	2,916	2,536	4,826	5,821	(17)
Total revenue, net of interest expense (FTE basis)	3,259	4,646	4,457	4,105	7,716	8,751	(12)
Provision for credit losses	127	72	(283)	1,370	(156)	1,442	n/m
Noninterest expense	3,318	3,195	12,695	13,995	16,013	17,190	(7)
Income (loss) before income taxes	(186)	1,379	(7,955)	(11,260)	(8,141)	(9,881)	(18)
Income tax expense (benefit) (FTE basis)	(68)	502	(2,918)	(3,944)	(2,986)	(3,442)	(13)
Net income (loss)	$(118)	$877	$(5,037)	$(7,316)	$(5,155)	$(6,439)	(20)
Net interest yield (FTE basis)	2.54 %	2.41 %	3.19 %	2.45 %	2.85 %	2.43 %	
Efficiency ratio (FTE basis)	n/m	68.77	n/m	n/m	n/m	n/m	
Balance Sheet							
Average							
Total loans and leases	$47,675	$50,023	$42,603	$53,501	$90,278	$103,524	(13)
Total earning assets	53,148	56,581	48,272	64,055	101,420	120,636	(16)
Total assets	53,429	57,552	67,131	87,817	120,560	145,369	(17)
Allocated capital [(1)]	6,000	—	18,000	—	24,000	—	n/m
Economic capital [(1)]	—	3,734	—	9,942	—	13,676	n/m
Year end							
Total loans and leases	$51,021	$47,742	$38,732	$46,918	$89,753	$94,660	(5)
Total earning assets	54,071	54,394	43,092	52,580	97,163	106,974	(9)
Total assets	53,927	55,465	59,459	75,594	113,386	131,059	(13)

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 35.

n/m = not meaningful

CRES operations include Home Loans and Legacy Assets & Servicing. Home Loans is responsible for ongoing loan production activities and the CRES home equity loan portfolio not selected for inclusion in the Legacy Assets & Servicing owned portfolio. Legacy Assets & Servicing is responsible for all of our mortgage servicing activities related to loans serviced for others and loans held by the Corporation, including loans that have been designated as the Legacy Assets & Servicing Portfolios. The Legacy Assets & Servicing Portfolios (both owned and serviced), herein referred to as the Legacy Owned and Legacy Serviced Portfolios, respectively (together, the Legacy Portfolios), and as further defined below, include those loans originated prior to January 1, 2011 that would not have been originated under our established underwriting standards as of December 31, 2010. For more information on our Legacy

Portfolios, see page 41. In addition, Legacy Assets & Servicing is responsible for managing legacy exposures related to CRES (e.g., representations and warranties). This alignment allows CRES management to lead the ongoing Home Loans business while also providing focus on legacy mortgage issues and servicing activities.

CRES, primarily through its Home Loans operations, generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. CRES products offered by Home Loans include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOCs) and home equity loans. First

mortgage products are generally either sold into the secondary mortgage market to investors, while we retain MSRs (which are on the balance sheet of Legacy Assets & Servicing) and the Bank of America customer relationships, or are held on the balance sheet in All Other for ALM purposes. Home Loans is compensated for loans held for ALM purposes on a management accounting basis with the corresponding offset in All Other. Newly originated HELOCs and home equity loans are retained on the CRES balance sheet in Home Loans.

CRES includes the impact of migrating customers and their related loan balances between GWIM and CRES. For more information on the transfer of customer balances, see GWIM on page 44.

CRES Results

The net loss for CRES decreased $1.3 billion to $5.2 billion for 2013 compared to 2012 primarily driven by lower provision for credit losses and lower noninterest expense, partially offset by lower mortgage banking income. Mortgage banking income decreased $1.0 billion due to both lower servicing income and lower core production revenue, partially offset by a decrease of $3.1 billion in representations and warranties provision as 2012 included provision related to the January 6, 2013 settlement with FNMA (the FNMA Settlement). The provision for credit losses improved $1.6 billion to a benefit of $156 million primarily driven by improved delinquencies, increased home prices and continued loan balance run-off. Noninterest expense decreased $1.2 billion primarily due to lower operating expenses in Legacy Assets & Servicing, partially offset by higher litigation expense.

Home Loans

Home Loans products are available to our customers through our retail network, direct telephone and online access delivered by a sales force of 3,200 mortgage loan officers, including 1,700 banking center mortgage loan officers covering nearly 2,500 banking centers, and a 900-person centralized sales force based in five call centers.

Net income for Home Loans decreased $995 million to a loss of $118 million driven by a decrease in noninterest income, an increase in noninterest expense and higher provision for credit losses. Noninterest income decreased $1.4 billion due to lower mortgage banking income driven by a decline in core production revenue as a result of continued industry-wide margin compression and lower loan application volumes. The provision for credit losses increased $55 million reflecting a slower rate of credit quality improvement than in 2012. Noninterest expense increased $123 million primarily due to higher production costs. The higher production costs were primarily personnel-related as we added mortgage loan officers earlier in 2013, primarily in banking centers, and other employees in sales and fulfillment areas in order to expand capacity and enhance customer service. While staffing increased in early 2013, total staffing at year end decreased approximately 21 percent from December 31, 2012 following a sharp decline in the market demand for mortgages late in 2013, which is expected to continue into 2014.

Legacy Assets & Servicing

Legacy Assets & Servicing is responsible for all of our servicing activities related to the residential mortgage and home equity loan portfolios, including owned loans and loans serviced for others (collectively, the mortgage serviced portfolio). A portion of this portfolio has been designated as the Legacy Serviced Portfolio, which represented 30 percent, 38 percent and 42 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at December 31, 2013, 2012 and 2011, respectively.

Legacy Assets & Servicing results reflect the net cost of legacy exposures that are included in the results of CRES, including representations and warranties provision, litigation expense, financial results of the CRES home equity portfolio selected as part of the Legacy Owned Portfolio, the financial results of the servicing operations and the results of MSR activities, including net hedge results. The financial results of the servicing operations reflect certain revenues and expenses on loans serviced for others, including owned loans serviced for Home Loans, GWIM and All Other.

Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit, accounting for and remitting principal and interest payments to investors and escrow payments to third parties, and responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with the supervision of foreclosures and property dispositions. In an effort to help our customers avoid foreclosure, Legacy Assets & Servicing evaluates various workout options prior to foreclosure which, combined with legislative changes at the state level and ongoing foreclosure delays in states where foreclosure requires a court order following

a legal proceeding (judicial states), have resulted in elongated default timelines. For more information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 57.

The net loss for Legacy Assets & Servicing decreased $2.3 billion to $5.0 billion driven by a decrease in the provision for credit losses, a decrease in noninterest expense and an increase in noninterest income. Noninterest income increased $380 million due to lower representations and warranties provision, largely offset by lower servicing income primarily driven by a decline in the servicing portfolio, less favorable MSR net-of-hedge performance and the divestiture of an ancillary servicing business in 2012. The provision for credit losses decreased $1.7 billion to a benefit of $283 million primarily driven by improved delinquencies, increased home prices and continued loan balance run-off.

Noninterest expense decreased $1.3 billion primarily due to a $1.6 billion decrease in default-related staffing and other default-related servicing expenses, lower costs as a result of the divestiture of an ancillary servicing business in 2012 and lower mortgage-related assessments, waivers and similar costs related to foreclosure delays. Noninterest expense in 2012 included a $1.1 billion provision for the 2013 IFR Acceleration Agreement. These improvements were partially offset by an increase of $2.2 billion in litigation expense driven by residential mortgage-backed securities (RMBS) exposures and the settlement with MBIA Inc. and certain of its affiliates (MBIA) in 2013 (the MBIA Settlement). For more information on the 2013 IFR Acceleration Agreement, see Off-Balance Sheet Arrangements and Contractual Obligations on page 52 and for more information on RMBS litigation, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements. We expect noninterest expense in Legacy Assets & Servicing, excluding litigation, to decrease to approximately $1.1 billion per quarter by the fourth quarter of 2014 compared to $1.8 billion during the fourth quarter of 2013.

Legacy Portfolios

The Legacy Portfolios (both owned and serviced) include those loans originated prior to January 1, 2011 that would not have been originated under our established underwriting standards in place as of December 31, 2010. The purchased credit-impaired (PCI) portfolios as well as certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011 are also included in the Legacy Portfolios. Since determining the pool of loans to be included in the Legacy Portfolios as of January 1, 2011, the criteria have not changed for these portfolios, but will continue to be evaluated over time.

Legacy Owned Portfolio

The Legacy Owned Portfolio includes those loans that met the criteria as described above and are on the balance sheet of the Corporation. The home equity loan portfolio is held on the balance sheet of Legacy Assets & Servicing, and the residential mortgage loan portfolio is held on the balance sheet of All Other. The financial results of the on-balance sheet loans are reported in the segment that owns the loans or in All Other. Total loans in the Legacy Owned Portfolio decreased $19.0 billion in 2013 to $112.1 billion at December 31, 2013, of which $38.7 billion was held on the Legacy Assets & Servicing balance sheet and the remainder was held on the balance sheet of All Other. The decrease was primarily related to paydowns, PCI write-offs, charge-offs and loan sales, partially offset by the addition of loans repurchased in connection with the FNMA Settlement. For more information on the loans repurchased in connection with the FNMA Settlement, see Consumer Portfolio Credit Risk Management on page 77.

Legacy Serviced Portfolio

The Legacy Serviced Portfolio includes the Legacy Owned Portfolio and those loans serviced for outside investors that met the criteria as described above. The table below summarizes the balances of the residential mortgage loans included in the Legacy Serviced Portfolio (the Legacy Residential Mortgage Serviced Portfolio) representing 28 percent, 38 percent and 41 percent of the total residential mortgage serviced portfolio of $719 billion, $1.2 trillion and $1.6 trillion as measured by unpaid principal balance at December 31, 2013, 2012 and 2011, respectively. The decline in the Legacy Residential Mortgage Serviced Portfolio in 2013 was primarily due to MSR sales, loan sales and other servicing transfers, modifications, paydowns and payoffs.

Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio [1, 2]

	December 31		
(Dollars in billions)	2013	2012	2011
Unpaid principal balance			
Residential mortgage loans			
Total	$203	$467	$659
60 days or more past due	49	137	235
Number of loans serviced (in thousands)			
Residential mortgage loans			
Total	1,083	2,542	3,440
60 days or more past due	258	649	1,061

(1) Excludes loans for which servicing transferred to third parties as of December 31, 2013, with an effective MSR sale date of January 2, 2014, totaling $57 million of unpaid principal balance.

(2) Excludes $39 billion, $52 billion and $84 billion of home equity loans and HELOCs at December 31, 2013, 2012 and 2011, respectively.

Non-Legacy Portfolio

As previously discussed, Legacy Assets & Servicing is responsible for all of our servicing activities. The table below summarizes the balances of the residential mortgage loans that are not included in the Legacy Serviced Portfolio (the Non-Legacy Residential Mortgage Serviced Portfolio) representing 72 percent, 62 percent and 59 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at December 31, 2013, 2012 and 2011, respectively. The decline in the Non-Legacy Residential Mortgage Serviced Portfolio was primarily due to MSR sales and other servicing transfers, paydowns and payoffs.

Non-Legacy Residential Mortgage Serviced Portfolio, a subset of the Residential Mortgage Serviced Portfolio [1, 2]

	December 31		
(Dollars in billions)	2013	2012	2011
Unpaid principal balance			
Residential mortgage loans			
Total	$516	$755	$953
60 days or more past due	12	22	17
Number of loans serviced (in thousands)			
Residential mortgage loans			
Total	3,267	4,764	5,731

60 days or more past due	67	124	95

(1) Excludes loans for which servicing transferred to third parties as of December 31, 2013, with an effective MSR sale date of January 2, 2014, totaling $163 million of unpaid principal balance.

(2) Excludes $52 billion, $58 billion and $67 billion of home equity loans and HELOCs at December 31, 2013, 2012 and 2011, respectively.

Mortgage Banking Income

CRES mortgage banking income is categorized into production and servicing income. Core production income is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and LHFS, the related secondary market execution, costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans, and revenue earned in production-related ancillary businesses. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

Servicing income includes income earned in connection with servicing activities and MSR valuation adjustments, net of results from risk management activities used to hedge certain market risks of the MSRs. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	2013	2012
Production income:		
Core production revenue	$2,543	$3,760
Representations and warranties provision	(840)	(3,939)
Total production income (loss)	1,703	(179)
Servicing income:		
Servicing fees	3,030	4,729
Amortization of expected cash flows [1]	(1,043)	(1,484)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	867	1,852
Other servicing-related revenue	28	635
Total net servicing income	2,882	5,732
Total CRES mortgage banking income	4,585	5,553
Eliminations [3]	(711)	(803)
Total consolidated mortgage banking income	$3,874	$4,750

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

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

(3) Includes the effect of transfers of mortgage loans from CRES to the ALM portfolio in All Other.

Core production revenue decreased $1.2 billion due to industry-wide margin compression combined with lower loan application volumes as described below.
The representations and warranties provision decreased $3.1 billion in 2013 to $840 million as 2012 included $2.5 billion in provision related to the FNMA Settlement and $500 million for obligations to FNMA related to MI rescissions. Net servicing income decreased $2.9 billion to $2.9 billion driven by lower servicing fees due to a smaller servicing portfolio, less favorable MSR net-of-hedge performance and lower ancillary income due to the divestiture of an ancillary business in 2012. The decline in the size of our servicing portfolio was driven by strategic sales of MSRs as well as loan prepayment activity, which exceeded new originations primarily due to our exit from non-retail channels. For more information on sales of MSRs, see Sales of Mortgage Servicing Rights on page 43.

Key Statistics

(Dollars in millions, except as noted)	2013		2012	
Loan production				
Total Corporation [(1)]:				
First mortgage	$83,421		$75,074	
Home equity	6,355		3,585	
CRES:				
First mortgage	$66,914		$55,518	
Home equity	5,498		2,832	
Year end				
Mortgage serviced portfolio (in billions) [(2, 3)]	$810		$1,332	
Mortgage loans serviced for investors (in billions)	550		1,045	
Mortgage servicing rights:				
Balance	5,042		5,716	
Capitalized mortgage servicing rights (% of loans serviced for investors)	92	bps	55	bps

(1) In addition to loan production in CRES, the remaining first mortgage and home equity loan production is primarily in GWIM.
(2) Servicing of residential mortgage loans, HELOCs and home equity loans.
(3) Excludes loans for which servicing transferred to third parties as of December 31, 2013, with an effective MSR sale date of January 2, 2014, totaling $220 million.

Despite a decline in the overall mortgage market because of higher interest rates during the second half of 2013, first mortgage loan originations in CRES increased $11.4 billion, or 21 percent, to $66.9 billion in 2013, and for the total Corporation, increased $8.3 billion to $83.4 billion as we increased market share due to higher fulfillment capacity. The increase in interest rates also had an adverse impact on our mortgage loan applications, particularly for refinance mortgage loans. Our volume of mortgage applications decreased 15 percent in 2013 corresponding to a decline in the estimated overall U.S. demand for mortgages.

During 2013, 82 percent of our first mortgage production volume was for refinance originations and 18 percent was for purchase originations compared to 84 percent and 16 percent in 2012. HARP refinance originations were 23 percent of all refinance originations compared to 31 percent in 2012. Making Home Affordable non-HARP refinance originations were 19 percent of all refinance originations as compared to 12 percent in 2012. The remaining 58 percent of refinance originations was conventional refinances, and remained relatively unchanged from 2012.
Home equity production was $6.4 billion for 2013 compared to $3.6 billion for 2012 with the increase due to a higher demand in the market based on improving housing trends, and increased market share driven by improved banking center engagement with customers and more competitive pricing.

Mortgage Servicing Rights

At December 31, 2013, the consumer MSR balance was $5.0 billion, which represented 92 bps of the related unpaid principal balance compared to $5.7 billion, or 55 bps of the related unpaid principal balance at December 31, 2012. The consumer MSR balance decreased $674 million during 2013 primarily driven by MSR sales and the recognition of modeled cash flows. These declines were partially offset by the increase in value driven by higher mortgage rates, which resulted in lower forecasted prepayment speeds and was the primary driver for the increase in the MSRs as a percentage of unpaid principal balance. For more information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 57. For more information on MSRs, see Note 23 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Sales of Mortgage Servicing Rights

As previously disclosed, during 2013, we entered into definitive agreements with certain counterparties to sell the servicing rights on certain residential mortgage loans serviced for others, with an aggregate unpaid principal balance of approximately $301 billion. The sales involved approximately two million loans serviced by us as of the applicable contract dates, including approximately 180,000 residential mortgage loans and 11,700 home equity loans that were 60 days or more past due based upon current estimates.

The transfers of servicing rights were substantially completed in the first nine months of 2013. These sales led to a reduction in servicing revenue in the fourth quarter of 2013 of approximately $150 million compared to the fourth quarter of 2012.

Global Wealth & Investment Management

(Dollars in millions)	2013	2012	% Change
Net interest income (FTE basis)	$6,064	$5,827	4 %
Noninterest income:			
Investment and brokerage services	9,709	8,849	10
All other income	2,017	1,842	10
Total noninterest income	11,726	10,691	10
Total revenue, net of interest expense (FTE basis)	17,790	16,518	8
Provision for credit losses	56	266	(79)
Noninterest expense	13,038	12,721	2
Income before income taxes	4,696	3,531	33
Income tax expense (FTE basis)	1,722	1,286	34
Net income	$2,974	$2,245	32
Net interest yield (FTE basis)	2.41 %	2.35 %	
Return on average allocated capital [(1)]	29.90	—	
Return on average economic capital [(1)]	—	30.80	
Efficiency ratio (FTE basis)	73.29	77.02	
Balance Sheet			
Average			
Total loans and leases	$111,023	$100,456	11
Total earning assets	251,394	248,475	1
Total assets	270,788	268,475	1
Total deposits	242,161	242,384	—
Allocated capital [(1)]	10,000	—	n/m
Economic capital [(1)]	—	7,359	n/m
Year end			
Total loans and leases	$115,846	$105,928	9
Total earning assets	254,031	277,121	(8)
Total assets	274,112	297,326	(8)
Total deposits	244,901	266,188	(8)

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 35.

n/m = not meaningful

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

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

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

Net income increased $729 million to $3.0 billion in 2013 compared to 2012 driven by higher revenue and lower provision for credit losses, partially offset by higher noninterest expense. Revenue increased $1.3 billion to $17.8 billion primarily driven by higher asset management fees related to long-term AUM inflows and higher market levels, as well as higher net interest income. The provision for credit losses decreased $210 million to $56 million driven by continued improvement in the home equity portfolio. Noninterest expense increased $317 million to $13.0 billion primarily due to higher volume-driven expenses and higher support costs, partially offset by lower other personnel costs.

In 2013, revenue from MLGWM was $14.8 billion, up eight percent, and revenue from U.S. Trust was $3.0 billion, up nine percent, both driven by the same factors as described above.

Net Migration Summary

GWIM results are impacted by the net migration of clients and their related deposit and loan balances to or from CBB, CRES and the ALM portfolio, as presented in the table below. We move clients between business segments to better meet their needs. Transfers in 2013 were primarily comprised of the following: net deposit balances of $21 billion to CBB; HELOC balances of $5 billion to CRES; and credit card balances of $3 billion from CBB. Beginning in March 2013, revenue and expense related to credit card balance transfers are included in GWIM and included in CBB for all prior periods. The balances in the table below represent transfers that occurred during 2013 and 2012.

Net Migration Summary

	December 31	
(Dollars in millions)	2013	2012
Total deposits, net – GWIM from / (to) CBB	$(20,974)	$1,170
Total loans, net – GWIM from / (to) CBB, CRES and the ALM portfolio	(1,356)	(335)

Client Balances

The table below presents client balances which consist of AUM, brokerage assets, assets in custody, deposits, and loans and leases.

Client Balances by Type

	December 31	
(Dollars in millions)	2013	2012
Assets under management	$821,449	$698,095
Brokerage assets	1,045,122	960,351
Assets in custody	136,190	117,686
Deposits	244,901	266,188
Loans and leases [(1)]	118,776	109,305
Total client balances	$2,366,438	$2,151,625

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

The increase of $214.8 billion, or 10 percent, in client balances was driven by higher market levels and record long-term AUM inflows, partially offset by the deposit balance transfer of $21.0 billion to CBB as described in the Net Migration Summary section.

Global Banking

(Dollars in millions)	2013	2012	% Change
Net interest income (FTE basis)	$8,914	$8,135	10 %
Noninterest income:			
Service charges	2,787	2,867	(3)
Investment banking fees	3,235	2,793	16
All other income	1,545	1,879	(18)
Total noninterest income	7,567	7,539	—
Total revenue, net of interest expense (FTE basis)	16,481	15,674	5
Provision for credit losses	1,075	(342)	n/m
Noninterest expense	7,552	7,619	(1)
Income before income taxes	7,854	8,397	(6)
Income tax expense (FTE basis)	2,880	3,053	(6)
Net income	$4,974	$5,344	(7)
Net interest yield (FTE basis)	2.96 %	2.90 %	
Return on average allocated capital [(1)]	21.64	—	
Return on average economic capital [(1)]	—	27.69	
Efficiency ratio (FTE basis)	45.82	48.61	
Balance Sheet			
Average			
Total loans and leases	$257,245	$224,336	15
Total earning assets	301,204	280,605	7
Total assets	343,464	322,701	6
Total deposits	237,457	223,940	6
Allocated equity [(1)]	23,000	—	n/m
Economic capital [(1)]	—	19,312	n/m
Year end			
Total loans and leases	$269,469	$242,340	11
Total earning assets	337,154	288,072	17
Total assets	379,207	331,611	14
Total deposits	265,718	243,306	9

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 35.

n/m = not meaningful

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

During 2013, consumer DFS results were moved to CBB from Global Banking to align this business more closely with our consumer lending activity and better serve the needs of our customers. Prior periods were reclassified to conform to current period presentation.
Net income for Global Banking decreased $370 million to $5.0 billion in 2013 compared to 2012 primarily driven by an increase in the provision for credit losses, partially offset by higher revenue. Revenue increased $807 million to $16.5 billion in 2013 as higher net interest income due to the impact of loan growth and higher investment banking fees were partially offset by lower other income due to gains on the liquidation of certain portfolios in 2012.
The provision for credit losses increased $1.4 billion to $1.1 billion in 2013 compared to a benefit of $342 million in 2012 primarily due to increased reserves as a result of commercial loan growth.
Noninterest expense of $7.6 billion remained relatively unchanged in 2013 primarily due to lower personnel expense as we continue to streamline our business operations and achieve cost savings, largely offset by higher litigation expense.

Global Corporate and Global Commercial Banking
Global Corporate and Global Commercial Banking each include Business Lending and Treasury Services activities. Business Lending includes various lending-related products and services including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Treasury

Services includes deposits, treasury management, credit card, foreign exchange, and short-term investment and custody solutions to corporate and commercial banking clients.
The table below presents a summary of Global Corporate and Global Commercial Banking results, which excludes certain capital markets activity in Global Banking.

Global Corporate and Global Commercial Banking

	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
Revenue						
Business Lending	$3,407	$3,201	$3,967	$3,622	$7,374	$6,823
Treasury Services	2,815	2,633	2,939	2,988	5,754	5,621
Total revenue, net of interest expense	$6,222	$5,834	$6,906	$6,610	$13,128	$12,444
Balance Sheet						
Average						
Total loans and leases	$126,669	$110,130	$130,563	$113,640	$257,232	$223,770
Total deposits	128,198	114,200	109,225	109,704	237,423	223,904
Year end						
Total loans and leases	$130,092	$116,239	$139,374	$126,093	$269,466	$242,332
Total deposits	144,312	131,184	121,407	112,083	265,719	243,267

Global Corporate and Global Commercial Banking revenue increased $684 million in 2013 due to higher revenue in both Business Lending and Treasury Services.
Business Lending revenue in Global Corporate Banking increased $206 million in 2013 due to higher net interest income driven by the impact of loan growth, partially offset by lower accretion on acquired portfolios, and gains on the liquidation of certain portfolios in 2012. Business Lending revenue in Global Commercial Banking increased $345 million due to higher net interest income driven by the impact of loan growth in the commercial and industrial, and commercial real estate portfolios, as well as higher accretion on acquired portfolios.
Treasury Services revenue in Global Corporate Banking increased $182 million in 2013 driven by growth in U.S. and non-U.S. deposit balances, partially offset by the impact of the low rate environment. Treasury Services revenue in Global Commercial Banking declined $49 million due to the impacts of lower average deposit balances and the low rate environment.
Average loans and leases in Global Corporate and Global Commercial Banking increased 15 percent in 2013 driven by growth in the commercial and industrial, and commercial real estate portfolios. Average deposits in Global Corporate and Global Commercial Banking increased six percent in 2013 due to client liquidity, international growth and new client acquisitions.
Investment Banking
Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of most

investment banking and underwriting activities are shared primarily between Global Banking and Global Markets based on the contribution by and involvement of each segment. To provide a complete discussion of our consolidated investment banking fees, the table below presents total Corporation investment banking fees as well as the portion attributable to Global Banking.

Investment Banking Fees

	Global Banking		Total Corporation	
(Dollars in millions)	2013	2012	2013	2012
Products				
Advisory	$1,022	$995	$1,131	$1,066
Debt issuance	1,620	1,390	3,805	3,362
Equity issuance	593	408	1,469	1,026
Gross investment banking fees	3,235	2,793	6,405	5,454
Self-led	(92)	(43)	(279)	(155)
Total investment banking fees	$3,143	$2,750	$6,126	$5,299

Total Corporation investment banking fees of $6.1 billion, excluding self-led deals, included within Global Banking and Global Markets, increased 16 percent in 2013 due to strong equity issuance fees attributable to a significant increase in global equity capital markets volume and higher debt issuance fees, primarily within leveraged finance and investment-grade underwriting.

Global Markets

(Dollars in millions)	2013	2012	% Change
Net interest income (FTE basis)	$4,239	$3,672	15 %
Noninterest income:			
Investment and brokerage services	2,046	1,820	12
Investment banking fees	2,722	2,214	23
Trading account profits	6,734	5,706	18
All other income	317	872	(64)
Total noninterest income	11,819	10,612	11
Total revenue, net of interest expense (FTE basis)	16,058	14,284	12
Provision for credit losses	140	34	n/m
Noninterest expense	12,013	11,295	6
Income before income taxes	3,905	2,955	32
Income tax expense (FTE basis)	2,342	1,726	36
Net income	$1,563	$1,229	27
Return on average allocated capital [(1)]	5.24 %	—	
Return on average economic capital [(1)]	—	8.95 %	
Efficiency ratio (FTE basis)	74.81	79.08	
Balance Sheet			
Average			
Total trading-related assets [(2)]	$468,934	$466,045	1
Total earning assets [(2)]	481,482	461,487	4
Total assets	632,804	606,249	4
Allocated capital [(1)]	30,000	—	n/m
Economic capital [(1)]	—	13,824	n/m
Year end			
Total trading-related assets [(2)]	$411,080	$465,836	(12)
Total earning assets [(2)]	432,821	486,470	(11)
Total assets	575,709	632,263	(9)

(1) Effective January 1, 2013, we revised, on a prospective basis, the methodology for allocating capital to the business segments. In connection with the change in methodology, we updated the applicable terminology in the above table to allocated capital from economic capital as reported in prior periods. For additional information, see Business Segment Operations on page 35.

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

n/m = not meaningful

Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets product coverage includes securities and derivative products in both the primary and secondary markets. Global Markets provides market-making, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage risk in a broad range of financial products including government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, syndicated loans, MBS, commodities and asset-backed securities (ABS). In addition, the economics of most investment banking and underwriting activities are shared primarily between Global Markets and Global Banking based on the activities performed by each segment. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For more information on investment banking fees on a consolidated basis, see page 47.

Net income for Global Markets increased $334 million to $1.6 billion in 2013 compared to 2012. Excluding net DVA and charges related to the U.K. corporate income tax rate reduction, net income decreased $543 million to $3.0 billion primarily driven by lower FICC revenue due to a challenging trading environment and higher noninterest expense, partially offset by an increase in equities revenue. Net DVA losses on derivatives were $508 million compared to losses of $2.4 billion in 2012. The U.K. corporate income tax rate reduction enacted in 2013 resulted in a $1.1 billion charge to income tax expense in Global Markets for remeasurement of certain deferred tax assets compared to a similar charge of $781 million in 2012. Noninterest expense increased $718 million to $12.0 billion due to an increase in litigation expense.

Average earning assets increased $20.0 billion to $481.5 billion in 2013 largely driven by increased client financing activity in the equities business.

Sales and Trading Revenue

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. Sales and trading revenue is segregated into fixed income (government debt obligations, investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities, RMBS, collateralized debt obligations (CDOs), interest rate and credit derivative contracts), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equities (equity-linked derivatives and cash equity activity). The table below and related discussion present sales and trading revenue, substantially all of which is in Global Markets, with the remainder in Global Banking. In addition, the table below and related discussion present sales and trading revenue excluding DVA, which is a non-GAAP financial measure. We believe the use of this non-GAAP financial measure provides clarity in assessing the underlying performance of these businesses.

Sales and Trading Revenue [1, 2]

(Dollars in millions)	2013	2012
Sales and trading revenue		
Fixed income, currencies and commodities	$8,882	$8,812
Equities	4,200	3,014
Total sales and trading revenue	$13,082	$11,826
Sales and trading revenue, excluding net DVA [3]		
Fixed income, currencies and commodities	$9,373	$11,007
Equities	4,217	3,267
Total sales and trading revenue, excluding net DVA	$13,590	$14,274

(1) Includes FTE adjustments of $179 million and $220 million for 2013 and 2012. For more information on sales and trading revenue, see Note 2 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of $385 million and $522 million for 2013 and 2012.

(3) For this presentation, sales and trading revenue excludes the impact of credit spreads on DVA, which represents a non-GAAP financial measure. Net DVA losses of $491 million and $2.2 billion were included in FICC revenue, and net DVA losses of $17 million and $253 million were included in equities revenue in 2013 and 2012.

FICC revenue, including net DVA, increased $70 million to $8.9 billion in 2013 compared to 2012. Excluding the impact of credit spreads on net DVA, FICC revenue decreased $1.6 billion to $9.4 billion driven by a challenging trading environment arising from investor concerns around the Federal Reserve's position on economic stimulus, political uncertainty both domestically and abroad as well as the write-down of a receivable related to the MBIA Settlement in 2013. For more information on the MBIA Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. Equities revenue, including net DVA, increased $1.2 billion to $4.2 billion. Excluding net DVA, equities revenue increased $950 million to $4.2 billion primarily due to continued gains in market share, higher market volumes and increased client financing balances. Sales and trading revenue included total commissions and brokerage fee revenue of $2.0 billion in 2013 compared to $1.8 billion in 2012, substantially all from equities, with the $226 million increase due to a higher market share and increased market volumes in equities.

All Other

(Dollars in millions)	2013	2012	% Change
Net interest income (FTE basis)	$966	$1,140	(15)%
Noninterest income:			
Card income	328	360	(9)
Equity investment income	2,610	1,135	130
Gains on sales of debt securities	1,230	1,510	(19)
All other loss	(3,245)	(4,927)	(34)
Total noninterest income (loss)	923	(1,922)	n/m
Total revenue, net of interest expense (FTE basis)	1,889	(782)	n/m
Provision for credit losses	(666)	2,621	n/m
Noninterest expense	4,241	6,273	(32)
Loss before income taxes	(1,686)	(9,676)	(83)
Income tax benefit (FTE basis)	(2,173)	(5,939)	(63)
Net income (loss)	$487	$(3,737)	n/m
Balance Sheet			
Average			
Loans and leases:			
Residential mortgage	$208,535	$223,795	(7)
Non-U.S. credit card	10,861	13,549	(20)
Other	16,058	21,897	(27)
Total loans and leases	235,454	259,241	(9)
Total assets [(1)]	215,183	315,735	(32)
Total deposits	34,617	43,087	(20)
Year end			
Loans and leases:			
Residential mortgage	$197,061	$211,476	(7)
Non-U.S. credit card	11,541	11,697	(1)
Other	12,092	18,808	(36)
Total loans and leases	220,694	241,981	(9)
Total assets [(1)]	166,881	262,800	(36)
Total deposits	27,702	36,061	(23)

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were $539.5 billion and $504.2 billion for 2013 and 2012, and $570.3 billion and $537.6 billion at December 31, 2013 and 2012.

n/m = not meaningful

All Other consists of ALM activities, equity investments, the international consumer card business, liquidating businesses, residual expense allocations and other. ALM activities encompass the whole-loan residential mortgage portfolio and investment securities, interest rate and foreign currency risk management activities including the residual net interest income allocation, gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. For more information on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 113. Equity investments include Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. Equity investments included our remaining investment in CCB which was sold during 2013, and certain other investments. Additionally, certain residential mortgage loans that are managed by Legacy Assets & Servicing are held in All Other.

Net income for All Other increased $4.2 billion to $487 million in 2013 primarily due to negative fair value adjustments on structured liabilities of $649 million related to the improvement in our credit spreads during 2013 compared to a negative $5.1 billion in 2012, a $3.3 billion reduction in the provision for credit losses, a decrease in noninterest expense of $2.0 billion and an increase in equity investment income of $1.5 billion. Partially offsetting the increases were $1.6 billion in gains related to debt repurchases and exchanges of trust preferred securities in 2012 and a decrease of $280 million in gains on sales of debt securities.

The provision for credit losses improved $3.3 billion to a benefit of $666 million in 2013 primarily driven by continued improvement in portfolio trends including increased home prices in the residential mortgage portfolio. Noninterest expense decreased $2.0 billion to $4.2 billion primarily due to lower litigation expense. The income tax benefit was $2.2 billion in 2013 compared to a benefit of $5.9 billion in 2012. The decrease was driven by the decline in the pre-tax loss in All Other and lower tax benefits as 2012 included a $1.7 billion tax benefit attributable to the excess of foreign tax credits recognized in the U.S. upon repatriation of the earnings of certain subsidiaries over the related U.S. tax liability.

Equity Investment Activity

The following tables present the components of equity investments in All Other at December 31, 2013 and 2012, and also a reconciliation to the total consolidated equity investment income for 2013 and 2012.

Equity Investments

	December 31	
(Dollars in millions)	2013	2012
Global Principal Investments	$1,604	$3,470
Strategic and other investments	807	2,038
Total equity investments included in All Other	$2,411	$5,508

Equity investments included in All Other decreased $3.1 billion to $2.4 billion during 2013, with the decrease due to sales in the GPI and Strategic investments portfolios. GPI had unfunded equity commitments of $127 million at December 31, 2013 compared to $224 million at December 31, 2012.

Equity Investment Income

(Dollars in millions)	2013	2012
Global Principal Investments	$378	$589
Strategic and other investments	2,232	546
Total equity investment income included in All Other	2,610	1,135
Total equity investment income included in the business segments	291	935
Total consolidated equity investment income	$2,901	$2,070

Equity investment income included in All Other was $2.6 billion in 2013, an increase of $1.5 billion from 2012. The increase was primarily due to the $753 million gain on the sale of our remaining investment in CCB shares and gains of $1.4 billion on the sales of a portion of an equity investment. Total Corporation equity investment income was $2.9 billion in 2013, an increase of $831 million from 2012, due to the same factors as described above, partially offset by gains in 2012 on equity investments included in the business segments.

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations. Included in purchase obligations are commitments to purchase loans of $1.5 billion and vendor contracts of $18.4 billion. The most significant vendor contracts include communication services, processing services and software contracts. Other long-term liabilities include our contractual funding obligations related to the Qualified Pension Plans, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans (collectively, the Plans). Obligations to the Plans are based on the current and projected

obligations of the Plans, performance of the Plans' assets and any participant contributions, if applicable. During 2013 and 2012, we contributed $290 million and $381 million to the Plans, and we expect to make $292 million of contributions during 2014.

Debt, lease, equity and other obligations are more fully discussed in Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements. The Plans are more fully discussed in Note 17 – Employee Benefit Plans to the Consolidated Financial Statements.

We enter into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of our customers. For a summary of the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date, see Credit Extension Commitments in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Table 11 includes certain contractual obligations at December 31, 2013.

Table 11 Contractual Obligations

	December 31, 2013				
(Dollars in millions)	Due in One Year or Less	Due After One Year Through Three Years	Due After Three Years Through Five Years	Due After Five Years	Total
Long-term debt	$46,076	$63,241	$62,830	$77,527	$249,674
Operating lease obligations	2,841	4,531	3,003	5,672	16,047
Purchase obligations	6,205	6,859	3,873	3,838	20,775
Time deposits	98,201	8,784	1,972	2,278	111,235
Other long-term liabilities	1,289	915	720	1,132	4,056
Estimated interest expense on long-term debt and time deposits (1)	5,189	10,045	9,081	13,247	37,562
Total contractual obligations	$159,801	$94,375	$81,479	$103,694	$439,349

(1) Represents estimated, forecasted net interest expense on long-term debt and time deposits. Forecasts are based on the contractual maturity dates of each liability, and are net of derivative hedges.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of MBS guaranteed by the government-sponsored enterprises (GSEs) or by the Government National Mortgage Association (GNMA) in the case of Federal Housing Administration (FHA)-insured, U.S. Department of Veterans Affairs (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, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties have resulted in and may continue to result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, U.S. Department of Housing and Urban Development (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, we would be exposed to any credit loss on the repurchased

mortgage loans after accounting for any mortgage insurance or mortgage guarantee payments that we may receive. For more information on accounting for representations and warranties and our representations and warranties repurchase claims and exposures, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements and Item 1A. Risk Factors. We have vigorously contested any request for repurchase when we conclude 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, we have reached bulk settlements, or agreements for bulk settlements, certain of which have been for significant amounts, in lieu of a loan-by-loan review process, including with the GSEs, with three monoline insurers and with the Bank of New York Mellon (the BNY Mellon Settlement), as trustee (the Trustee) for certain Countrywide private-label securitization trusts in 2011. As a result of various settlements with the GSEs, we have resolved substantially all outstanding and potential representations and warranties repurchase claims on whole loans sold by legacy Bank of America and Countrywide to FNMA and FHLMC through 2008 and 2009, respectively.

We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. However, there can be no assurance that we will reach future settlements or, if we do, that the terms of past settlements can be relied upon to predict the terms of future settlements. These bulk settlements generally did not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims. For example, we are currently involved in MBS litigation including purported class action suits, actions brought by individual MBS purchases, actions brought by FHFA as conservator for the GSEs and governmental actions. Our liability in connection with the transactions and claims not covered by these settlements could be material. For more information on our exposure to RMBS matters involving securities law, fraud or related claims, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

The BNY Mellon Settlement remains subject to final court approval and certain other conditions. It is not currently possible to predict the ultimate outcome or timing of the court approval process, which can include appeals and could take a substantial period of time. The court approval hearing began in the New York Supreme Court, New York County, on June 3, 2013 and concluded on November 21, 2013. On January 31, 2014, the court issued a decision, order and judgment approving the BNY Mellon Settlement. The court overruled the objections to the settlement, holding that the Trustee, BNY Mellon, acted in good faith, within its discretion and within the bounds of reasonableness in determining that the settlement agreement was in the best interests of the covered trusts. The court declined to approve the Trustee’s conduct only with respect to the Trustee’s consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. On February 4, 2014, one of the objectors filed a motion to stay entry of judgment and to hold additional proceedings in the trial court on issues it alleged had not been litigated or decided by the court in its January 31, 2014 decision, order and judgment. On February 18, 2014, the same objector also filed a motion for reargument of the trial court’s January 31, 2014 decision. The court held a hearing on the motion to stay on February 19, 2014, and rejected the application for stay and for further proceedings in the trial court. The court also ruled it would not hold oral argument on the objector’s motion for reargument before April 2014. On February 21, 2014, final judgment was entered and the Trustee filed a notice of appeal regarding the court’s ruling on loan modification claims in the settlement. The court’s January 31, 2014 decision, order and judgment remain subject to appeal and the motion to reargue, and it is not possible to predict the timetable for appeals or when the court approval process will be completed.

Although, we are not a party to the proceeding, certain of our rights and obligations under the settlement agreement are conditioned on final court approval of the settlement. There can be no assurance final court approval will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied, or if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and Countrywide will not withdraw from the settlement. If final court approval is not obtained, or if we and Countrywide withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different from existing accruals and the estimated range of possible loss over existing accruals.

For a summary of the larger bulk settlement actions and the related impact on the representations and warranties provision and liability, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Unresolved Repurchase Claims

Repurchase claims received from a counterparty are considered unresolved repurchase claims until the underlying loan is repurchased, the claim is rescinded by the counterparty or the claim is otherwise settled. Unresolved 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. When a claim is denied and we do not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution.

Table 12 presents unresolved repurchase claims by counterparty at December 31, 2013 and 2012.

Table 12 Unresolved Repurchase Claims by Counterparty (1, 2)

	December 31	
(Dollars in millions)	2013	2012
Private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and other (3)	$17,953	$12,222
Monolines	1,532	2,442
GSEs	170	13,437
Total unresolved repurchase claims (3)	$19,655	$28,101

(1) The total notional amount of unresolved repurchase claims does not include any repurchase claims related to the trusts covered by the BNY Mellon Settlement.

(2) At December 31, 2013 and 2012, unresolved repurchase claims did not include repurchase demands of $1.2 billion and $1.6 billion where the Corporation believes the claimants have not satisfied the contractual thresholds.

(3) Includes $13.8 billion and $11.7 billion of claims based on individual file reviews and $4.1 billion and $519 million of claims submitted without individual file reviews at December 31, 2013 and 2012.

The notional amount of unresolved repurchase claims from private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others included $13.8 billion and $11.7 billion of claims based on individual file reviews and $4.1 billion and $519 million of claims submitted without individual file reviews at December 31, 2013 and 2012. The increase in the notional amount of unresolved repurchase claims during 2013 is primarily due to continued submission of claims by private-label securitization trustees; the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claims resolution; and the lack of an established process to resolve disputes related to these claims. For example, claims submitted without individual file reviews lack the level of detail and analysis of individual loans found in other claims that is necessary for us to respond to the claim. We expect unresolved repurchase claims related to private-label securitizations to increase as such claims continue to be submitted and there is not an established process for the ultimate resolution of such claims on which there is a disagreement.

In addition to, and not included in, the total unresolved repurchase claims, we have received repurchase demands from private-label securitization investors and a master servicer where we believe 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 amount outstanding of such demands was $1.2 billion, comprised of $945 million of demands received during 2012 and $273 million of demands related to trusts covered by the BNY Mellon Settlement at December 31, 2013 compared to $1.6 billion at December 31, 2012. The decrease in outstanding demands is a result of certain demands that were replaced by repurchase claims submitted by trustees, which are included in Table 12. We do not believe that the demands outstanding at December 31, 2013 represent valid repurchase claims and, therefore, it is not possible to predict the resolution with respect to such demands.

The decline in unresolved monoline claims is primarily due to the MBIA Settlement. Substantially all of the remaining unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation.

During 2013, we received $8.4 billion in new repurchase claims, including $6.3 billion submitted by private-label securitization trustees and a financial guarantee provider, $1.8 billion submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs, $222 million submitted by whole-loan investors and $50 million submitted by monoline insurers. During 2013, $16.7 billion in claims were resolved, including $646 million and $12.2 billion in GSE claims resolved through settlements with FHLMC and FNMA and $945 million resolved through the MBIA Settlement. Of the remaining claims that were resolved, $1.7 billion were resolved through rescissions and $1.2 billion were resolved through mortgage repurchases and make-whole payments, primarily with the GSEs.

Representations and Warranties Liability

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 (loss) in the Consolidated Statement of Income. For additional discussion of the representations and warranties liability and the corresponding estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Estimated Range of Possible Loss on page 56.

At December 31, 2013 and 2012, the liability for representations and warranties was $13.3 billion and $19.0 billion, with the decrease primarily driven by the FNMA Settlement. For 2013, the representations and warranties provision was $840 million compared to $3.9 billion for 2012. The provision for 2013

was driven by our remaining GSE exposures, including the FHLMC Settlement and our obligations related to MI rescissions. The provision for 2012 included $2.5 billion in provision related to the FNMA Settlement and $500 million for obligations to FNMA related to MI rescissions.

Our estimated liability at December 31, 2013 for obligations under representations and warranties is necessarily dependent on, and limited by, a number of factors, including for private-label securitizations the implied repurchase experience based on the BNY Mellon Settlement, as well as certain other assumptions and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if actual experiences are different from historical experience or our understandings, interpretations or assumptions. Although we have not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where we have had little to no claim activity, these exposures are included in the estimated range of possible loss.

Experience with Government-sponsored Enterprises

As a result of various settlements with the GSEs, we have resolved substantially all outstanding and potential representations and warranties repurchase claims on whole loans sold by legacy Bank of America and Countrywide to FNMA and FHLMC through 2008 and 2009, respectively. After these settlements, our exposure to representations and warranties liability for loans originated prior to 2009 and sold to the GSEs is limited to loans with an original principal balance of $13.7 billion and loans with certain defects excluded from the settlements that we do not believe will be material, such as title defects and certain specified violations of the GSEs' charters. As of December 31, 2013, of the $13.7 billion, approximately $10.8 billion in principal has been paid, $941 million in principal has defaulted or was severely delinquent and the notional amount of unresolved repurchase claims submitted by the GSEs was $144 million related to these vintages.

Experience with Investors Other than Government-sponsored Enterprises

In prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations or in the form of whole loans originated from 2004 through 2008 with an original principal balance of $965 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), of which $552 billion in principal has been paid, $192 billion in principal has defaulted, $53 billion in principal was severely delinquent, and $168 billion in principal was current or less than 180 days past due at December 31, 2013.

Table 13 details the population of loans originated between 2004 and 2008 and sold in non-agency securitizations or as whole loans by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent as of December 31, 2013.

Table 13 Overview of Non-Agency Securitization and Whole-loan Balances

	Principal Balance			Defaulted or Severely Delinquent					
(Dollars in billions) By Entity	Original Principal Balance	Outstanding Principal Balance December 31, 2013	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made Less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made More than 36 Payments
Bank of America	$100	$ 18	$3	$7	$ 10	$1	$2	$2	$5
Countrywide	716	173	43	144	187	24	45	45	73
Merrill Lynch	67	15	3	16	19	3	4	3	9
First Franklin	82	15	4	25	29	5	6	5	13
Total [1, 2]	$965	$ 221	$53	$192	$ 245	$33	$57	$55	$100
By Product									
Prime	$302	$ 66	$8	$26	$ 34	$2	$6	$7	$19
Alt-A	172	50	11	39	50	7	12	12	19
Pay option	150	37	14	41	55	5	13	15	22
Subprime	247	55	18	66	84	17	20	16	31
Home equity	88	11	—	18	18	2	5	4	7
Other	6	2	2	2	4	—	1	1	2
Total	$965	$ 221	$53	$192	$ 245	$33	$57	$55	$100

(1) Excludes transactions sponsored by Bank of America and Merrill Lynch where no representations or warranties were made.

(2) Includes exposures on third-party sponsored transactions related to legacy entity originations.

As it relates to private-label securitizations, a contractual liability to repurchase mortgage loans generally arises only if counterparties prove there is a breach of representations and warranties that materially and adversely affects the interest of the investor or all the investors in a securitization trust or of the monoline insurer or other financial guarantor (as applicable). We believe many of the loan defaults observed in these securitizations and whole-loan balances have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan’s default. As of December 31, 2013, approximately 25 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement and, of this amount, $109 billion was defaulted or severely delinquent at December 31, 2013.

Experience with Private-label Securitizations and Whole Loans

Legacy entities, and to a lesser extent Bank of America, sold loans to investors via private-label securitizations or as whole loans. The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. We provided representations and warranties to the whole-loan investors and these investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The loans sold with an original total principal balance of $780.5 billion, included in Table 13, were originated between 2004 and 2008, of which $449.9 billion have been paid in full and $191.3 billion were defaulted or severely delinquent at December 31, 2013. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans. We have received approximately $25.9 billion of representations and warranties repurchase claims related to these vintages, including $16.9 billion from private-label securitization trustees and a financial guarantee provider, $8.2 billion from whole-loan investors and $809 million from one private-label securitization counterparty. 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 we believe 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, which may increase our total exposure.

A recent decision by the New York intermediate appellate court held that, under New York law, which governs many RMBS trusts, the six-year statute of limitations starts to run at the time the representations and warranties are made (i.e., the date the transaction closed and not when the repurchase demand was denied). If upheld, this decision may impact the timeliness of representations and warranties claims and/or lawsuits, where these claims have not already been tolled by agreement. We believe this ruling may lead to an increase in requests for tolling agreements as well as an increase in the pace of representations and warranties claims and/or the filing of lawsuits by private-label securitization trustees prior the expiration of the statute of limitations.

We have resolved $8.0 billion of the $25.9 billion of claims received from whole-loan and private-label securitization counterparties with losses of $1.9 billion. The majority of these resolved claims were from third-party whole-loan investors. Approximately $3.3 billion of these claims were resolved through repurchase or indemnification and $4.7 billion were rescinded by the investor. At December 31, 2013, for loans originated between 2004 and 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, whole-loan investors and a financial guarantee provider was $17.9 billion. We have performed an initial review with respect to $14.6 billion of these claims and do not believe a valid basis for repurchase has been established by the claimant and are still in the process of reviewing the remaining $3.3 billion of these claims. Until we receive a repurchase claim, we generally do not review loan files related to private-label securitizations sponsored by third-party whole-loan investors (and are not required by the governing documents to do so).

Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that and other experience to record a liability related to existing and future claims from such counterparties. The BNY Mellon Settlement and subsequent activity with certain counterparties led to the determination that we had sufficient experience to record a liability related to our exposure on certain private-label securitizations, including certain private-label securitizations sponsored by third-party whole-loan investors, however, it did not provide sufficient experience to record a liability related to other private-label securitizations sponsored by third-party whole-loan investors. As it relates to the other private-label securitizations sponsored by third-party whole-loan investors and certain other whole-loan sales, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. As discussed below, our estimated range of possible loss related to representations and warranties exposures as of December 31, 2013 included possible losses related to these whole-loan sales and private-label securitizations sponsored by third-party whole-loan investors.

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. Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files.

Experience with Monoline Insurers

Legacy companies sold $184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 13. At December 31, 2013, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $1.5 billion compared to $2.4 billion at December 31, 2012. The decrease in unresolved monoline repurchase claims was driven by the resolution of claims through the MBIA Settlement.

During 2013, there was minimal repurchase claim activity with the monolines and the monolines did not request any loan files for review through the representations and warranties process. However, there may be additional claims or file requests in the future.

The MBIA Settlement in 2013 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. For more information on the MBIA Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices). Although the number of such open notices has remained elevated, they have decreased over the last several quarters as the resolution of open notices exceeded new notices.

At December 31, 2013, we had approximately 101,000 open MI rescission notices compared to 110,000 at December 31, 2012. Open MI rescission notices at December 31, 2013 included 39,000 pertaining principally to first-lien mortgages serviced for others, 10,000 pertaining to loans held-for-investment (HFI) and 52,000 pertaining to ongoing litigation for second-lien mortgages.

For more information on open mortgage insurance rescission notices, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to $4 billion over existing accruals at December 31, 2013. The estimated range of possible loss reflects principally non-GSE exposures. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

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 RMBS litigation or 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 us, including claims related to loans insured by the FHA. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against us, except to the extent reflected in existing accruals or the estimated range of possible loss for litigation and regulatory matters disclosed in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements; however, in light of the inherent uncertainties involved in these matters and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

Future provisions and/or ranges of possible loss for representations and warranties may be significantly impacted if actual experiences are different from our assumptions in our 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. For more information on the methodology used to estimate the representations and warranties liability and the corresponding estimated range of possible loss, see Item 1A. Risk Factors and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and, for more information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability on page 122.

Servicing, Foreclosure and Other Mortgage Matters

We service a large portion of the loans we or our subsidiaries have securitized and also service loans on behalf of third-party securitization vehicles and other investors. Our servicing obligations are set forth in servicing agreements with the applicable counterparty. These obligations may include, but are not limited to, loan repurchase requirements in certain circumstances, indemnifications, payment of fees, advances for foreclosure costs that are not reimbursable, or responsibility for losses in excess of partial guarantees for VA loans.

Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. The GSEs claim that they have the contractual right to demand indemnification or loan repurchase for certain servicing breaches. In addition, the GSEs' first-lien mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary, and purport to require the imposition of compensatory fees if those deadlines are not satisfied except for reasons beyond the control of the servicer. In addition, many non-agency RMBS and whole-loan servicing agreements state that the servicer may be liable for failure to perform its servicing obligations in keeping with industry standards or for acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer's duties.

It is not possible to reasonably estimate our liability with respect to certain potential servicing-related claims. While we have recorded certain accruals for servicing-related claims, the amount of potential liability in excess of existing accruals could be material.

2011 OCC Consent Order and 2013 IFR Acceleration Agreement

We entered into the 2011 Office of the Comptroller of the Currency (OCC) Consent Order on April 13, 2011. This consent order required servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes, adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan and implementation of enhanced controls over third-party vendors that provide default servicing support services. In addition, the 2011 OCC Consent Order required that we retain an independent consultant, approved by the OCC, to conduct a review of all foreclosure actions pending or foreclosure sales that occurred between January 1, 2009 and December 31, 2010 and submit a plan to the OCC to remediate all financial injury to borrowers caused by any deficiencies identified through the review.

On January 7, 2013, we and other mortgage servicing institutions entered into an agreement in principle with the OCC and the Federal Reserve to cease the Independent Foreclosure Review (IFR) that had commenced pursuant to consent orders entered into by Bank of America with the Federal Reserve (2011 FRB Consent Order) and the 2011 OCC Consent Order entered into between BANA and the OCC and replaced it with an accelerated remediation process (2013 IFR Acceleration Agreement). The 2013 IFR Acceleration Agreement requires us to provide $1.8 billion of borrower assistance in the form of loan modifications and other foreclosure prevention actions, and in addition, we made a cash payment of $1.1 billion into a qualified settlement fund in 2013, which was fully reserved at December 31, 2012. The borrower assistance program is not expected to result in any incremental credit provision, as we believe that the existing allowance for credit losses is adequate to absorb any costs that have not already been recorded as charge-offs.

National Mortgage Settlement

In March 2012, we entered into settlement agreements (collectively, the National Mortgage Settlement) with (1) the U.S. Department of Justice, various federal regulatory agencies and 49 state Attorneys General to resolve federal and state investigations into certain residential mortgage origination, servicing and foreclosure practices, (2) HUD to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily originated by Countrywide prior to and for a period following our acquisition of that lender, and (3) each of the Federal Reserve and the OCC regarding civil monetary penalties related to conduct that was the subject of consent orders entered into with the banking regulators in April 2011. The National Mortgage Settlement was entered by the court as a consent judgment on April 5, 2012. The National Mortgage Settlement provided for the establishment of certain uniform servicing standards, upfront cash payments of approximately $1.9 billion to the state and federal governments and for borrower restitution, approximately $7.6 billion in borrower assistance in the form of, among other things, credits earned for principal reduction, short sales, deeds-in-lieu of foreclosure and approximately $1.0 billion of credits earned for interest rate reduction modifications. In addition, the settlement with HUD provided for an upfront cash payment of $500 million to settle certain claims related to FHA-insured loans. We will also be obligated to provide additional cash payments of up to $850 million if we fail to earn an additional $850 million of credits stemming from incremental first-lien principal reductions and satisfy certain solicitation requirements over a three-year period.

We also entered into agreements with several states under which we committed to perform certain minimum levels of principal reduction and related activities within those states in connection with the National Mortgage Settlement, and under which we could be required to make additional payments if we fail to meet such minimum levels.

Subject to confirmation by the independent monitor appointed as a result of the National Mortgage Settlement to review and certify compliance with its provisions, we believe we have substantially fulfilled all borrower assistance, rate reduction modification and principal reduction commitments and, therefore, we do not expect to be required to make additional cash payments. The monitor has validated that through December 31, 2012, we have earned nearly $7.8 billion in credits towards our total obligation and we are awaiting confirmation on the remaining credits. The borrower assistance program did not result in any incremental credit losses as of the settlement date, as the existing allowance for credit losses was adequate to absorb any losses that had not already been charged-off. Under the interest rate reduction program, modifications of approximately 24,000 loans with an aggregate unpaid principal balance of $6.4 billion have been completed as of December 31, 2013. These modifications, which are not accounted for as troubled debt restructurings (TDRs), provided for an average interest rate reduction of approximately two percent, resulting in an estimated decrease in fair value of the modified loans of approximately $740 million and a reduction in annual interest income of approximately $120 million.

Under the terms of the National Mortgage Settlement, the federal and participating state governments agreed to release us from further liability for certain alleged residential mortgage origination, servicing and foreclosure deficiencies. In settling origination issues related to FHA-guaranteed loans originated on or before April 30, 2009, we received a release from further liability for all origination claims with respect to such loans if an insurance claim had been submitted to the FHA prior to January 1, 2012 and a release of multiple damages and penalties, but not administrative indemnification claims for single damages, if no such claim had been submitted. In addition, provided we meet our assistance and remediation commitments, the OCC agreed not to assess, and we will not be obligated to pay to the Federal Reserve, any civil monetary penalties.

The National Mortgage Settlement does not cover certain claims arising out of origination, securitization (including representations made to investors with respect to MBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration Systems, Inc. (MERS), and claims by the GSEs (including repurchase demands), among other items.

Mortgage Electronic Registration Systems, Inc.

Mortgage notes, assignments or other documents are often required to be maintained and are often necessary to enforce mortgage loans. There has been significant public commentary regarding the common industry practice of recording mortgages in the name of MERS, as nominee on behalf of the note holder, and whether securitization trusts own the loans purported to be conveyed to them and have valid liens securing those loans. We

currently use the MERS system for a substantial portion of the residential mortgage loans that we originate, including loans that have been sold to investors or securitization trusts. A component of the OCC consent order requires significant changes in the manner in which we service loans that identify MERS as the mortgagee. Additionally, certain local and state governments have commenced legal actions against us, MERS and other MERS members, questioning the validity of the MERS model. Other challenges have also been made to the process for transferring mortgage loans to securitization trusts, asserting that having a mortgagee of record that is different than the holder of the mortgage note could “break the chain of title” and cloud the ownership of the loan. In order to foreclose on a mortgage loan, in certain cases it may be necessary or prudent for an assignment of the mortgage to be made to the holder of the note, which in the case of a mortgage held in the name of MERS as nominee would need to be completed by a MERS signing officer. As such, our practice is to obtain assignments of mortgages from MERS prior to instituting foreclosure. If certain required documents are missing or defective, or if the use of MERS is found not to be valid, we could be obligated to cure certain defects or in some circumstances be subject to additional costs and expenses. Our use of MERS as nominee for the mortgage may also create reputational risks for us.

Impact of Foreclosure Delays

Foreclosure delays impact our default-related servicing costs. We believe default-related servicing costs peaked in mid-2013 and they began to decline in late 2013, and we anticipate that this decline will accelerate in 2014. However, unexpected foreclosure delays could impact the rate of decline. Default-related servicing costs include costs related to resources needed for implementing new servicing standards mandated for the industry, including as part of the National Mortgage Settlement, other operational changes and operational costs due to delayed foreclosures, and do not include mortgage-related assessments, waivers and similar costs related to foreclosure delays.

Other areas of our operations are also impacted by foreclosure delays. In 2013, we recorded $514 million of mortgage-related assessments, waivers and similar costs related to foreclosure delays compared to $867 million, including $258 million related to compensatory fees as part of the FNMA Settlement for 2012. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances, and may impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties. Accordingly, the ultimate resolution of disagreements with counterparties, delays in foreclosure sales beyond those currently anticipated, and any issues that may arise out of alleged irregularities in our foreclosure process could significantly increase the costs associated with our mortgage operations.

Other Mortgage-related Matters

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current origination, servicing, transfer of servicing and servicing rights, and foreclosure activities, including those claims not covered by the National Mortgage Settlement. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. We are also subject to inquiries, investigations, actions and claims from regulators, trustees, investors and other third parties relating to other mortgage-related activities such as the purchase, sale, pooling, and origination and securitization of loans, as well as structuring, marketing, underwriting and issuance of MBS and other securities, including claims relating to the adequacy and accuracy of disclosures in offering documents and representations and warranties made in connection with whole-loan sales or securitizations. The ongoing environment of heightened scrutiny may subject us to governmental or regulatory inquiries, investigations, actions, penalties and fines, including by the DOJ, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force, or by other regulators or government agencies that could significantly adversely affect our reputation and result in material costs to us in excess of current reserves and management's estimate of the aggregate range of possible loss for litigation matters. Recent actions by regulators and government agencies indicate that they may, on an industry basis, increasingly pursue claims under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the False Claims Act (FCA). For example, the Civil Division of the U.S. Attorney's office for the Eastern District of New York is conducting an investigation concerning our compliance with the requirements of the Federal Housing Administration's Direct Endorsement Program. FIRREA contemplates civil monetary penalties as high as $1.1 million per violation or, if permitted by the court, based on pecuniary gain derived or pecuniary loss suffered as a result of the violation. Treble damages are potentially available for FCA claims. The ongoing environment of additional regulation, increased regulatory compliance burdens, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory environment, has resulted in operational and compliance costs and may limit our ability to continue providing certain products and services. For more information on management's estimate of the aggregate range of possible loss and regulatory investigations, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Mortgage-related Settlements – Servicing Matters

In connection with the BNY Mellon Settlement, BANA has agreed to implement certain servicing changes. The Trustee and BANA have agreed to clarify and conform certain servicing standards related to loss mitigation. In particular, the BNY Mellon Settlement clarifies that it is permissible to apply the same loss mitigation strategies to the Covered Trusts as are applied to BANA affiliates' HFI portfolios. This portion of the agreement was effective in the second quarter of 2011 and is not conditioned on final court approval.

BANA also agreed to transfer the servicing rights related to certain high-risk loans to qualified subservicers on a schedule that began with the signing of the BNY Mellon Settlement. This servicing transfer protocol will reduce the servicing fees payable to BANA in the future. Upon final court approval of the BNY Mellon Settlement, failure to meet the established benchmarking standards for loans not in subservicing arrangements can trigger payment of agreed-upon fees. Additionally, we and Countrywide

have agreed to work to resolve with the Trustee certain mortgage documentation issues related to the enforceability of mortgages in foreclosure and to reimburse the related Covered Trust for any loss if BANA is unable to foreclose on the mortgage and the Covered Trust is not made whole by a title policy because of these issues. These agreements will terminate if final court approval of the BNY Mellon Settlement is not obtained, although we could still have exposure under the pooling and servicing agreements related to the mortgages in the Covered Trusts for these issues.

In connection with the National Mortgage Settlement, BANA has agreed to implement certain additional servicing changes. The uniform servicing standards established under the National Mortgage Settlement are broadly consistent with the residential mortgage servicing practices imposed by the 2011 OCC Consent Order; however, they are more prescriptive and cover a broader range of our residential mortgage servicing activities. These standards are intended to strengthen procedural safeguards and documentation requirements associated with foreclosure, bankruptcy and loss mitigation activities, as well as addressing the imposition of fees and the integrity of documentation, with a goal of ensuring greater transparency for borrowers. These uniform servicing standards also obligate us to implement compliance processes reasonably designed to provide assurance of the achievement of these objectives. Compliance with the uniform servicing standards is being assessed by a monitor based on the measurement of outcomes with respect to these objectives. Implementation of these uniform servicing standards has contributed to elevated costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures.

Regulatory Matters

For more information regarding regulatory matters and risks, see Item 1A. Risk Factors, Capital Management – Regulatory Capital on page 65 and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Financial Reform Act

The Financial Reform Act, which was signed into law on July 21, 2010, enacted sweeping financial regulatory reform and has altered and will continue to alter the way in which we conduct certain businesses, increase our costs and reduce our revenues. Many aspects of the Financial Reform Act remain subject to final rulemaking which will take effect over several years, making it difficult to anticipate the precise impact on the Corporation, our customers or the financial services industry.

Debit Interchange Fees

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment effective on October 1, 2011 which, among other things, established a regulatory cap for many types of debit interchange transactions to equal no more than $0.21 plus five bps of the value of the transaction. The Federal Reserve also adopted a rule to allow a debit card issuer to recover $0.01 per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements, with which we are currently in compliance. The Federal Reserve also approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which became effective April 1, 2012. On July

31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment. The ruling requires the Federal Reserve to reconsider the $0.21 per transaction cap on debit card interchange fees. The Federal Reserve has appealed the ruling and a decision on the appeal is expected in the first half of 2014. It is possible that revised rules could have a significant adverse impact on debit interchange revenue as well as transaction routing.

Limitations on Proprietary Trading; Sponsorship and Investment in Hedge Funds and Private Equity Funds

On December 10, 2013, the Federal Reserve, OCC, FDIC, Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) issued final regulations under the Financial Reform Act implementing limitations on proprietary trading as well as the sponsorship of or investment in hedge funds and private equity funds (the Volcker Rule) and set a conformance period that will expire on July 21, 2015. The Volcker Rule prohibits insured depository institutions and companies affiliated with insured depository institutions (collectively, banking entities) from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options for their own account. The Volcker Rule also imposes limits on banking entities' investments in, and other relationships with, hedge funds or private equity funds. The Volcker Rule provides exemptions for certain activities, including market making, underwriting, hedging, trading in government obligations, insurance company activities, and organizing and offering hedge funds or private equity funds. The Volcker Rule also clarifies that certain activities are not prohibited, including acting as agent, broker or custodian. A banking entity with significant trading operations, such as the Corporation, will be required to establish a detailed compliance program to comply with the restrictions of the Volcker Rule.

The statutory provisions of the Volcker Rule became effective on July 21, 2012 and gave financial institutions two years from the effective date, with the possibility for extensions for certain investments, to bring activities and investments into compliance with the statutory provisions. The Federal Reserve has now extended the conformance period to July 21, 2015.

Although we exited our stand-alone proprietary trading business as of June 30, 2011 in anticipation of the Volcker Rule and to further our initiative to optimize our balance sheet, we are still in the process of evaluating the full impact of the Volcker Rule on our current trading activities and our ownership interests in and transactions with hedge funds, private equity funds, commodity pools and other subsidiary operations. The Volcker Rule will likely increase our operational and compliance costs, reduce our trading revenues, and adversely affect our results of operations. For more information about our trading business, see Global Markets on page 48.

Derivatives

The Financial Reform Act includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives; imposing new capital, margin, reporting, registration and business conduct requirements for certain market participants; and imposing position limits on certain over-the-counter (OTC) derivatives. The Financial Reform Act grants to the CFTC and the SEC substantial new authority and requires numerous rulemakings by these agencies. Swap dealers

conducting dealing activity with U.S. persons above a specified dollar threshold were required to register with the CFTC on or before December 31, 2012, and this registration requirement was extended to guaranteed non-U.S. entities, requiring registration of such entities by December 31, 2013. Upon registration, swap dealers become subject to additional CFTC rules, including measures regarding clearing and exchange trading of certain derivatives, new capital and margin requirements and additional reporting, external and internal business conduct, swap documentation, portfolio compression and reconciliation requirements for derivatives. Most of these requirements, with the exception of margin, capital and exchange/swap execution facility trading, have gone into effect for us, except with respect to swaps between our non-U.S. swap dealers and some non-U.S. branches of BANA with certain non-U.S. counterparties. Swap dealers are now required to clear certain interest rate and index credit derivative transactions when facing all counterparty types unless either counterparty qualifies for the "end-user exception" to the clearing mandate. These products will also likely become subject to exchange/swap execution facility trading requirements beginning in the first quarter of 2014. The timing for margin and capital implementation remains unknown. The SEC must propose and finalize many of its security-based swaps-related rules and has, to date, implemented a small number of clearing-related and definitional rules. The Financial Reform Act also requires

banking entities to “push out” certain derivatives activity to one or more non-bank affiliates.
In Europe, the European Commission and European Securities and Markets Authority (ESMA) have been granted authority to adopt and implement the European Market Infrastructure Regulation (EMIR), which regulates OTC derivatives, central counterparties and trade repositories, and imposes requirements for certain market participants with respect to derivatives reporting, clearing, business conduct and collateral. Several of our entities are subject to EMIR requirements regarding record keeping, marking to market, timely confirmation, derivative contract reporting, portfolio reconciliation and dispute resolution. Further EMIR-implementing measures are expected, but the timing is currently unknown.
The ultimate impact of the derivatives regulations that have not yet been finalized and the time it will take to comply remain uncertain. The final regulations will impose additional operational and compliance costs on us and may require us to restructure certain businesses and may negatively impact our results of operations.
Resolution Planning
The Federal Reserve and the FDIC require that the Corporation and other BHCs with assets of $50 billion or more, as well as companies designated as systemically important by the Financial Stability Oversight Council, submit annually their plans for a rapid and orderly resolution in the event of material financial distress or failure.
A resolution plan is intended to be a detailed roadmap for the orderly resolution of the BHC and material entities pursuant to the U.S. Bankruptcy Code and other applicable resolution regimes under one or more hypothetical scenarios assuming no extraordinary government assistance. If the Federal Reserve and the FDIC determine that our plan is not credible and we fail to cure the deficiencies in a timely manner, the Federal Reserve and the FDIC may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations.

We submitted our 2013 plan in October and are required to update it annually.
Similarly, in the U.K., the Prudential Regulation Authority (PRA) has issued proposed rules requiring the submission of significant information about certain U.K.-incorporated subsidiaries and other financial institutions, as well as branches of non-U.K. banks located in the U.K. (including information on intra-group dependencies, legal entity separation and barriers to resolution) to allow the PRA to develop resolution plans. As a result of the PRA review, we could be required to take certain actions over the next several years which could impose operating costs and potentially result in the restructuring of certain business and subsidiaries.

Orderly Liquidation Authority

Under the Financial Reform Act, when a systemically important financial institution such as the Corporation is in default or danger of default, the FDIC may be appointed receiver in order to conduct an orderly liquidation of such systemically important financial institution. In the event of such appointment, the FDIC could invoke a new form of resolution authority, the orderly liquidation authority, instead of the U.S. Bankruptcy Code, if the Secretary of the Treasury makes certain financial distress and systemic risk determinations. The orderly liquidation authority is modeled in part on the Federal Deposit Insurance Act, but also adopts certain concepts from the U.S. Bankruptcy Code.

The orderly liquidation authority contains certain differences from the U.S. Bankruptcy Code. For example, in certain circumstances, the FDIC could permit payment of obligations it determines to be systemically significant (e.g., short-term creditors or operating creditors) in lieu of paying other obligations (e.g., long-term creditors) without the need to obtain creditors' consent or prior court review. The insolvency and resolution process could also lead to a large reduction or total elimination of the value of a BHC's outstanding equity. For example, the FDIC could follow a "single point of entry" approach and replace a distressed BHC with a bridge holding company, which could continue operations and result in an orderly resolution of the underlying bank, but whose equity is held solely for the benefit of creditors of the original BHC. Additionally, under the orderly liquidation authority, amounts owed to the U.S. government generally receive a statutory payment priority.

Credit Risk Retention

On August 28, 2013, federal regulators jointly issued a re-proposal of a rule regarding credit risk retention (Credit Risk Retention Rule) that would, among other things, require sponsors to retain at least five percent of the credit risk of the assets underlying certain ABS and MBS securitizations and would limit sponsors' ability to transfer or hedge that credit risk. The proposed rule, as currently written, would likely have some adverse impacts on our ability to engage in many types of MBS and ABS securitizations and resecuritizations, impose additional operational and compliance costs, and negatively influence the value, liquidity and transferability of ABS or MBS, loans and other assets. However, it remains unclear what requirements will be included in the final rule and what the ultimate impact will be on our results of operations.

Consumer

Certain federal consumer finance laws to which the Corporation is subject, including, but not limited to, the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Electronic Fund Transfer Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act (RESPA), Truth in Lending (TILA) and Truth in Savings Act are enforced by the Consumer Financial Protection Bureau (CFPB), subject to certain statutory limitations. Through its rulemaking authority, the CFPB has promulgated several proposed and final rules that will affect our consumer businesses. On January 10, 2014, several significant CFPB rulemakings became effective, including the Ability-to-Repay and Qualified Mortgage Rule and new mortgage servicing standards. In addition, the CFPB has either proposed or is considering rulemakings related to debt collection, prepaid cards, integrated disclosures under RESPA and TILA, and disclosures related to remittance transfer transactions. Additionally, as noted above, in August 2013 several federal agencies jointly re-proposed the Credit Risk Retention Rule, which will impose credit risk retention requirements on sponsors securitizing certain mortgage loans that do not meet the standards of a "qualified residential mortgage" to be defined in the final version of the Credit Risk Retention Rule. The Corporation is evaluating the various rules and proposals to facilitate compliance with these rules.

Managing Risk

Overview

Risk is inherent in every material business activity that we undertake. Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risks. We must manage these risks to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings.

Strategic risk is the risk that results from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the macroeconomic environment, such as business cycles, competitor actions, changing customer preferences, product obsolescence, technology developments and regulatory environment. Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Market risk is the risk that values of assets and liabilities, or revenues will be adversely affected by changes in market conditions such as interest rate movements. Liquidity risk is the risk of an inability to meet contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Compliance risk is the risk that arises from the failure to adhere to laws, rules, regulations, or internal policies and procedures. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Reputational risk is the potential that negative publicity regarding an organization's conduct or business practices will adversely affect its profitability, operations or customer base, or result in costly litigation or require other measures. Reputational risk is evaluated along with all of the risk categories and throughout the risk management process, and as such is not discussed separately herein. The following sections, Strategic Risk Management and Capital Management both on page 65, Liquidity Risk on page 71, Credit Risk Management on page 76, Market Risk Management on page 108, Compliance Risk Management and Operational Risk Management both on page 116, address in more detail the specific procedures, measures and analyses of the major categories of risk that we manage.

In choosing when and how to take risks, we evaluate our capacity for risk and seek to protect our brand and reputation, our financial flexibility, the value of our assets and the strategic potential of the Corporation. We intend to maintain a strong and flexible financial position. We also intend to focus on maintaining our relevance and value to customers, employees and shareholders. As part of our efforts to achieve these objectives, we continue to build a comprehensive risk management culture and to implement governance and control measures to strengthen that culture.

We take a comprehensive approach to risk management. We have a defined risk framework and articulated risk appetite which are approved annually by the Corporation's Board of Directors (the Board). Risk management planning is integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities.

Executive management assesses, with Board oversight, the risk-adjusted returns of each business segment. Management reviews and approves strategic and financial operating plans, and recommends to the Board for approval a financial plan annually. Our strategic plan takes into consideration return objectives and financial resources, which must align with risk capacity and risk appetite. Management sets financial objectives for each business by allocating capital and setting a target for return on capital for each business. Capital allocations and operating limits are regularly evaluated as part of our overall governance processes as the businesses and the economic environment in which we operate continue to evolve.

In addition to reputational considerations, businesses operate within their credit, market, compliance and operational risk standards and limits in order to adhere to the risk appetite. These limits are based on analyses of risk and reward in each business. Executive management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. The Board, and its committees when appropriate, monitor financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite and the adequacy of internal controls.

As part of its annual review, the Board approved both the Risk Framework and Risk Appetite Statement in January 2014. The Risk Framework defines the accountability of the Corporation and its employees and the Risk Appetite Statement defines the parameters under which we will take risk. Both documents are intended to enable us to maximize our long-term results and ensure the integrity of our assets and the quality of our earnings. The Risk Framework is designed to be used by our employees to understand risk management activities, including their individual roles and accountabilities. It also defines how risk management is integrated into our core business processes, and it defines the risk management governance structure, including management's involvement. The risk management responsibilities of the businesses, governance and control functions, and Corporate Audit are also clearly defined. The risk management process

includes four critical elements: identify and measure risk, mitigate and control risk, monitor and test risk, and report and review risk, and is applied across all business activities to enable an integrated and comprehensive review of risk consistent with the Risk Appetite Statement.

Risk Management Processes and Methods

To support our corporate goals and objectives, risk appetite, and business and risk strategies, we maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Board. All employees have accountability for risk management. Each employee's risk management responsibilities fall into one of three major categories: businesses, governance and control, and Corporate Audit.

Business managers and employees are accountable for identifying, managing and escalating attention to all risks in their business units, including existing and emerging risks. Business managers must ensure that their business activities are conducted within the risk appetite defined by management and approved by the Board. The limits and controls for each business must be consistent with the Risk Appetite Statement. Employees in client and customer facing businesses are responsible for day-to-day business activities, including developing and delivering profitable products and services, fulfilling customer requests and maintaining desirable customer relationships. These employees are accountable for conducting their daily work in accordance with policies and procedures. It is the responsibility of each employee to protect the Corporation and defend the interests of the shareholders.

Governance and control functions are comprised of Global Risk Management, Global Compliance, Legal and the enterprise control functions, and are tasked with independently overseeing and managing risk activities. Global Compliance (which includes Regulatory Relations) and Legal report to the Global General Counsel and Head of Compliance and Regulatory Relations Executive. Enterprise control functions consist of the Chief Financial Officer (CFO) Group, Global Technology and Operations, Global Human Resources, and Global Marketing and Corporate Affairs.

Global Risk Management is led by the Chief Risk Officer (CRO). The CRO leads senior management in managing risk, is independent from the Corporation's businesses and enterprise control functions, and maintains sufficient autonomy to develop and implement meaningful risk management measures. This position serves to protect the Corporation and its shareholders. The CRO reports to the Chief Executive Officer (CEO) and is the management team lead or a participant in Board-level risk governance committees. The CRO has the mandate to ensure that appropriate risk management practices are in place, and are effective and consistent with our overall business strategy and risk appetite. Global Risk Management is comprised of two types of risk teams, Enterprise risk teams and independent business risk teams, which report to the CRO and are independent from the business and enterprise control functions. Enterprise risk teams are responsible for setting and establishing enterprise policies, programs and standards, assessing program adherence, providing enterprise-level risk oversight, and reporting and monitoring systemic and emerging risk issues. In addition, the enterprise risk teams are responsible for monitoring and ensuring that risk limits are reasonable and consistent with the risk appetite. These risk teams also carry out risk-based oversight of the enterprise control functions.

Independent business risk teams are responsible for establishing policies, limits, standards, controls, metrics and thresholds within the defined corporate standards for the businesses to which they are aligned. The independent business risk teams are also responsible for ensuring that risk limits and standards are reasonable and consistent with the risk appetite.

Enterprise control functions are independent of the businesses and have risk governance and control responsibilities for enterprise programs. In this role, they are responsible for setting policies, standards and limits; providing risk reporting; monitoring systemic risk issues including existing and emerging; and implementing procedures and controls at the enterprise and business levels for their respective control functions.

The Corporate Audit function maintains independence from the businesses and governance and control functions by reporting directly to the Audit Committee of the Board. Corporate Audit provides independent assessment and validation through testing of key processes and controls across the Corporation. Corporate Audit also provides an independent assessment of the Corporation’s management and internal control systems. Corporate Audit activities are designed to provide reasonable assurance that resources are adequately protected; significant financial, managerial and operating information is materially complete, accurate and reliable; and employees’ actions are in compliance with the Corporation’s policies, standards, procedures, and applicable laws and regulations.

To assist the Corporation in achieving its goals and objectives, risk appetite, and business and risk strategies, we utilize a risk management process that is applied across the execution of all business activities. This risk management process, which is an integral part of our Risk Framework, enables the Corporation to review risk in an integrated and comprehensive manner across all risk categories and make strategic and business decisions based on that comprehensive view. Corporate goals and objectives are established by management, and management reflects these goals and objectives in our risk appetite.

One of the key tools of the risk management process is the use of Risk and Control Self Assessments (RCSAs). RCSAs are the primary method for facilitating management of the business environment and internal control factor data. The end-to-end RCSA process incorporates risk identification and assessment of the control environment; monitoring, reporting and escalating risk; quality assurance and data validation; and integration with the risk appetite. The RCSA process also incorporates documentation by either the business or governance and control functions of the business environment, risks, controls, and monitoring and reporting. This results in a comprehensive risk management view that enables understanding of and action on operational risks and controls for all of our processes, products, activities and systems.

The formal processes used to manage risk represent a part of our overall risk management process. Corporate culture and the actions of our employees are also critical to effective risk management. Through our Code of Conduct, we set a high standard

for our employees. The Code of Conduct provides a framework for all of our employees to conduct themselves with the highest integrity. We instill a strong and comprehensive risk management culture through communications, training, policies, procedures, and organizational roles and responsibilities. Additionally, we continue to strengthen the link between the employee performance management process and individual compensation to encourage employees to work toward enterprise-wide risk goals.

Enterprise-wide Stress Testing

As a part of our core risk management practices, we conduct enterprise-wide stress tests on a periodic basis to better understand balance sheet, earnings, capital and liquidity sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated. These enterprise-wide stress tests provide illustrative hypothetical potential impacts from our risk profile on our balance sheet, earnings, capital and liquidity and serve as a key component of our capital, liquidity and risk management practices. Scenarios are recommended by the Asset Liability and Market Risk Committee (ALMRC) and approved by the CFO and the CRO. Impacts to each business from each scenario are then determined and analyzed, primarily by leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our Chief Financial

Officer Risk Committee (CFORC), ALMRC and the Board's Enterprise Risk Committee.

Contingency Planning Routines

We have developed and maintain contingency plans that prepare us in advance to respond in the event of potential adverse outcomes and scenarios. These contingency planning routines include capital contingency planning, liquidity contingency funding plans, recovery planning and enterprise resiliency, and provide monitoring, escalation routines and response plans. Contingency response plans are designed to enable us to increase capital, access funding sources and reduce risk through consideration of potential actions that includes asset sales, business sales, capital or debt issuances and other de-risking strategies.

Board Oversight of Risk

The Board is comprised of a substantial majority of independent directors. The Board is committed to strong, independent oversight of management and risk through a governance structure that includes Board committees and management committees. The Board's standing committees that oversee the management of the majority of the risks faced by the Corporation include the Audit and Enterprise Risk Committees, comprised of independent directors, and the Credit Committee, comprised of non-management directors. This governance structure is designed to align the interests of the Board and management with those of our shareholders and to foster integrity over risk management throughout the Corporation.

The chart below illustrates the inter-relationship among the Board, Board committees and management committees with the majority of risk oversight responsibilities for the Corporation.

(1) Chart is not comprehensive; there may be additional subcommittees not represented in this chart. This presentation does not include committees for other legal entities.

(2) Reports through the Audit Committee for compliance and through the Enterprise Risk Committee for operational and reputational risk.

(3) Reports to the CEO and CFO with oversight by the Audit Committee.

Our Board's Audit, Credit and Enterprise Risk Committees have the principal responsibility for assisting the Board with enterprise-wide oversight of the Corporation's management and handling of risk.

Our Audit Committee assists the Board in the oversight of, among other things, the integrity of our consolidated financial statements, our compliance with legal and regulatory requirements, and the overall effectiveness of our system of internal controls. Our Audit Committee also, taking into consideration the Board's allocation of the review of risk among various committees of the Board, discusses with management guidelines and policies to govern the process by which risk assessment and risk management are undertaken, including the assessment of our major financial risk exposures and the steps management has taken to monitor and control such exposures.

Our Credit Committee oversees, among other things, the identification and management of our credit exposures on an enterprise-wide basis, our responses to trends affecting those exposures, the adequacy of the allowance for credit losses and our credit-related policies.

Our Enterprise Risk Committee oversees, among other things, our identification of, management of and planning for material risks on an enterprise-wide basis, including market risk, interest rate risk, liquidity risk, operational risk and reputational risk. Our Enterprise Risk Committee also oversees our capital management and liquidity planning.

Each of these committees regularly reports to our Board on risk-related matters within the committee's responsibilities, which collectively provides our Board with integrated, thorough insight about our management of enterprise-wide risks. At meetings of our Audit, Credit and Enterprise Risk Committees and our Board, directors receive updates from management regarding enterprise risk management, including our performance against our risk appetite and risk framework.

Executive management develops for Board approval the Corporation's Risk Framework, Risk Appetite Statement, strategic plans, capital plans and financial operating plans. Management monitors, and the Board oversees, through the Credit, Enterprise Risk and Audit Committees, financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite and the adequacy of internal controls.

Strategic Risk Management

Strategic risk is embedded in every business and is one of the major risk categories along with credit, market, liquidity, compliance, operational and reputational risks. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the macroeconomic environment, such as business cycles, competitor actions, customer preferences, product obsolescence, technology developments and the regulatory environment. We face significant strategic risk due to the changing regulatory environment and the fast-paced development of new products and technologies in the financial services industries. Our appetite for strategic risk is assessed based on the strategic plan, with strategic risks selectively and carefully considered against the backdrop of the evolving marketplace. Strategic risk is managed in the context of our overall financial condition, risk appetite and stress test results, among other considerations. The CEO and executive management team manage and act on significant strategic actions, such as divestitures, consolidation of legal entities or capital actions subsequent to required review and approval by the Board.

Executive management develops and approves a strategic plan each year, which is reviewed and approved by the Board. Annually, executive management develops a financial operating plan, which is reviewed and approved by the Board, that implements the strategic goals for that year. With oversight by the Board, executive management ensures that consistency is applied while executing the Corporation's strategic plan, core operating tenets and risk appetite. The following are assessed in the executive reviews: forecasted earnings and returns on capital, the current risk profile, current capital and liquidity requirements, staffing levels and changes required to support the plan, stress testing results, and other qualitative factors such as market growth rates and peer analysis. At the business level, as we introduce new products, we monitor their performance to evaluate expectations (e.g., for earnings and returns on capital). With oversight by the Board, executive management performs similar analyses throughout the year, and evaluates changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize achieving the targeted risk appetite, shareholder returns and maintaining the targeted financial strength.

We use proprietary models to measure the capital requirements for credit, country, market, operational and strategic risks. The allocated capital assigned to each business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use allocated capital to define business strategies, and price products and transactions. For more information on how this measure is calculated, see Supplemental Financial Data on page 33.

Capital Management

The Corporation manages its capital position to maintain sufficient capital to support its business activities and maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain safety and soundness at all times including under adverse conditions, take advantage of potential growth opportunities, maintain ready access to financial markets, continue to serve as a credit intermediary, remain a source of

strength for our subsidiaries, and satisfy current and future regulatory capital requirements. Capital management is integrated into our risk and governance processes, as capital is a key consideration in the development of the strategic plan, risk appetite and risk limits.

We set goals for capital ratios to meet key stakeholder expectations, including investors, rating agencies and regulators, and achieve our financial performance objectives and strategic goals, while maintaining adequate capital, including during periods of stress. We assess capital adequacy to operate in a safe and sound manner and maintain adequate capital in relation to the risks associated with our business activities and strategy.

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

Effective January 1, 2013, on a prospective basis, we adjusted the amount of capital being allocated to our 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) also considers the effect of regulatory capital requirements in addition to internal risk-based economic 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 61 and Strategic Risk Management on page 65. The capital allocated to the business segments is currently referred to as allocated capital and, prior to January 1, 2013, was referred to as economic capital, both of which represent non-GAAP financial measures. Allocated capital is reviewed periodically based on business segment exposures and risk profile, regulatory constraints and strategic plans, and is subject to change over time. For more information on the refined methodology, see Business Segment Operations on page 35.

Regulatory Capital

As a financial services holding company, we are subject to the general risk-based capital rules issued by federal banking regulators which was Basel 1 through December 31, 2012. On January 1, 2013, Basel 1 was amended prospectively, introducing changes to the measurement of risk-weighted assets for exposures subject to market risk (Market Risk Final Rule) and is referred to herein as the Basel 1 – 2013 Rules. The Corporation and its primary affiliated banking entities, BANA and FIA, measure regulatory capital adequacy based upon these rules. For more information on the Market Risk Final Rule, see Capital Management – Regulatory Capital Changes on page 68.

Federal banking regulators, in connection with the Supervisory Capital Assessment Program in 2009, introduced an additional measure of capital, Tier 1 common capital. Tier 1 common capital is not an official regulatory ratio and is defined as Tier 1 capital less preferred stock, trust preferred securities (Trust Securities), hybrid securities and qualifying noncontrolling interest in subsidiaries.

Risk-weighted assets are calculated for credit risk for all on- and off-balance sheet credit exposures and for market risk on trading assets and liabilities, including derivative exposures. Credit risk-weighted assets are calculated by assigning a prescribed risk-weight to all on-balance sheet assets and to the credit equivalent amount of certain off-balance sheet exposures. The risk-weight is defined in the regulatory rules based upon the obligor or guarantor type and collateral, if applicable. Off-balance sheet exposures include financial guarantees, unfunded lending commitments, letters of credit and derivatives. Market risk-weighted assets are calculated using risk models for trading account positions, including all foreign exchange and commodity positions regardless of the applicable accounting guidance. Any assets that are a direct deduction from the computation of capital are excluded from risk-weighted assets and adjusted average total assets consistent with regulatory guidance. Under Basel 1, there are no risk-weighted assets calculated for operational risk.

The Federal Reserve requires BHCs to submit a capital plan and requests for capital actions on an annual basis, consistent with the rules governing the Comprehensive Capital Analysis and Review (CCAR). The CCAR is the central element of the Federal Reserve's approach to ensure that large BHCs have adequate capital and robust processes for managing their capital. In January 2013, we submitted our 2013 capital plan, and received results on March 14, 2013. The Federal Reserve's stress scenario projections for the Corporation, based on the 2013 capital plan, estimated a minimum Tier 1 common capital ratio under the Basel 1 – 2013 Rules of 6.0 percent under severe adverse economic conditions with all proposed capital actions through the end of 2014, exceeding the five percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation included a request to repurchase up to $5.0 billion of common stock and redeem $5.5 billion in preferred stock over four quarters beginning in the second quarter of 2013, and continue the quarterly common stock dividend at $0.01 per share. As of December 31, 2013, in connection with the 2013 CCAR capital plan, we have repurchased and retired approximately 231.7 million common shares for an aggregate purchase price of approximately $3.2 billion and we redeemed $5.5 billion of preferred stock consisting of Series H and 8. As of December 31, 2013, under the capital plan, we can purchase up to $1.8 billion of additional common stock through the first quarter of 2014.

The timing and amount of common stock repurchases through March 31, 2014 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.

In January 2014, we submitted our 2014 CCAR plan and related supervisory stress tests. The Federal Reserve has announced that it will release summary results, including supervisory projections of capital ratios, losses and revenues under stress scenarios, and publish the results of stress tests conducted under the supervisory adverse scenario in March 2014.

For more information on these and other regulatory requirements, see Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements.

Capital Composition and Ratios

Table 14 presents Bank of America Corporation's capital ratios and related information in accordance with the Basel 1 – 2013 Rules as measured at December 31, 2013 and Basel 1 at December 31, 2012.

Table 14 Bank of America Corporation Regulatory Capital – Actual and Pro-Forma

	December 31	
(Dollars in billions)	2013	2012

Tier 1 common capital ratio	11.19 %	11.06 %
Tier 1 common capital ratio (pro forma) (1)	n/a	10.38
Tier 1 capital ratio	12.44	12.89
Total capital ratio	15.44	16.31
Tier 1 leverage ratio	7.86	7.37
Risk-weighted assets	$ 1,298	$ 1,206
Adjusted quarterly average total assets (2)	2,053	2,111

(1) Pro-forma Tier 1 common capital ratio at December 31, 2012 includes the estimated impact of the Basel 1 – 2013 Rules. Represents a non-GAAP financial measure. On a pro-forma basis, risk-weighted assets would have been approximately $1,285 billion with the inclusion of $78.8 billion in pro-forma risk-weighted assets.

(2) Reflects adjusted average total assets for the three months ended December 31, 2013 and 2012.

n/a = not applicable

Tier 1 common capital under the Basel 1 – 2013 Rules was $145.2 billion at December 31, 2013, an increase of $11.8 billion under Basel 1 at December 31, 2012. The increase was due to earnings eligible to be included in capital, partially offset by the impact of the common stock repurchases. At December 31, 2012, pro-forma Tier 1 common capital of $133.4 billion would have been unchanged, assuming the Basel 1 – 2013 Rules had been in effect at that time. During 2013, total capital increased $3.6 billion to $200.3 billion primarily driven by the increase in Tier 1 common capital and the portion of the allowance for loan and lease losses eligible to be included in capital, partially offset by decreases in qualifying preferred stock, qualifying subordinated debt and Trust Securities. For additional information, see Tables 14 and 16.

In 2013, we entered into an agreement with Berkshire Hathaway, Inc. and its affiliates (Berkshire), who hold all the outstanding shares of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (Series T Preferred Stock) to amend the terms of the Series T Preferred Stock. As of December 31, 2013, the Series T Preferred Stock has a carrying value of $2.9 billion, which does not qualify as Tier 1 capital. The material changes to the terms of the Series T Preferred Stock proposed in the amendment are: (1) dividends will no longer be cumulative; (2) the dividend rate will be fixed at 6%; and (3) we may redeem the Series T Preferred Stock only after the fifth anniversary of the effective date of the amendment. Under Delaware law and our certificate of incorporation, the amendment must be approved by the holders of the Series T Preferred Stock, voting as a separate class, and a majority of the outstanding shares of our common stock, Series B Preferred Stock and Series 1 through 5 Preferred Stock, voting together as a class. The amendment will be presented to our stockholders for approval at the annual meeting of stockholders scheduled to be held on May 7, 2014. Berkshire has granted us an irrevocable proxy to vote their shares of Series T Preferred Stock in favor of the amendment at the annual meeting. If our stockholders approve the amendment and it becomes effective, our Tier 1 capital will increase by approximately $2.9 billion, which will benefit our Tier 1 capital and leverage ratios. We do not expect any impact to our financial condition or results of operations as a result of this amendment. For more information on the Series T Preferred Stock, see Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

At December 31, 2013, an increase or decrease in our Tier 1 common, Tier 1 or Total capital ratios by one bp would require a change of $130 million in Tier 1 common, Tier 1 or Total capital. We could also increase our Tier 1 common, Tier 1 or Total capital ratios by one bp on such date by a reduction in risk-weighted assets of $1.2 billion, $1.0 billion or $840 million, respectively. An increase in our Tier 1 leverage ratio by one bp on such date would

require $205 million of additional Tier 1 capital or a reduction of $2.6 billion in adjusted average assets.

Risk-weighted assets increased $91.6 billion in 2013 to $1,298 billion at December 31, 2013. The increase was primarily due to the net impact of the Basel 1 – 2013 Rules which increased risk-weighted assets by approximately $87 billion and reduced the Tier 1 common capital ratio by an estimated 77 bps. The Tier 1 leverage ratio increased 49 bps in 2013 primarily driven by the increase in Tier 1 capital and a reduction in adjusted quarterly average total assets.

Table 15 presents Bank of America Corporation's risk-weighted assets activity for 2013.

Table 15 Risk-weighted Asset Activity

(Dollars in billions)	2013
Risk-weighted assets, January 1	$1,206
Changes to risk-weighted assets	
Increase related to Comprehensive Risk Measure [1]	22
Increase related to Incremental Risk Charge [1]	7
Increase related to market risk regulatory VaR	21
Standard specific risk [2]	28
Increase due to items no longer eligible to be included in market risk	9
Increases related to implementation of Basel 1 – 2013 Rules	87
Decrease related to trading and banking book exposures	(3)
Other changes	8
Total risk-weighted assets, December 31	$1,298

(1) For additional information, see Capital Management – Regulatory Capital Changes on page 68.

(2) A measure of the risk of loss on a position that could result from factors other than broad market movements.

Table 16 presents the capital composition in accordance with the Basel 1 – 2013 Rules as measured at December 31, 2013 and Basel 1 at December 31, 2012.

Table 16 Capital Composition

	December 31	
(Dollars in millions)	2013	2012
Total common shareholders’ equity	$219,333	$218,188
Goodwill	(69,844)	(69,976)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	(4,263)	(4,994)
Net unrealized (gains) losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	5,538	(2,036)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	2,407	4,456
Fair value adjustments related to structured liabilities [(1)]	4,485	4,084
Disallowed deferred tax asset	(13,974)	(17,940)
Other	1,553	1,621
Total Tier 1 common capital	145,235	133,403
Qualifying preferred stock	10,435	15,851
Trust preferred securities	5,786	6,207
Total Tier 1 capital	161,456	155,461
Long-term debt qualifying as Tier 2 capital	21,175	24,287
Allowance for loan and lease losses	17,428	24,179
Reserve for unfunded lending commitments	484	513
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	(1,637)	(9,459)
45 percent of the pre-tax net unrealized gains (losses) on AFS marketable equity securities	(3)	329
Other	1,378	1,370
Total capital	$200,281	$196,680

(1) Represents loss on structured liabilities, net-of-tax, that is excluded from Tier 1 common capital, Tier 1 capital and Total capital for regulatory capital purposes.

Regulatory Capital Changes
Market Risk Final Rule
At December 31, 2013, we measured and reported our capital ratios and related information in accordance with the Basel 1 – 2013 Rules, which introduced new measures of market risk including a charge related to stressed Value-at-Risk (VaR), an incremental risk charge and the comprehensive risk measure (CRM), as well as other technical modifications, all of which were effective January 1, 2013. The CRM is used to determine the risk-weighted assets for correlation trading positions. With approval from U.S. banking regulators, but not sooner than one year following compliance with the Market Risk Final Rule, we may remove a surcharge applicable to the CRM. This benefit is not yet included in our reported results. The implementation of the Basel 1 – 2013 Rules was the primary driver of the changes in total risk-weighted assets, and the Tier 1, Tier 1 common and Total capital ratios from December 31, 2012.
In December 2013, U.S. banking regulators issued an amendment to the Market Risk Final Rule, effective on April 1, 2014, to reflect certain aspects of the final Basel 3 Regulatory Capital rules (Basel 3). Revisions were made to the treatment of sovereign exposures and certain traded securitization positions as well as clarification as to the timing of required disclosures. These revisions are not expected to materially impact us.
Basel 3 Regulatory Capital Rules
The final Basel 3 rules became effective on January 1, 2014. Various aspects of Basel 3 will be subject to multi-year transition periods ending December 31, 2018 and Basel 3 generally continues to be subject to interpretation by the U.S. banking regulators. Basel 3 will materially change our Tier 1 common, Tier 1 and Total capital calculations. Basel 3 introduces new minimum capital ratios and buffer requirements and a supplementary leverage ratio; changes the composition of regulatory capital; revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework; expands and modifies the calculation of risk-weighted assets for credit and market risk (the Advanced approach); and introduces a Standardized approach for the calculation of risk-weighted assets. This will replace the Basel 1 – 2013 Rules effective January 1, 2015. For more information on the Standardized approach, see page 69.
Under Basel 3, we are required to calculate regulatory capital ratios and risk-weighted assets under both the Standardized approach and, upon notification of approval by U.S. banking regulators anytime on or after January 1, 2014, the Advanced approach. For 2014, the Standardized approach uses risk-weighted assets as measured under the Basel 1 – 2013 Rules and Basel 3 capital in the determination of the Basel 3 Standardized approach capital ratios. The approach that yields the lower ratio is to be used to assess capital adequacy including under the Prompt Corrective Action framework. Prior to receipt of notification of approval, we are required to assess our capital adequacy under the Standardized approach only. The Prompt Corrective Action framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for "well-capitalized" banking entities. While we continue to evaluate the impact of both the Standardized and Advanced approaches, we generally expect that initially the Standardized approach will yield lower ratios.
In November 2011, the Basel Committee on Banking Supervision (Basel Committee) published a methodology to identify global systematically important banks (G-SIBs) and impose an additional loss absorbency requirement through the introduction of a buffer of up to 3.5 percent for systemically important financial institutions (SIFIs). The assessment methodology relies on an indicator-based measurement approach to determine a score relative to the global banking industry. The chosen indicators are size, complexity, cross-jurisdictional activity, interconnectedness and substitutability/financial institution infrastructure. Institutions with the highest scores are designated as G-SIBs and are assigned to one of four loss absorbency buckets from one percent to 2.5 percent, in 0.5 percent increments based on each institution's relative score and supervisory judgment. The fifth loss absorbency bucket of 3.5 percent is currently empty and serves to discourage banks from becoming more systemically important.
In July 2013, the Basel Committee updated the November 2011 methodology to recalibrate the substitutability/financial institution infrastructure indicator by introducing a cap on the weighting of that component, and require the annual publication by the Financial Stability Board (FSB) of key information necessary to permit each G-SIB to calculate its score and observe its position within the buckets and relative to the industry total for each

indicator. Every three years, beginning on January 1, 2016, the Basel Committee will reconsider and recalibrate the bucket thresholds. The Basel Committee and FSB expect banks to change their behavior in response to the incentives of the G-SIB framework, as well as other aspects of Basel 3 and jurisdiction-specific regulations.

The SIFI buffer requirement will begin to phase in effective January 2016, with full implementation in January 2019. Data from 2013, measured as of December 31, 2013, will be used to determine the SIFI buffer that will be effective for us in 2016.

As of December 31, 2013, we estimate our SIFI buffer would be 1.5 percent, based on the publication of the key information used in the SIFI methodology by the Basel Committee in November 2013, and considering the FSB's report, "Update of group of global systemically important banks." Our SIFI buffer could change each year based on our actions and those of our peers, as the score used to determine each G-SIB's SIFI buffer is based on the industry total. If our score were to increase, we could be subject to a higher SIFI buffer requirement. U.S. banking regulators have not yet issued proposed or final rules related to the SIFI buffer or disclosure requirements.

Regulatory Capital Transitions

Important differences in determining the composition of regulatory capital between Basel 1 – 2013 Rules and Basel 3 include changes in capital deductions related to our MSRs, deferred tax assets and defined benefit pension assets, and the inclusion of unrealized gains and losses on AFS debt and certain marketable equity securities recorded in accumulated OCI, each of which will be impacted by future changes in interest rates, overall earnings performance or other corporate actions.

Changes to the composition of regulatory capital under Basel 3, such as recognizing the impact of unrealized gains or losses on AFS debt securities in Tier 1 common capital, are subject to a transition period where the impact is recognized in 20 percent annual increments. These regulatory capital adjustments and deductions will be fully implemented in 2018. The phase-in period for the new minimum capital ratio requirements and related buffers

under Basel 3 is from January 1, 2014 through December 31, 2018. When presented on a fully phased-in basis, capital, risk-weighted assets and the capital ratios assume all regulatory capital adjustments and deductions are fully recognized.
Table 17 summarizes how certain regulatory capital deductions and adjustments will be transitioned from 2014 through 2018 for Tier 1 common and Tier 1 capital.

Table 17 Summary of Certain Basel 3 Regulatory Capital Transition Provisions

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

(1) Represents the phase-out percentage of the exclusion by year (e.g., 20 percent of net unrealized gains (losses) on AFS debt and certain marketable equity securities recorded in accumulated OCI will be included in 2014).

In addition, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be partially transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and partially transitioned and excluded from Tier 2 capital beginning in 2016. The exclusion from Tier 2 capital starts at 40 percent on January 1, 2016, increasing 10 percent each year until the full amount is excluded from Tier 2 capital beginning on January 1, 2022. As of December 31, 2013, our qualifying Trust Securities were $5.8 billion (approximately 45 bps of Tier 1 capital) and will no longer qualify as Tier 1 capital or Tier 2 capital beginning in 2016, subject to the transition provisions previously described.

Standardized Approach

The Basel 3 Standardized approach measures risk-weighted assets primarily for market risk and credit risk exposures. Exposures subject to market risk, as defined under the rules, are measured on the same basis as the Market Risk Final Rule, described previously. Credit risk exposures are measured by applying fixed risk weights to the exposure, determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development (OECD) country risk code and maturity, among others. Under the Standardized approach, no distinction is made for variations in credit quality for corporate exposures, and the economic benefit of collateral is restricted to a limited list of eligible securities and cash. Some key differences between the Standardized and Advanced approaches are that the Advanced approach includes a measure of operational risk and a credit valuation adjustment (CVA) capital charge in credit risk and relies on internal analytical models to measure credit risk-weighted assets, as more fully described below. Under the Basel 3 Standardized approach, we estimate our Tier 1 common capital ratio, on a fully phased-in basis, to be just above nine percent at December 31, 2013.

Advanced Approach

Under the Basel 3 Advanced approach, risk-weighted assets are determined primarily for market risk, credit risk and operational risk. Market risk capital measurements are consistent with the Standardized approach, except for securitization exposures, where the Supervisory Formula Approach is also permitted, and certain differences arising from the inclusion of the CVA capital charge in the credit risk capital measurement. Credit risk exposures are measured using advanced internal ratings-based models to determine the applicable risk weight by estimating the probability of default, loss-given default (LGD) and, in certain instances, exposure at default (EAD). The analytical models primarily rely on internal historical default and loss experience. Operational risk is measured using advanced internal models which rely on both internal and external operational loss experience and data. The Basel 3 Advanced approach requires approval by the U.S. regulatory agencies of our internal analytical models used to calculate risk-weighted assets. If these models are not approved, it would likely lead to an increase in our risk-weighted assets, which in some cases could be significant.

Prior to calculating and assessing capital adequacy and reporting regulatory capital ratios using Basel 3 Advanced approach risk-weighted assets, we must receive notification of approval to do so from the U.S banking regulators. Under the Basel 3 Advanced approach, we estimated our Tier 1 common capital ratio, on a fully phased-in basis, to be 9.96 percent at December 31, 2013. As of December 31, 2013, we estimated that our Tier 1 common capital would be $132.3 billion and total risk-weighted assets would be $1,329 billion, on a fully phased-in basis. This assumes approval by U.S. banking regulators of our internal analytical models, but does not include the benefit of the removal of the surcharge applicable to the Comprehensive Risk Measure (CRM). The calculations under Basel 3 require management to make estimates, assumptions and interpre-tations, including the probability of future events based on historical experience. Realized results could differ from those estimates and assumptions.

Table 18 presents a reconciliation of our Tier 1 common capital and risk-weighted assets in accordance with the Basel 1 – 2013 Rules to our Basel 3 fully phased-in estimates at December 31, 2013 and Basel 1 to Basel 3 fully phased-in estimates at December 31, 2012. Our estimates under the Basel 3 Advanced approach may be refined over time as a result of further rulemaking

or clarification by U.S. banking regulators or as our understanding and interpretation of the rules evolve. Basel 3 regulatory capital metrics are considered non-GAAP financial measures until January 1, 2014 when they are fully adopted and required by U.S. banking regulators.

Table 18 Basel 1 to Basel 3 (fully phased-in) Reconciliation [(1)]

	December 31	
(Dollars in millions)	2013	2012
Regulatory capital – Basel 1 to Basel 3 (fully phased-in)		
Basel 1 Tier 1 capital	$161,456	$155,461
Deduction of qualifying preferred stock and trust preferred securities	(16,221)	(22,058)
Basel 1 Tier 1 common capital	145,235	133,403
Deduction of defined benefit pension assets	(829)	(737)
Deferred tax assets and threshold deductions (deferred tax asset temporary differences, MSRs and significant investments)	(4,803)	(3,020)
Net unrealized gains (losses) in accumulated OCI on AFS debt and certain marketable equity securities, and employee benefit plans	(5,668)	449
Other deductions, net	(1,620)	(1,469)
Basel 3 Advanced approach (fully phased-in) Tier 1 common capital	$132,315	$128,626
Risk-weighted assets – Basel 1 to Basel 3 (fully phased-in)		
Basel 1 risk-weighted assets	$1,297,534	$1,205,976
Credit and other risk-weighted assets	31,510	103,085
Increase due to Market Risk Final Rule [(2)]	—	81,811
Basel 3 Advanced approach (fully phased-in) risk-weighted assets	$1,329,044	$1,390,872
Tier 1 common capital ratios		
Basel 1	11.19 %	11.06 %
Basel 3 Advanced approach (fully phased-in)	9.96	9.25

(1) Includes the Market Risk Final Rule at December 31, 2013. Basel 1 did not include the Market Risk Final Rule at December 31, 2012.

(2) Excludes the benefit of certain hedges at December 31, 2012. Including these hedges, the increase due to the Market Risk Final Rule would have been $78.8 billion. For additional information, see Capital Management – Capital Composition and Ratios on page 66.

Supplementary Leverage Ratio

Basel 3 also will require us to calculate a supplementary leverage ratio, determined by dividing Tier 1 capital by total leverage exposure for each month-end during a fiscal quarter, and then calculating the simple average. Total leverage exposure is comprised of all on-balance sheet assets, plus a measure of certain off-balance sheet exposures, including among others, lending commitments, letters of credit, OTC derivatives, repo-style transactions and margin loan commitments. The minimum supplementary leverage ratio requirement of three percent is not effective until January 1, 2018. We will be required to disclose our supplementary leverage ratio effective January 1, 2015.

In July 2013, U.S. banking regulators issued a notice of proposed rulemaking (NPR) to modify the supplementary leverage ratio minimum requirements under Basel 3 effective in 2018. This proposal would only be applicable to BHCs with more than $700 billion in total assets or more than $10 trillion in total assets under custody. If adopted, it would require the Corporation to maintain a minimum supplementary leverage ratio of three percent, plus a supplementary leverage buffer of two percent, for a total of five percent. If the Corporation's supplementary leverage buffer is not greater than or equal to two percent, then the Corporation would be subject to mandatory limits on its ability to make distributions of capital to shareholders, whether through dividends, stock repurchases or otherwise. In addition, the insured depository institutions of such BHCs, which for the Corporation would include primarily BANA and FIA, would be required to maintain a minimum six percent leverage ratio to be considered "well capitalized." As of December 31, 2013, we estimate the Corporation's supplementary leverage ratio to be in excess of five percent based

on these proposed requirements, and our primary bank subsidiaries, BANA and FIA, to be in excess of the six percent minimum proposed requirement. The proposal is not yet final and, when finalized, could have provisions significantly different from those currently proposed. The provisions of the NPR on the supplementary leverage ratio, if finalized as currently proposed, could have an impact on certain of our businesses. We continue to evaluate the impact of the proposed NPR on us.

On January 12, 2014, the Basel Committee issued final guidance introducing changes to the method of calculating total leverage exposure under the international Basel 3 framework. The total leverage exposure was revised to measure derivatives on a gross basis with cash variation margin reducing the exposure if certain conditions are met, include off-balance sheet commitments measured using the notional amount multiplied by conversion factors between 10 percent and 100 percent consistent with the general risk-based capital rules and a change to measure written credit derivatives using a notional-based approach capped at the maximum loss with limited netting permitted. U.S. banking regulators may consider the Basel Committee's final guidance in connection with the July 2013 NPR.

Other Regulatory Matters

On February 18, 2014, the Federal Reserve approved a final rule implementing certain enhanced supervisory and prudential requirements established under the Financial Reform Act. The final rule formalizes risk management requirements primarily related to governance and liquidity risk management and reiterates the provisions of previously issued final rules related to risk-based and leverage capital and stress test requirements. Also, a debt-to-equity limit may be enacted for an individual BHC if determined to pose a grave threat to the financial stability of the U.S., at the discretion of the Financial Stability Oversight Council (FSOC) or the Federal Reserve on behalf of the FSOC.

For more information regarding Basel 3 and other proposed regulatory capital changes, see Note 16 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements.

Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

Table 19 presents regulatory capital information for BANA and FIA at December 31, 2013 and 2012.

Table 19 Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital (1)

	December 31					
	2013			2012		
(Dollars in millions)	Ratio		Amount	Ratio		Amount
Tier 1 capital						
Bank of America, N.A.	12.34	%	$125,886	12.44	%	$118,431
FIA Card Services, N.A.	16.83		20,135	17.34		22,061
Total capital						
Bank of America, N.A.	13.84		141,232	14.76		140,434
FIA Card Services, N.A.	18.12		21,672	18.64		23,707
Tier 1 leverage						
Bank of America, N.A.	9.21		125,886	8.59		118,431
FIA Card Services, N.A.	12.91		20,135	13.67		22,061

(1) BANA regulatory capital information included the Basel 1 – 2013 Rules at December 31, 2013. At December 31, 2012, BANA regulatory capital information did not include the Basel 1 – 2013 Rules. FIA is not impacted by the Basel 1 – 2013 Rules.

BANA's Tier 1 capital ratio decreased 10 bps to 12.34 percent and the Total capital ratio decreased 92 bps to 13.84 percent at December 31, 2013 compared to December 31, 2012. The Tier 1 leverage ratio increased 62 bps to 9.21 percent at December 31, 2013 compared to December 31, 2012. The decrease in the Tier 1 capital ratio was driven by an increase in risk-weighted assets of $68.5 billion compared to the prior year, dividends and returns of capital to the Corporation of $8.5 billion and $2.2 billion during 2013, partially offset by earnings eligible to be included in capital of $16.5 billion. The increase in risk-weighted assets was primarily due to the impact of implementing the Basel 1 – 2013 Rules and an increase in loans. The decrease in the Total capital ratio was driven by the same factors as the Tier 1 capital ratio as well as a $7.0 billion decrease in qualifying subordinated debt during 2013. The increase in the Tier 1 leverage ratio was driven by an increase in Tier 1 capital and a decrease in adjusted quarterly average total assets of $11.6 billion.

FIA's Tier 1 capital ratio decreased 51 bps to 16.83 percent and the Total capital ratio decreased 52 bps to 18.12 percent at December 31, 2013 compared to December 31, 2012. The Tier 1 leverage ratio decreased 76 bps to 12.91 percent at December 31, 2013 compared to December 31, 2012. The decrease in the Tier 1 capital and Total capital ratios was driven by returns of capital of $6.5 billion to the Corporation during 2013, partially offset by earnings eligible to be included in capital of $4.3 billion and a decrease in risk-weighted assets of $7.6 billion primarily due to a decrease in loans. The decrease in the Tier 1 leverage ratio was driven by the decrease in Tier 1 capital, partially offset by a decrease in adjusted quarterly average total assets of

$5.3 billion. FIA was not impacted by the implementation of the Basel 1 – 2013 Rules.

Broker/Dealer Regulatory Capital and Securities Regulation

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

Commission Regulation 1.17.
MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At December 31, 2013, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $10.0 billion and exceeded the minimum requirement of $951 million by $9.0 billion. MLPCC's net capital of $2.2 billion exceeded the minimum requirement of $366 million by $1.8 billion.
In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1.0 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is less than $5.0 billion. At December 31, 2013, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.
Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the PRA and the FCA and is subject to certain regulatory capital requirements. Following an increase in capital resources in advance of the implementation of Basel 3 in 2014, at December 31, 2013, MLI's capital resources were $28.2 billion and exceeded the minimum requirement of $10.8 billion and had enough excess to cover any additional requirements as set by the regulators.
Common Stock Dividends
For a summary of our declared quarterly cash dividends on common stock during 2013 and through February 25, 2014, see Note 13 – Shareholders' Equity to the Consolidated Financial Statements.
Liquidity Risk
Funding and Liquidity Risk Management
We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity objective is to provide adequate funding for our businesses throughout market cycles, including periods of financial stress. To achieve that objective, we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our funding requirements as those obligations arise.
Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

The Enterprise Risk Committee approves the Corporation's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The ALMRC monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. ALMRC is responsible for managing liquidity risks and maintaining exposures within the established tolerance levels. ALMRC delegates additional oversight responsibilities to the CFORC, which reports to the ALMRC. The CFORC reviews and monitors our liquidity position, cash flow forecasts, stress testing scenarios and results, and implements our liquidity limits and guidelines. For additional information, see Managing Risk – Board Oversight of Risk on page 63. Under this governance framework, we have developed certain funding and liquidity risk management practices which include: maintaining excess liquidity at the parent company and selected subsidiaries, including our bank subsidiaries and other regulated entities; determining what amounts of excess liquidity are appropriate for these entities based on analysis of debt maturities and other potential cash outflows, including those that we may experience during stressed market conditions; diversifying funding sources, considering our asset profile and legal entity structure; and performing contingency planning.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, or the parent company and selected subsidiaries in the form of cash and high-quality, liquid, unencumbered securities. These assets, which we call our Global Excess Liquidity Sources, serve as our primary means of liquidity risk mitigation. Our cash is primarily on deposit with the Federal Reserve and central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed market conditions, through repurchase agreements or outright sales. We hold our Global Excess Liquidity Sources in entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities. Our Global Excess Liquidity Sources metric is similar to High Quality Liquid Assets in the proposed LCR rulemaking. For more information on the proposed rulemaking, see Liquidity Risk – Basel 3 Liquidity Standards on page 73.

Our Global Excess Liquidity Sources were $376 billion and $372 billion at December 31, 2013 and 2012 and were maintained as presented in Table 20.

Table 20 Global Excess Liquidity Sources

	December 31		Average for Three
(Dollars in billions)	2013	2012	Months Ended December 31 2013
Parent company	$95	$103	$92
Bank subsidiaries	249	247	248
Other regulated entities	32	22	30
Total Global Excess Liquidity Sources	$376	$372	$370

As shown in Table 20, parent company Global Excess Liquidity Sources totaled $95 billion and $103 billion at December 31, 2013 and 2012. The decrease in parent company liquidity was primarily due to debt maturities and capital actions, partially offset by capital returns from subsidiaries and debt issuances. Typically, parent company cash is deposited overnight with BANA.

Global Excess Liquidity Sources available to our bank subsidiaries totaled $249 billion and $247 billion at December 31, 2013 and 2012. The bank subsidiaries' liquidity remained relatively unchanged as deposit growth and an increase in short-term borrowings was largely offset by loan growth, a decrease in the fair value of debt securities and capital returns to the parent company. Liquidity amounts are distinct from the cash deposited by the parent company. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $218 billion and $194 billion at December 31, 2013 and 2012. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined by guidelines outlined by the FHLBs and the Federal Reserve and is subject to change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can only be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or non-bank subsidiaries with prior regulatory approval.

Global Excess Liquidity Sources available to our other regulated entities totaled $32 billion and $22 billion at December 31, 2013 and 2012. Our other regulated entities also held other unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity. Liquidity held in an other regulated entity is primarily available to meet the obligations of that entity and transfers to the parent company or to any other subsidiary may be subject to prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 21 presents the composition of Global Excess Liquidity Sources at December 31, 2013 and 2012.

Table 21 Global Excess Liquidity Sources Composition

	December 31	
(Dollars in billions)	2013	2012
Cash on deposit	$90	$65
U.S. Treasuries	20	21
U.S. agency securities and mortgage-backed securities	245	271
Non-U.S. government and supranational securities	21	15
Total Global Excess Liquidity Sources	$376	$372

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank subsidiaries and other regulated entities. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is “Time to Required Funding.” This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our Time to Required Funding was 38 months at December 31, 2013, which is above the Corporation's target minimum of 21 months. For purposes of calculating Time to Required Funding, at December 31, 2013, we have included in the amount of unsecured contractual obligations the $8.6 billion liability related to the BNY Mellon Settlement. The BNY Mellon Settlement is subject to final court approval and certain other conditions, and the timing of payment is not certain. For information on current developments related to the BNY Mellon Settlement see, Recent Events – BNY Mellon Settlement on page 25. The merger of Merrill Lynch & Co., Inc. into Bank of America Corporation on October 1, 2013 had no impact on the unsecured contractual obligations included in this metric.

We utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank subsidiaries and other regulated entities. These models are risk sensitive and have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the Time to Required Funding analysis. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. The scenarios we consider and utilize incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries, and are based on historical experience, regulatory guidance, and both expected and unexpected future events.

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

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

Basel 3 Liquidity Standards

The Basel Committee has issued two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the LCR and the NSFR. The LCR is calculated as the amount of a financial institution's unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under a 30-day period of significant liquidity stress, expressed as a percentage. The Basel Committee's liquidity risk-related standards do not directly apply to U.S. financial institutions currently, and would only apply once U.S. rules are finalized by the U.S. banking regulators.

On October 24, 2013, the U.S. banking regulators jointly proposed regulations that would implement LCR requirements for the largest U.S. financial institutions on a consolidated basis and for their subsidiary depository institutions with total assets greater than $10 billion. Under the proposal, an initial minimum LCR of 80 percent would be required in January 2015, and would thereafter increase in 10 percentage point increments annually through January 2017. These minimum requirements would be applicable to the Corporation on a consolidated basis and at our insured depository institutions, including BANA, FIA and Bank of America California, N.A. We are evaluating the proposal and the potential impact on our businesses and we expect to meet or exceed the final LCR requirement within the regulatory timelines.

On January 12, 2014, the Basel Committee issued for comment a revised NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. The revised proposal would align the NSFR to some of the 2013 revisions to the LCR and give more credit to a wider range of funding. The proposal also includes adjustments to the stable funding required for certain types of assets, some of which reduce the stable funding requirement and some of which increase it. The Basel Committee expects to complete the NSFR recalibration in 2014 and expects the minimum standard to be in place by 2018. Assuming adoption by the U.S. banking regulators, we expect to meet the final NSFR requirement within the regulatory timelines.

Diversified Funding Sources

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

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

We fund a substantial portion of our lending activities through our deposits, which were $1.12 trillion and $1.11 trillion at December 31, 2013 and 2012. Deposits are primarily generated by our CBB, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including credit card securitizations and securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

Our trading activities in other regulated entities are primarily funded on a secured basis through securities lending and repurchase agreements and these amounts will vary based on customer activity and market conditions. We believe funding these activities in the secured financing markets is more cost-efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate. For more information on secured financing agreements, see Note 10 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings to the Consolidated Financial Statements.

We issue the majority of our long-term unsecured debt at the parent company. During 2013, we issued $31.4 billion of long-term unsecured debt, including structured liabilities of $8.4 billion. We may also issue long-term unsecured debt through BANA in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. During 2013, we issued $2.5 billion of unsecured long-term debt through BANA. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

In 2013, we redeemed $9.0 billion of certain senior notes maturing in 2014 through tender offers. In January 2014, we issued $1.25 billion of 2.6% notes due January 2019, $400 million of floating-rate notes due January 2019, $2.5 billion of 4.125% notes due January 2024 and $2.0 billion of 5.0% notes due January 2044. The Corporation converted substantially all of this newly issued fixed-rate debt to floating-rate exposure with derivative transactions.

Table 22 presents our long-term debt by major currency at December 31, 2013 and 2012.

Table 22 Long-term Debt by Major Currency

	December 31	
(Dollars in millions)	2013	2012
U.S. Dollar	$176,294	$180,329
Euro	46,029	58,985
British Pound	9,772	11,126
Japanese Yen	9,115	12,749
Canadian Dollar	2,402	3,560
Australian Dollar	1,870	2,760
Swiss Franc	1,274	1,917
Other	2,918	4,159
Total long-term debt	$249,674	$275,585

Total long-term debt decreased $25.9 billion, or nine percent, in 2013, primarily driven by maturities outpacing new issuances. This reflects our ongoing initiative to reduce our debt balances over time and we anticipate that debt levels will continue to decline through 2014, although at a slower pace than 2013. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our other regulated entities may make markets in our debt instruments to provide liquidity for

investors. For more information on long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements.
We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 113.
We also diversify our unsecured funding sources by issuing various types of debt instruments including structured liabilities, which are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivative positions and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured liability obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a carrying value of $48.4 billion and $51.7 billion at December 31, 2013 and 2012.
Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

Contingency Planning

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

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

Credit Ratings

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

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

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types, the rating agencies' assessment of the general operating environment for financial services companies, our

mortgage exposures (including litigation), our relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, funding costs, the level and volatility of earnings, corporate governance and risk management policies, capital position, capital management practices, and current or future regulatory and legislative initiatives.

All three agencies have indicated that, as a systemically important financial institution, the senior credit ratings of the Corporation and Bank of America, N.A. (or in the case of Moody's Investor Service, Inc. (Moody's), only the ratings of Bank of America, N.A.) currently reflect the expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments.

On December 20, 2013, Standard & Poor's Ratings Services (S&P) affirmed the ratings of Bank of America Corporation. S&P continues to evaluate the possible removal of uplift for extraordinary government support in its holding company ratings for the U.S. banks that it views as having high systemic importance. Due to this ongoing evaluation and Corporation-specific factors, S&P maintained its negative outlook on the Corporation's ratings. On November 14, 2013, Moody's concluded its review of the ratings for Bank of America and certain other systemically important U.S. BHCs, affirming our current ratings and noting that those ratings no longer incorporate any uplift for government support. Concurrently, Moody's upgraded Bank of America, N.A.'s senior debt and stand-alone ratings by one notch, citing a number of positive developments at Bank of America. Moody's also moved its outlook for all our ratings to stable. On May 16, 2013, Fitch Ratings (Fitch) announced the results of its periodic review of its ratings for 12 large, complex securities trading and universal banks, including Bank of America. As part of this action, Fitch affirmed the Corporation's senior credit ratings and upgraded the rating of our stand-alone creditworthiness, as well as the ratings for our subordinated debt, trust preferred and preferred stock, each by one notch.

Table 23 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies.

Senior Debt Ratings

Table 23

	Moody's Investor Service			Standard & Poor's			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Bank of America Corporation	Baa2	P-2	Stable	A-	A-2	Negative	A	F1	Stable
Bank of America, N.A.	A2	P-1	Stable	A	A-1	Negative	A	F1	Stable
Merrill Lynch, Pierce, Fenner & Smith	NR	NR	NR	A	A-1	Negative	A	F1	Stable
Merrill Lynch International	NR	NR	NR	A	A-1	Negative	A	F1	Stable

NR = not rated

A reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations may have a material adverse effect on our liquidity, potential loss of access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of downgrades of our or our rated subsidiaries' credit ratings,

the counterparties to those agreements may require us to provide additional collateral, or to terminate these contracts or agreements, which could cause us to sustain losses and/or adversely impact our liquidity. If the short-term credit ratings of our parent company, bank or broker/dealer subsidiaries were downgraded by one or more levels, the potential loss of access to short-term funding sources such as repo financing and the effect on our incremental cost of funds could be material.

Table 24 presents the amount of additional collateral contractually required by derivative contracts and other trading agreements at December 31, 2013 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Table 24 Additional Collateral Required to be Posted Upon Downgrade

	December 31, 2013	
(Dollars in millions)	One incremental notch	Second incremental notch
Bank of America Corporation	$1,302	$4,101
Bank of America, N.A. and subsidiaries [1]	881	3,039

[1] Included in Bank of America Corporation collateral requirements in this table.

Table 25 presents the derivative liability that would be subject to unilateral termination by counterparties and the amounts of collateral that would have been posted at December 31, 2013, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Table 25 Derivative Liability Subject to Unilateral Termination Upon Downgrade

	December 31, 2013	
(Dollars in millions)	One incremental notch	Second incremental notch
Derivative liability	$927	$1,878
Collateral posted	733	1,467

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit ratings downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a company's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time to Required Funding and Stress Modeling on page 72.

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

On October 15, 2013, Fitch placed its AAA long-term and F1+ short-term sovereign credit rating on the U.S. government on rating watch negative. On July 18, 2013, Moody's revised its outlook on the U.S. government to stable from negative and affirmed its Aaa long-term sovereign credit rating on the U.S. government. On June 10, 2013, S&P affirmed its AA+ long-term and A-1+ short-term sovereign credit rating on the U.S. government, as the outlook on the long-term credit rating was revised to stable from negative.

Credit Risk Management

Credit quality improved during 2013 due in part to improving economic conditions. In addition, our proactive credit risk management activities positively impacted the credit portfolio as charge-offs and delinquencies continued to improve. For additional information, see Executive Summary – 2013 Economic and Business Environment on page 24.

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations. Credit risk can also arise from operational failures that result in an erroneous advance, commitment or investment of funds. We define the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications including loans and leases, deposit overdrafts, derivatives, assets held-for-sale and unfunded lending commitments which include loan commitments, letters of credit and financial guarantees. Derivative positions are recorded at fair value and assets held-for-sale are recorded at either fair value or the lower of cost or fair value. Certain loans and unfunded commitments are accounted for under the fair value option. Credit risk for categories of assets carried at fair value is not accounted for as part of the allowance for credit losses but as part of the fair value adjustments recorded in earnings. For derivative positions, our credit risk is measured as the net cost in the event the counterparties with contracts in which we are in a gain position fail to perform under the terms of those contracts. We use the current fair value to represent credit exposure without giving consideration to future mark-to-market changes. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements and cash collateral. Our consumer and commercial credit extension and review procedures encompass funded and unfunded credit exposures. For more information on derivative and credit extension commitments, see Note 2 – Derivatives and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

We manage credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations. We classify our portfolios as either consumer or commercial and monitor credit risk in each as discussed below.

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

We have non-U.S. exposure largely in Europe and Asia Pacific. Our exposure to certain European countries, including Greece, Ireland, Italy, Portugal and Spain, has experienced varying degrees of financial stress. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 100 and Item 1A. Risk Factors.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 77, Commercial Portfolio Credit Risk Management on page 91, Non-U.S. Portfolio on page 100, Provision for Credit Losses and Allowance for Credit Losses both on page 104, Note 1 – Summary of Significant Accounting Principles, Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

Consumer Portfolio Credit Risk Management

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

From January 2008 through 2013, Bank of America and Countrywide have completed more than 1.3 million loan modifications with customers. During 2013, we completed nearly 170,000 customer loan modifications with a total unpaid principal balance of approximately $35 billion, including approximately 52,000 permanent modifications under the U.S. government's Making Home Affordable Program. Of the loan modifications completed in 2013, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the portfolio serviced for investors and were not on our balance sheet. The most common types of modifications include a combination of rate reduction and/or capitalization of past due amounts which represented 66 percent of the volume of modifications completed in 2013, while principal reductions and forgiveness represented 14 percent, principal forbearance represented 11 percent and capitalization of past due amounts represented six percent. For modified loans on our balance sheet, these modification types are generally considered TDRs. For more information on TDRs and portfolio impacts, see Consumer Portfolio

Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 89 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

Improvement in the U.S. economy, labor markets and home prices continued during 2013 resulting in improved credit quality and lower credit losses across nearly all major consumer portfolios compared to 2012. Consumer loans 30 days or more past due declined during 2013 across all consumer portfolios and nonperforming consumer loans and foreclosed property continued to decline as outflows, including the impact of loans sales, outpaced inflows as a result of improved delinquency trends. Although home prices have shown steady improvement since the beginning of 2012, they have not fully recovered to their 2006 levels.

Improved credit quality, increased home prices and continued loan balance run-off across the consumer portfolio drove a $7.7 billion decrease in 2013 to $13.4 billion in the consumer allowance for loan and lease losses. For additional information, see Allowance for Credit Losses on page 104.

In 2013, we entered into the FNMA Settlement to resolve substantially all outstanding and potential repurchase and certain other claims relating to the origination, sale and delivery of residential mortgage loans originated and sold directly to FNMA from January 1, 2000 through December 31, 2008 by entities related to Countrywide and BANA. In connection with the FNMA Settlement, we repurchased certain loans from FNMA and, as of December 31, 2013, these loans had an unpaid principal balance of $5.7 billion and a carrying value of $4.9 billion of which $5.3 billion of unpaid principal balance and $4.6 billion of carrying value were classified as PCI loans. All of these loans are included in the Legacy Assets & Servicing portfolio in Table 29. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements. For more information on the FNMA Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Table 26 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 26, PCI loans are also shown separately, net of purchase accounting adjustments, in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. Given the continued run-off of our discontinued real estate portfolio, effective January 1, 2013, pay option loans

are included as part of our residential mortgage and home equity portfolios. The majority of these loans were considered credit-impaired and were written down to fair value upon acquisition. Prior periods were reclassified to conform to current period presentation. For more information on pay option loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Residential Mortgage Loan Portfolio on page 86.

Table 26 Consumer Loans and Leases

	December 31			
	Outstandings		Purchased Credit-impaired Loan Portfolio	
(Dollars in millions)	2013	2012	2013	2012
Residential mortgage [(1)]	$248,066	$252,929	$18,672	$17,451
Home equity	93,672	108,140	6,593	8,667
U.S. credit card	92,338	94,835	n/a	n/a
Non-U.S. credit card	11,541	11,697	n/a	n/a
Direct/Indirect consumer [(2)]	82,192	83,205	n/a	n/a
Other consumer [(3)]	1,977	1,628	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	529,786	552,434	25,265	26,118
Loans accounted for under the fair value option [(4)]	2,164	1,005	n/a	n/a
Total consumer loans and leases	$531,950	$553,439	$25,265	$26,118

(1) Outstandings include pay option loans of $4.4 billion and $6.7 billion and non-U.S. residential mortgage loans of $0 and $93 million at December 31, 2013 and 2012. We no longer originate pay option loans.

(2) Outstandings include dealer financial services loans of $38.5 billion and $35.9 billion, consumer lending loans of $2.7 billion and $4.7 billion, U.S. securities-based lending loans of $31.2 billion and $28.3 billion, non-U.S. consumer loans of $4.7 billion and $8.3 billion, student loans of $4.1 billion and $4.8 billion and other consumer loans of $1.0 billion and $1.2 billion at December 31, 2013 and 2012.

(3) Outstandings include consumer finance loans of $1.2 billion and $1.4 billion, consumer leases of $606 million and $34 million, consumer overdrafts of $176 million and $177 million and other non-U.S. consumer loans of $5 million and $5 million at December 31, 2013 and 2012.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of $2.0 billion and $1.0 billion and home equity loans of $147 million and $0 at December 31, 2013 and 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 21 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

Table 27 presents consumer nonperforming loans and accruing consumer loans past due 90 days or more. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the FHA or individually insured under long-term stand-by agreements with

FNMA and FHLMC (collectively, the fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily from our repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due.

Table 27 Consumer Credit Quality

	December 31			
	Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	2013	2012	2013	2012
Residential mortgage [1]	$11,712	$15,055	$16,961	$22,157
Home equity	4,075	4,282	—	—
U.S. credit card	n/a	n/a	1,053	1,437
Non-U.S. credit card	n/a	n/a	131	212
Direct/Indirect consumer	35	92	408	545
Other consumer	18	2	2	2
Total [2]	$15,840	$19,431	$18,555	$24,353
Consumer loans and leases as a percentage of outstanding consumer loans and leases [2]	2.99 %	3.52 %	3.50 %	4.41 %
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios [2]	3.80	4.46	0.38	0.50

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At December 31, 2013 and 2012, residential mortgage included $13.0 billion and $17.8 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and $4.0 billion and $4.4 billion of loans on which interest was still accruing.

(2) Balances exclude consumer loans accounted for under the fair value option. At December 31, 2013 and 2012, $445 million and $391 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

Table 28 presents net charge-offs and related ratios for consumer loans and leases.

Table 28 Consumer Net Charge-offs and Related Ratios

	Net Charge-offs [1]		Net Charge-off Ratios [1, 2]	
(Dollars in millions)	2013	2012	2013	2012
Residential mortgage	$1,084	$3,111	0.42 %	1.18 %
Home equity	1,803	4,242	1.80	3.62
U.S. credit card	3,376	4,632	3.74	4.88
Non-U.S. credit card	399	581	3.68	4.29

Direct/Indirect consumer	345	763	0.42	0.90
Other consumer	234	232	12.96	9.85
Total	$7,241	$13,561	1.34	2.36

(1) Net charge-offs exclude write-offs in the PCI loan portfolio of $1.2 billion in home equity and $1.1 billion in residential mortgage in 2013 compared to $2.8 billion in home equity in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

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

Net charge-off ratios, excluding the PCI and fully-insured loan portfolios, were 0.74 percent and 2.04 percent for residential mortgage, 1.94 percent and 3.99 percent for home equity and 1.71 percent and 2.99 percent for the total consumer portfolio for 2013 and 2012. These are the only product classifications that include PCI and fully-insured loans for these periods.

Net charge-offs exclude write-offs in the PCI loan portfolio of $1.2 billion in home equity and $1.1 billion in residential mortgage

for 2013, and $2.8 billion in home equity for 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. Net charge-off ratios including the PCI write-offs were 3.05 percent for home equity and 0.85 percent for residential mortgage in 2013, and 6.02 percent for home equity in 2012. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

Table 29 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the Core portfolio and the Legacy Assets & Servicing portfolio within the home loans portfolio. For more information on Legacy Assets & Servicing, see CRES on page 40.

Table 29 Home Loans Portfolio (1)

	December 31					
	Outstandings		Nonperforming		Net Charge-offs (2)	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
Core portfolio						
Residential mortgage	$177,336	$170,116	$3,316	$3,193	$274	$544
Home equity	54,499	60,851	1,431	1,265	439	811
Total Core portfolio	231,835	230,967	4,747	4,458	713	1,355
Legacy Assets & Servicing portfolio						
Residential mortgage	70,730	82,813	8,396	11,862	810	2,567
Home equity	39,173	47,289	2,644	3,017	1,364	3,431
Total Legacy Assets & Servicing portfolio	109,903	130,102	11,040	14,879	2,174	5,998
Home loans portfolio						
Residential mortgage	248,066	252,929	11,712	15,055	1,084	3,111
Home equity	93,672	108,140	4,075	4,282	1,803	4,242
Total home loans portfolio	$341,738	$361,069	$15,787	$19,337	$2,887	$7,353

	December 31			
	Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses	
	2013	2012	2013	2012
Core portfolio				
Residential mortgage	$728	$829	$166	$523
Home equity	965	1,286	119	256
Total Core portfolio	1,693	2,115	285	779
Legacy Assets & Servicing portfolio				
Residential mortgage	3,356	6,259	(979)	1,802
Home equity	3,469	6,559	(430)	1,492
Total Legacy Assets & Servicing portfolio	6,825	12,818	(1,409)	3,294
Home loans portfolio				
Residential mortgage	4,084	7,088	(813)	2,325
Home equity	4,434	7,845	(311)	1,748
Total home loans portfolio	$8,518	$14,933	$(1,124)	$4,073

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $2.0 billion and $1.0 billion and home equity loans of $147 million and $0 at December 31, 2013 and 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 21 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude write-offs in the PCI loan portfolio of $1.2 billion in home equity and $1.1 billion in residential mortgage in 2013, which are included in the Legacy Assets & Servicing portfolio, compared to $2.8 billion in home equity in 2012. Write-offs in the PCI loan portfolio decrease the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

We believe that the presentation of information adjusted to exclude the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage and home equity portfolios, we provide information that excludes the impact of the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 85.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 47 percent of consumer loans and leases at December 31, 2013. Approximately 19 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages that are originated for the home purchase and refinancing needs of our wealth management clients. The remaining portion of the portfolio is primarily in All Other and is comprised of originated loans, purchased loans used

in our overall ALM activities, loans repurchased in connection with the FNMA Settlement, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, decreased $4.9 billion during 2013 due to paydowns, charge-offs, transfers to foreclosed properties and sales. These were partially offset by new origination volume retained on our balance sheet, loans repurchased as part of the FNMA Settlement, as well as repurchases of delinquent loans pursuant to our servicing agreements with GNMA, which is part of our mortgage banking activities.

At December 31, 2013 and 2012, the residential mortgage portfolio included $87.2 billion and $90.9 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term stand-by agreements with FNMA and FHLMC. At December 31, 2013 and 2012, $59.0 billion and $66.6 billion had FHA insurance with the remainder protected by

long-term stand-by agreements. At December 31, 2013 and 2012, $22.5 billion and $25.5 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA. All of these loans are individually insured and therefore the Corporation does not record a significant allowance for credit losses with respect to these loans.
In addition to the long-term stand-by agreements with FNMA and FHLMC, we have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles as described in Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements. At December 31, 2013 and 2012, the synthetic securitization vehicles referenced principal balances of $12.5 billion and $17.6 billion of residential mortgage loans and provided loss protection up to $339 million and $500 million. At December 31, 2013 and 2012, the Corporation had a receivable of $198 million and $305 million from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles. Adjusting for the benefit of the credit protection from the synthetic securitizations, the residential mortgage net charge-off ratio,

excluding the PCI and fully-insured loan portfolios, in 2013 and 2012 would have been reduced by three bps and nine bps.
The long-term stand-by agreements with FNMA and FHLMC and to a lesser extent the synthetic securitizations together reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At December 31, 2013 and 2012, these programs had the cumulative effect of reducing our risk-weighted assets by $8.4 billion and $7.2 billion and increasing our Tier 1 capital ratio by eight bps and increasing our Tier 1 common capital ratio by seven bps at both year ends.
Table 30 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio, our fully-insured loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the residential mortgage portfolio excluding the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 85.

Table 30 Residential Mortgage – Key Credit Statistics

	December 31			
	Reported Basis [1]		Excluding Purchased Credit-impaired and Fully-insured Loans	
(Dollars in millions)	2013	2012	2013	2012
Outstandings	$248,066	$252,929	$142,147	$144,624
Accruing past due 30 days or more	23,052	28,815	2,371	3,117
Accruing past due 90 days or more	16,961	22,157	—	—
Nonperforming loans	11,712	15,055	11,712	15,055
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	12 %	15 %	7 %	10 %
Refreshed LTV greater than 100	13	28	10	20
Refreshed FICO below 620	21	23	11	14
2006 and 2007 vintages [2]	21	25	27	34
Net charge-off ratio [3]	0.42	1.18	0.74	2.04

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $2.0 billion and $1.0 billion of residential mortgage loans accounted for

under the fair value option at December 31, 2013 and 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 21 – Fair Value Option to the Consolidated Financial Statements.

(2) These vintages of loans account for 53 percent and 61 percent of nonperforming residential mortgage loans at December 31, 2013 and 2012, and 60 percent and 71 percent of residential mortgage net charge-offs in 2013 and 2012.

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

Nonperforming residential mortgage loans decreased $3.3 billion in 2013 as paydowns, returns to performing status, charge-offs and transfers to foreclosed properties outpaced new inflows. Also impacting the decrease were sales of nonperforming residential mortgage loans of $1.5 billion and transfers to held-for-sale of $663 million, of which $273 million had been sold prior to December 31, 2013.

At December 31, 2013, borrowers were current on contractual payments with respect to $3.9 billion, or 34 percent of nonperforming residential mortgage loans, and $5.8 billion, or 49 percent of nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less costs to sell. Accruing loans past due 30 days or more decreased $746 million in 2013.

Net charge-offs decreased $2.0 billion to $1.1 billion in 2013, or 0.74 percent of total average residential mortgage loans,

compared to $3.1 billion, or 2.04 percent in 2012. This decrease in net charge-offs was primarily driven by favorable portfolio trends and decreased write-downs on loans greater than 180 days past due which were written down to the estimated fair value of the collateral less costs to sell, due in part to improvement in home prices and the U.S. economy.

Loans in the residential mortgage portfolio with certain characteristics have greater risk of loss than others. These characteristics include loans with a high refreshed loan-to-value (LTV), loans originated at the peak of home prices in 2006 and 2007, interest-only loans and loans to borrowers located in California and Florida where we have concentrations and where significant declines in home prices had been experienced. Although the disclosures in this section address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate

share of the losses in the portfolio. The residential mortgage loans with all of these higher risk characteristics comprised two percent and four percent of the residential mortgage portfolio at December 31, 2013 and 2012, and accounted for 10 percent and 20 percent of the residential mortgage net charge-offs in 2013 and 2012.
Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed LTV represented seven percent and 10 percent of the residential mortgage portfolio at December 31, 2013 and 2012. Loans with a refreshed LTV greater than 100 percent represented 10 percent and 20 percent of the residential mortgage loan portfolio at December 31, 2013 and 2012. Of the loans with a refreshed LTV greater than 100 percent, 94 percent and 92 percent were performing at December 31, 2013 and 2012. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, somewhat mitigated by recent appreciation. Loans to borrowers with refreshed FICO scores below 620 represented 11 percent and 14 percent of the residential mortgage portfolio at December 31, 2013 and 2012.
Of the $142.1 billion in total residential mortgage loans outstanding at December 31, 2013, as shown in Table 31, 40 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $15.4 billion, or 27 percent,

at December 31, 2013. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At December 31, 2013, $320 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $2.4 billion, or two percent for the entire residential mortgage portfolio. In addition, at December 31, 2013, $2.5 billion, or 17 percent of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming compared to $11.7 billion, or eight percent for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to ten years and more than 90 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.
Table 31 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 13 percent and 12 percent of outstandings at December 31, 2013 and 2012. Loans within this MSA comprised only three percent and eight percent of net charge-offs in 2013 and 2012. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 10 percent of outstandings at both December 31, 2013 and 2012. Loans within this MSA comprised 11 percent and five percent of net charge-offs in 2013 and 2012.

Table 31 Residential Mortgage State Concentrations

	December 31					
	Outstandings (1)		Nonperforming (1)		Net Charge-offs (2)	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
California	$47,885	$48,671	$3,396	$4,580	$148	$1,139
New York (3)	11,787	11,290	789	972	59	82
Florida (3)	10,777	11,100	1,359	1,773	117	371
Texas	6,766	6,928	407	498	25	55
Virginia	4,774	5,096	369	410	31	52
Other U.S./Non-U.S.	60,158	61,539	5,392	6,822	704	1,412
Residential mortgage loans (4)	$142,147	$144,624	$11,712	$15,055	$1,084	$3,111
Fully-insured loan portfolio	87,247	90,854				
Purchased credit-impaired residential mortgage loan portfolio	18,672	17,451				
Total residential mortgage loan portfolio	$248,066	$252,929				

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $2.0 billion and $1.0 billion of residential mortgage loans accounted for under the fair value option at December 31, 2013 and 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 21 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $1.1 billion of write-offs in the residential mortgage PCI loan portfolio in 2013 compared to none in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

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

(4) Amount excludes the PCI residential mortgage and fully-insured loan portfolios.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was $10.3 billion and $11.3 billion at December 31, 2013 and 2012, or seven percent and eight percent of the residential mortgage portfolio. The CRA portfolio included

$1.7 billion and $2.5 billion of nonperforming loans at December 31, 2013 and 2012 representing 14 percent and 16 percent of total nonperforming residential mortgage loans. Net charge-offs in the CRA portfolio were $260 million and $641 million in 2013 and 2012, or 24 percent and 21 percent of total net charge-offs for the residential mortgage portfolio.

Home Equity

At December 31, 2013, the home equity portfolio made up 18 percent of the consumer portfolio and is comprised of HELOCs, home equity loans and reverse mortgages.

At December 31, 2013, our HELOC portfolio had an outstanding balance of $80.3 billion, or 86 percent of the total home equity portfolio compared to $91.3 billion, or 85 percent at December 31, 2012. HELOCs generally have an initial draw period of 10 years. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At December 31, 2013, our home equity loan portfolio had an outstanding balance of $12.0 billion, or 13 percent of the total home equity portfolio compared to $15.3 billion, or 14 percent at December 31, 2012. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the $12.0 billion at December 31, 2013, 51 percent of these loans have 25- to 30-year terms. At both December 31, 2013 and 2012, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of $1.4 billion, or one percent of the total home equity portfolio. We no longer originate these products.

At December 31, 2013, approximately 91 percent of the home equity portfolio was included in CRES while the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased $14.5 billion in 2013 primarily due to paydowns

and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at December 31, 2013 and 2012, $23.0 billion and $24.7 billion, or 25 percent and 23 percent, were in first-lien positions (26 percent and 25 percent excluding the PCI home equity portfolio). At December 31, 2013, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled $17.6 billion, or 20 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $56.8 billion and $60.9 billion at December 31, 2013 and 2012. This decrease was primarily due to customers choosing to close accounts, which more than offset customer paydowns of principal balances as well as the impact of new production. The HELOC utilization rate was 59 percent at December 31, 2013 compared to 60 percent at December 31, 2012.

Table 32 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio. Additionally, in the "Reported Basis" columns in the table below, accruing balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 85.

Table 32 Home Equity – Key Credit Statistics

	December 31			
	Reported Basis (1)		Excluding Purchased Credit-impaired Loans	
(Dollars in millions)	2013	2012	2013	2012
Outstandings	$93,672	$108,140	$87,079	$99,473
Accruing past due 30 days or more (2)	901	1,099	901	1,099
Nonperforming loans (2)	4,075	4,282	4,075	4,282
Percent of portfolio				
Refreshed combined LTV greater than 90 but less than or equal to 100	9 %	10 %	9 %	10 %
Refreshed combined LTV greater than 100	22	31	19	29
Refreshed FICO below 620	8	9	8	8
2006 and 2007 vintages (3)	48	48	45	46

Net charge-off ratio (4)	1.80	3.62	1.94	3.99

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $147 million of home equity loans accounted for under the fair value option at December 31, 2013 compared to none at December 31, 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 21 – Fair Value Option to the Consolidated Financial Statements.

(2) Accruing past due 30 days or more includes $164 million and $321 million and nonperforming loans includes $410 million and $824 million of loans where we serviced the underlying first-lien at December 31, 2013 and 2012.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 50 percent and 51 percent of nonperforming home equity loans at December 31, 2013 and 2012, and accounted for 63 percent and 60 percent of net charge-offs in 2013 and 2012.

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

Nonperforming outstanding balances in the home equity portfolio decreased $207 million in 2013 due to charge-offs and returns to performing status outpacing new inflows.

At December 31, 2013, on $2.0 billion, or 48 percent of nonperforming home equity loans, the borrowers were current on contractual payments. At December 31, 2013, $1.4 billion, or 35 percent of nonperforming home equity loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less costs to sell. Outstanding balances accruing past due 30 days or more decreased $198 million in 2013.

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. At December 31, 2013, we estimate that $2.1 billion of current and $382 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on $421 million of these combined amounts, with the remaining $2.1 billion serviced by third parties. Of the $2.5 billion of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately $1.2 billion had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $2.4 billion to $1.8 billion, or 1.94 percent of the total average home equity portfolio in 2013 compared to $4.2 billion, or 3.99 percent in 2012. The decrease in net charge-offs was primarily driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy. Also, 2012 included charge-offs associated with the National Mortgage Settlement and loans discharged in Chapter 7 bankruptcy due to the implementation of regulatory guidance in 2012. The net charge-off ratio in 2013 was impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

There are certain characteristics of the home equity portfolio that have contributed to higher losses including those loans with a high refreshed combined loan-to-value (CLTV), loans that were originated at the peak of home prices in 2006 and 2007, and loans in geographic areas that have experienced the most significant declines in home prices. Although we have seen recent home price appreciation, home price declines since 2006 coupled with the fact that most home equity outstandings are secured by second-lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first-lien position. Although the disclosures in this section address each of these risk characteristics separately, there is significant overlap in outstanding balances with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Outstanding balances in the home equity portfolio with all of these higher risk characteristics comprised five percent and eight percent of the total home equity portfolio at December 31, 2013 and 2012, and accounted for 20 percent of the home equity net charge-offs in 2013 compared to 24 percent in 2012.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed CLTVs comprised nine percent and 10 percent of the home equity portfolio at December 31, 2013 and 2012. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 19 percent and 29 percent of the home equity portfolio at December 31, 2013 and 2012. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect

loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Home price deterioration since 2006, somewhat mitigated by recent appreciation, has contributed to an increase in CLTV ratios. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 96 percent of the customers were current on their home equity loan and 91 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at December 31, 2013. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented eight percent of the home equity portfolio at both December 31, 2013 and 2012.

Of the $87.1 billion in total home equity portfolio outstandings at December 31, 2013, as shown in Table 33, 76 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was $2.6 billion, or three percent of total HELOCs at December 31, 2013. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At December 31, 2013, $78 million, or three percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $817 million, or one percent for the entire HELOC portfolio. In addition, at December 31, 2013, $211 million, or eight percent of outstanding HELOCs that had entered the amortization period were nonperforming compared to $3.6 billion, or four percent for the entire HELOC portfolio. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 85 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During 2013, approximately 41 percent of these customers with an outstanding balance did not pay principal on their HELOCs.

Table 33 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 12 percent and 11 percent of the outstanding home equity portfolio at December 31, 2013 and 2012. Loans within this MSA comprised nine percent and eight percent of net charge-offs in 2013 and 2012. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both December 31,

2013 and 2012. Loans within this MSA comprised nine percent and 11 percent of net charge-offs in 2013 and 2012. For more information on representations and warranties related to our home equity portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 52 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 33 Home Equity State Concentrations

	December 31					
	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2]	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
California	$25,061	$28,730	$1,047	$1,128	$509	$1,333
Florida [3]	10,604	11,899	643	706	315	602
New Jersey [3]	6,153	6,789	304	312	93	210
New York [3]	6,035	6,736	405	419	110	222
Massachusetts	3,881	4,381	144	140	42	91
Other U.S./Non-U.S.	35,345	40,938	1,532	1,577	734	1,784
Home equity loans [4]	$87,079	$99,473	$4,075	$4,282	$1,803	$4,242
Purchased credit-impaired home equity portfolio	6,593	8,667				
Total home equity loan portfolio	$93,672	$108,140				

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $147 million of home equity loans accounted for under the fair value option at December 31, 2013 compared to none at December 31, 2012. For more information on the fair value option, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89 and Note 21 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude $1.2 billion of write-offs in the home equity PCI loan portfolio in 2013 compared to $2.8 billion in 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

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

(4) Amount excludes the PCI home equity portfolio.

Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser’s initial investment in loans if those differences are attributable, at least in part, to credit quality. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. PCI loans are recorded at fair value upon acquisition and the applicable accounting guidance prohibits carrying over or recording a valuation allowance in the initial accounting.

PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Once a pool is assembled, it is treated as if it were one loan for purposes of applying the accounting guidance for PCI loans. An individual loan is removed from a PCI loan pool if it is sold, foreclosed, forgiven or the expectation of any future proceeds is remote. When a loan is removed from a PCI loan pool and the foreclosure or recovery value of the loan is less than the loan's carrying value, the difference is first applied against the PCI pool's nonaccretable difference. If the nonaccretable difference has been fully utilized, only then is the PCI pool's basis applicable to that loan written-off against its valuation reserve; however, the integrity of the pool is maintained and it continues to be accounted for as if it were one loan.

In 2013, in connection with the FNMA Settlement, we repurchased certain residential mortgage loans that had previously been sold to FNMA, which we have valued at less than the purchase price. As of December 31, 2013, loans repurchased in connection with the FNMA Settlement that we classified as PCI had an unpaid principal balance of $5.3 billion and a carrying value of $4.6 billion. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 34 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the PCI loan portfolio.

Table 34 Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	December 31, 2013				
Residential mortgage	$19,558	$18,672	$1,446	$17,226	88.08 %
Home equity	6,523	6,593	1,047	5,546	85.02
Total purchased credit-impaired loan portfolio	$26,081	$25,265	$2,493	$22,772	87.31
	December 31, 2012				
Residential mortgage	$18,069	$17,451	$3,108	$14,343	79.38 %
Home equity	8,434	8,667	2,428	6,239	73.97
Total purchased credit-impaired loan portfolio	$26,503	$26,118	$5,536	$20,582	77.66

The total PCI unpaid principal balance decreased $422 million, or two percent, in 2013 primarily driven by liquidations, including sales, payoffs, paydowns and write-offs, partially offset by the $5.3 billion of loans repurchased in connection with the FNMA Settlement.

Of the unpaid principal balance of $26.1 billion at December 31, 2013, $4.7 billion was 180 days or more past due, including $4.6 billion of first-lien mortgages and $91 million of home equity loans. Of the $21.4 billion that was less than 180 days past due, $18.4 billion, or 86 percent of the total unpaid principal balance was current based on the contractual terms while $2.0 billion, or nine percent, was in early stage delinquency.

During 2013, we recorded a provision benefit of $707 million for the PCI loan portfolio including a provision benefit of $552 million for residential mortgage and a provision benefit of $155 million for home equity. This compared to a provision benefit of $103 million in 2012. The provision benefit in 2013 was primarily driven by an improvement in our home price outlook.

The PCI valuation allowance declined $3.0 billion during 2013 due to write-offs in the PCI loan portfolio of $1.2 billion in home equity and $1.1 billion in residential mortgage, and a provision benefit of $707 million for the PCI loan portfolio. Write-offs during 2013 included certain home equity PCI loans that were ineligible for the National Mortgage Settlement, but had similar characteristics as the eligible loans and the expectation of future cash proceeds was considered remote.

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 74 percent of the total PCI loan portfolio at December 31, 2013. Those loans to borrowers with a refreshed FICO score below 620 represented 52 percent of the PCI residential mortgage loan portfolio at December 31, 2013. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 39 percent of the PCI residential mortgage loan portfolio and 51 percent based on the unpaid principal balance at December 31, 2013. Table 35 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 35 Outstanding Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

(Dollars in millions)	December 31 2013	2012

California	$8,180	$9,238
Florida [1]	1,750	1,797
Virginia	760	715
Maryland	728	417
Texas	433	192
Other U.S./Non-U.S.	6,821	5,092
Total	$18,672	$17,451

(1) In this state, foreclosure requires a court order following a legal proceeding (judicial state).

Pay option adjustable-rate mortgages (ARMs), which are included in the PCI residential mortgage portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually, subject to resetting if minimum payments are made and deferred interest limits are reached. Annual payment adjustments are subject to a 7.5 percent maximum change. To ensure that contractual loan payments are adequate to repay a loan, the fully-amortizing loan payment amount is re-established after the initial five- or ten-year period and again every five years thereafter. These payment adjustments are not subject to the 7.5 percent limit and may be substantial due to changes in interest rates and the addition of unpaid interest to the loan balance. Payment advantage ARMs have interest rates that are fixed for an initial period of five years. Payments are subject to reset if the minimum payments are made and deferred interest limits are reached. If interest deferrals cause a loan's principal balance to reach a certain level within the first 10 years of the life of the loan, the payment is reset to the interest-only payment; then at the 10-year point, the fully-amortizing payment is required.

The difference between the frequency of changes in a loan's interest rates and payments along with a limitation on changes in the minimum monthly payments of 7.5 percent per year can result in payments that are not sufficient to pay all of the monthly interest charges (i.e., negative amortization). Unpaid interest is added to the loan balance until the loan balance increases to a specified limit, which can be no more than 115 percent of the original loan amount, at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

At December 31, 2013, the unpaid principal balance of pay option loans was $4.5 billion, with a carrying value of $4.4 billion, including $4.0 billion of loans that were credit-impaired upon acquisition and, accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $2.2 billion including $137 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, five percent and 10 percent at December 31, 2013 and 2012 elected to make only the minimum payment on pay option ARMs. We believe the majority of borrowers are now making scheduled payments primarily because the low rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the PCI pay option loan portfolio and have taken into consideration in the evaluation several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at December 31, 2013 that have not already experienced a payment reset, less than one percent are expected to reset before 2016, 26 percent are expected to reset in 2016 and approximately 10 percent are expected to reset thereafter. In addition, 10 percent are expected to prepay and approximately 53 percent are expected to default prior to being reset, most of which were severely delinquent as of December 31, 2013.

Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 26 percent of the total PCI loan portfolio at December 31, 2013. Those loans with a refreshed FICO score below 620 represented 16 percent of the PCI home equity portfolio at December 31, 2013. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 69 percent of the PCI home equity portfolio and 71 percent based on the unpaid principal balance at December 31, 2013. Table 36 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 36 Outstanding Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

	December 31	
(Dollars in millions)	2013	2012
California	$1,921	$2,629
Florida [1]	356	524
Virginia	310	383
Arizona	214	297
Colorado	199	264
Other U.S./Non-U.S.	3,593	4,570
Total	$6,593	$8,667

[1] In this state, foreclosure requires a court order following a legal proceeding (judicial state).

U.S. Credit Card

At December 31, 2013, 96 percent of the U.S. credit card portfolio was managed in CBB with the remainder managed in GWIM. Outstandings in the U.S. credit card portfolio decreased $2.5 billion in 2013 primarily due to higher payment volumes as well as net charge-offs and the transfer of loans to LHFS, partially offset by new originations. Net charge-offs decreased $1.3 billion to $3.4 billion in 2013 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment, account management on higher risk accounts and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $675 million while loans 90 days or more past due and still accruing interest declined $384 million in 2013 as a result of the factors mentioned above that contributed to lower net charge-offs.

Table 37 presents certain key credit statistics for the U.S. credit card portfolio.

Table 37 U.S. Credit Card – Key Credit Statistics

	December 31	
(Dollars in millions)	2013	2012
Outstandings	$92,338	$94,835
Accruing past due 30 days or more	2,073	2,748
Accruing past due 90 days or more	1,053	1,437

	2013	2012
Net charge-offs	$3,376	$4,632
Net charge-off ratios (1)	3.74 %	4.88 %

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

Unused lines of credit for U.S. credit card totaled $315.1 billion and $335.5 billion at December 31, 2013 and 2012. The $20.4 billion decrease was driven by closure of inactive accounts, partially offset by new originations and credit line increases.

Table 38 presents certain state concentrations for the U.S. credit card portfolio.

Table 38 U.S. Credit Card State Concentrations

	December 31					
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
California	$13,689	$14,101	$162	$235	$562	$840
Florida	7,339	7,469	105	149	359	512
Texas	6,405	6,448	72	92	217	290
New York	5,624	5,746	70	91	219	263
New Jersey	3,868	3,959	48	60	150	178
Other U.S.	55,413	57,112	596	810	1,869	2,549
Total U.S. credit card portfolio	$92,338	$94,835	$1,053	$1,437	$3,376	$4,632

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased $156 million in 2013 due to higher payment volumes as well as net charge-offs, partially offset by new origination volume and a stronger foreign currency exchange rate. Net charge-offs decreased $182 million to $399 million in 2013 due primarily to improvement in delinquencies as a result of higher credit quality originations.

Unused lines of credit for non-U.S. credit card totaled $31.1 billion and $32.2 billion at December 31, 2013 and 2012. The $1.1 billion decrease was driven by closure of accounts, partially offset by new originations, credit line increases and a stronger foreign currency exchange rate.

Table 39 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 39 Non-U.S. Credit Card – Key Credit Statistics

	December 31	
(Dollars in millions)	2013	2012
Outstandings	$11,541	$11,697
Accruing past due 30 days or more	248	403
Accruing past due 90 days or more	131	212
	2013	2012
Net charge-offs	$399	$581
Net charge-off ratios [(1)]	3.68 %	4.29 %

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

Direct/Indirect Consumer

At December 31, 2013, approximately 50 percent of the direct/indirect portfolio was included in CBB (consumer dealer financial services – automotive, marine, aircraft, recreational vehicle loans and consumer personal loans), 43 percent was included in GWIM (principally securities-based lending loans and other personal loans) and the remainder was primarily in All Other (the GWIM International Wealth Management (IWM) businesses based outside of the U.S. and student loans).

Outstandings in the direct/indirect portfolio decreased $1.0 billion in 2013 as a loan sale in the securities-based lending portfolio in connection with the Corporation’s agreement to sell the IWM businesses and lower outstandings in the unsecured consumer lending portfolio were partially offset by growth in the consumer dealer financial services auto portfolio and the securities-based lending portfolio. Net charge-offs decreased $418 million to $345 million in 2013, or 0.42 percent of total average direct/indirect loans, compared to $763 million, or 0.90 percent in 2012. This decrease was primarily driven by improvements in delinquencies and bankruptcies in the unsecured consumer lending

portfolio as a result of an improved economic environment as well as reduced outstandings in this portfolio.
Net charge-offs in the unsecured consumer lending portfolio decreased $295 million to $190 million in 2013, or 5.26 percent of total average unsecured consumer lending loans compared to 7.68 percent in 2012. Direct/indirect loans that were past due 30 days or more and still accruing interest declined $339 million to $1.0 billion in 2013 due to improvements in the unsecured consumer lending, dealer financial services and student lending portfolios.

Table 40 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 40 Direct/Indirect State Concentrations

	December 31					
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
California	$10,041	$10,793	$57	$53	$42	$102
Texas	7,850	7,239	66	41	32	64
Florida	7,634	7,363	25	37	41	88
New York	4,611	4,794	33	28	20	43
Georgia	2,564	2,491	16	31	14	30
Other U.S./Non-U.S.	49,492	50,525	211	355	196	436
Total direct/indirect loan portfolio	$82,192	$83,205	$408	$545	$345	$763

Other Consumer

At December 31, 2013, approximately 60 percent of the $2.0 billion other consumer portfolio was associated with certain consumer finance businesses that we previously exited. The remainder is primarily leases within the consumer dealer financial services portfolio included in CBB.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option totaled $2.2 billion at December 31, 2013 and were comprised of residential mortgage loans that were previously classified as held-for-sale, residential mortgage loans held in consolidated variable interest entities (VIEs) and repurchases of home equity loans. The loans that were previously classified as held-for-sale were transferred to the residential mortgage portfolio in connection with the decision to retain the loans. The fair value option had been elected at the time of origination and the loans continue to be measured at fair value after the reclassification. In 2013, we recorded net losses of $2 million resulting from changes in the fair value of these loans, including gains of $41 million on loans held in consolidated VIEs that were offset by losses recorded on related long-term debt.

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 41 presents nonperforming consumer loans, leases and foreclosed properties activity during 2013 and 2012. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. The charge-offs on these loans have no impact on nonperforming activity and, accordingly, are excluded from this table. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the PCI loan portfolio or loans

accounted for under the fair value option. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements. During 2013, nonperforming consumer loans declined $3.6 billion to $15.8 billion as outflows, including the impact of loan sales, outpaced new inflows which continued to improve due to favorable delinquency trends.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At December 31, 2013, $7.7 billion, or 47 percent of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less costs to sell, including $7.2 billion of nonperforming loans 180 days or more past due and $533 million of foreclosed properties. In addition, at December 31, 2013, $5.9 billion, or 37 percent of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties decreased $117 million in 2013 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI-related foreclosed properties increased $165 million in 2013. Not included in foreclosed properties at December 31, 2013 was $1.4 billion of real estate that was acquired upon foreclosure of delinquent FHA-insured loans. We hold this real estate on our balance sheet until we convey these properties to the FHA. We exclude these amounts from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the FHA for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For more information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing, Foreclosure and Other Mortgage Matters on page 57.

Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions,

forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 41.

Table 41 Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity (1)

(Dollars in millions)	2013	2012
Nonperforming loans, January 1	$19,431	$18,768
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	9,652	13,084
Impact of change in treatment of loans discharged in bankruptcies (2)	n/a	1,162
Implementation of regulatory interagency guidance (2)	n/a	1,853
Reductions to nonperforming loans and leases:		
Paydowns and payoffs	(2,782)	(3,801)
Sales	(1,528)	(47)
Returns to performing status (3)	(4,273)	(4,203)
Charge-offs	(3,514)	(6,544)
Transfers to foreclosed properties (4)	(483)	(841)
Transfers to loans held-for-sale (5)	(663)	—
Total net additions (reductions) to nonperforming loans and leases	(3,591)	663
Total nonperforming loans and leases, December 31 (6)	15,840	19,431
Foreclosed properties, January 1	650	1,991
Additions to foreclosed properties:		
New foreclosed properties (4)	936	1,129
Reductions to foreclosed properties:		
Sales	(930)	(2,283)
Write-downs	(123)	(187)
Total net reductions to foreclosed properties	(117)	(1,341)
Total foreclosed properties, December 31 (7)	533	650
Nonperforming consumer loans, leases and foreclosed properties, December 31	$16,373	$20,081
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases (8)	2.99%	3.52%
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties (8)	3.09	3.63

(1) Balances do not include nonperforming LHFS of $376 million and $622 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $260 million and $521 million at December 31, 2013 and 2012 as well as loans accruing past due 90 days or more as presented in Table 27 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

(2) As a result of the implementation of regulatory guidance in 2012 on loans discharged in Chapter 7 bankruptcy, we added $1.2 billion to nonperforming loans. As a result of the implementation of regulatory interagency guidance in 2012, we reclassified $1.9 billion of performing home equity loans (of which $1.6 billion were current) to nonperforming.

(3)

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

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

(5) Transfers to loans held-for-sale includes $273 million of loans that were sold prior to December 31, 2013.

(6) At December 31, 2013, 46 percent of nonperforming loans were 180 days or more past due and were written down through charge-offs to 65 percent of their unpaid principal balance.

(7) Foreclosed property balances do not include loans that are insured by the FHA and have entered foreclosure of $1.4 billion and $2.5 billion at December 31, 2013 and 2012.

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

n/a = not applicable

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, further losses in value as well as gains and losses on sale are recorded in noninterest expense. New foreclosed properties included in Table 41 are net of $190 million and $261 million of charge-offs in 2013 and 2012, recorded during the first 90 days after transfer.

We classify consumer real estate loans that have been discharged in Chapter 7 bankruptcy and not reaffirmed by the borrower as TDRs, irrespective of payment history or delinquency status, even if the repayment terms for the loan have not been otherwise modified. We continue to have a lien on the underlying collateral. At December 31, 2013, $3.6 billion of loans discharged in Chapter 7 bankruptcy with no change in repayment terms at the time of discharge were included in TDRs, of which $1.8 billion were classified as nonperforming and $1.8 billion were loans fully-insured by the FHA. Of the $3.6 billion of TDRs, approximately 27 percent, 30 percent and 43 percent were discharged in Chapter 7 bankruptcy in 2013, 2012 and years prior to 2012, respectively. In addition, at December 31, 2013, of the $1.8 billion of nonperforming loans discharged in Chapter 7 bankruptcy, $1.1 billion were current on their contractual payments while $642 million were 90 days or more past due. Of the contractually current nonperforming loans, nearly 80 percent were discharged in Chapter 7 bankruptcy more than 12 months ago, and nearly 50 percent were discharged 24 months or more ago. As subsequent cash payments are received on the loans that are contractually current, the interest component of the payments is generally recorded as interest income on a cash basis and the principal component is recorded as a reduction in the carrying value of the loan. For more information on the impacts to consumer home loan TDRs, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

We classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At December 31, 2013 and 2012, $1.2 billion and $1.5 billion of such junior-lien home equity loans were included in nonperforming loans and leases.

Table 42 presents TDRs for the home loans portfolio. Performing TDR balances are excluded from nonperforming loans in Table 41.

Table 42 Home Loans Troubled Debt Restructurings

	December 31					
	2013			2012		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$29,312	$ 7,555	$21,757	$28,125	$ 9,040	$19,085
Home equity [3]	2,146	1,389	757	2,125	1,242	883
Total home loans troubled debt restructurings	$31,458	$ 8,944	$22,514	$30,250	$ 10,282	$19,968

(1) Residential mortgage TDRs deemed collateral dependent totaled $8.2 billion and $9.4 billion, and included $5.7 billion and $6.4 billion of loans classified as nonperforming and $2.5 billion and $3.0 billion of loans classified as performing at December 31, 2013 and 2012.

(2) Residential mortgage performing TDRs included $14.3 billion and $11.9 billion of loans that were fully-insured at December 31, 2013 and 2012.

(3) Home equity TDRs deemed collateral dependent totaled $1.4 billion and $1.4 billion, and included $1.2 billion and $1.0 billion of loans classified as nonperforming and $227 million and $348 million of loans classified as performing at December 31, 2013 and 2012.

We work with customers that are experiencing financial difficulty by modifying credit card and other consumer loans, while complying with Federal Financial Institutions Examination Council (FFIEC) guidelines. Credit card and other consumer loan modifications generally involve a reduction in the customer's interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs (the renegotiated TDR portfolio). In addition, non-U.S. credit card modifications may involve reducing the interest rate on the account without placing the customer on a fixed payment plan, and these are also considered TDRs (also a part of the renegotiated TDR portfolio).

In all cases, the customer's available line of credit is canceled. We make modifications primarily through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 41 as substantially all of the loans remain on accrual status until either charged off or paid in full. At December 31, 2013 and 2012, our renegotiated TDR portfolio was $2.1 billion and $3.9 billion, of which $1.6 billion and $3.1 billion were current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by paydowns and charge-offs as well as lower program enrollments. For more information on the renegotiated TDR portfolio, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Commercial Portfolio Credit Risk Management

Credit risk management for the commercial portfolio begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of its financial position. As part of the overall credit risk assessment, our commercial credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis, and if necessary, adjusted to reflect changes in the financial condition, cash flow, risk profile or outlook of a borrower or counterparty. In making credit decisions, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing this with total borrower or counterparty relationship. Our business and risk management personnel use a variety of tools to continuously monitor the ability of a borrower or counterparty to perform under its obligations. We use risk rating aggregations to measure and evaluate concentrations within portfolios. In addition, risk ratings are a factor in determining the level of allocated capital and the allowance for credit losses.

For information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Management of Commercial Credit Risk

Concentrations

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our non-U.S. portfolio, we evaluate exposures by region and by country. Tables 47, 52, 60 and 61 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.

As part of our ongoing risk mitigation initiatives, we attempt to work with clients experiencing financial difficulty to modify their loans to terms that better align with their current ability to pay. In situations where an economic concession has been granted to a borrower experiencing financial difficulty, we identify these loans as TDRs.

We account for certain large corporate loans and loan commitments, including issued but unfunded letters of credit which are considered utilized for credit risk management purposes, that exceed our single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored, and as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's credit view and market perspectives determining the size and timing of the hedging activity. In addition, we purchase credit protection to cover the funded portion as well as the unfunded portion of certain other credit exposures. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. These credit derivatives do not meet the requirements for treatment as accounting hedges. They are carried at fair value with changes in fair value recorded in other income (loss).

Commercial Credit Portfolio

During 2013, credit quality in the commercial loan portfolio continued to show improvement. Reservable criticized balances and nonperforming loans, leases and foreclosed property balances declined during 2013 with the declines primarily in the U.S. commercial and commercial real estate portfolios. Most other credit quality indicators across the remaining commercial

portfolios also improved. The allowance for loan and lease losses for the commercial portfolio increased $899 million in 2013 to $4.0 billion as continued improvement in credit quality was more than offset by an increase associated with loan growth across the core commercial portfolio (total commercial products excluding U.S. small business). For additional information, see Allowance for Credit Losses on page 104.

Table 43 presents our commercial loans and leases, and related credit quality information at December 31, 2013 and 2012.

Table 43 Commercial Loans and Leases

	December 31					
	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
U.S. commercial	$212,557	$197,126	$819	$1,484	$47	$65
Commercial real estate (1)	47,893	38,637	322	1,513	21	29
Commercial lease financing	25,199	23,843	16	44	41	15
Non-U.S. commercial	89,462	74,184	64	68	17	—
	375,111	333,790	1,221	3,109	126	109
U.S. small business commercial (2)	13,294	12,593	88	115	78	120
Commercial loans excluding loans accounted for under the fair value option	388,405	346,383	1,309	3,224	204	229
Loans accounted for under the fair value option (3)	7,878	7,997	2	11	—	—
Total commercial loans and leases	$396,283	$354,380	$1,311	$3,235	$204	$229

(1) Includes U.S. commercial real estate loans of $46.3 billion and $37.2 billion and non-U.S. commercial real estate loans of $1.6 billion and $1.5 billion at December 31, 2013 and 2012.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $1.5 billion and $2.3 billion and non-U.S. commercial loans of $6.4 billion and $5.7 billion at December 31, 2013 and 2012. For more information on the fair value option, see Note 21 – Fair Value Option to the Consolidated Financial Statements.

Outstanding commercial loans and leases increased $41.9 billion in 2013, primarily in U.S. commercial and non-U.S. commercial product types. Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases improved during 2013 to 0.33 percent from 0.91 percent

(0.34 percent and 0.93 percent excluding loans accounted for under the fair value option) at December 31, 2012.

Table 44 presents net charge-offs and related ratios for our commercial loans and leases for 2013 and 2012. Improving trends across the portfolio drove lower charge-offs.

Table 44 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	2013	2012	2013	2012
U.S. commercial	$128	$242	0.06 %	0.13 %
Commercial real estate	149	384	0.35	1.01
Commercial lease financing	(25)	(6)	(0.10)	(0.03)
Non-U.S. commercial	45	28	0.05	0.05
	297	648	0.08	0.21
U.S. small business commercial	359	699	2.84	5.46
Total commercial	$656	$1,347	0.18	0.43

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

Table 45 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes SBLCs and financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified time period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes. Total

commercial committed credit exposure increased $56.8 billion in 2013 primarily driven by increases in loans and leases.

Total commercial utilized credit exposure increased $35.8 billion in 2013 primarily driven by increases in loans and leases. The utilization rate for loans and leases, SBLCs and financial guarantees, commercial letters of credit and bankers' acceptances was 58 percent at both December 31, 2013 and 2012.

Table 45 Commercial Credit Exposure by Type

	December 31					
	Commercial Utilized (1)		Commercial Unfunded (2, 3)		Total Commercial Committed	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
Loans and leases	$396,283	$354,380	$307,478	$281,915	$703,761	$636,295
Derivative assets (4)	47,495	53,497	—	—	47,495	53,497
Standby letters of credit and financial guarantees	35,893	41,036	1,334	2,119	37,227	43,155
Debt securities and other investments	18,505	10,937	6,903	6,914	25,408	17,851
Loans held-for-sale	6,604	7,928	101	3,763	6,705	11,691
Commercial letters of credit	2,054	2,065	515	564	2,569	2,629
Bankers' acceptances	246	185	—	3	246	188
Foreclosed properties and other (5)	414	1,699	—	—	414	1,699
Total	$507,494	$471,727	$316,331	$295,278	$823,825	$767,005

(1) Total commercial utilized exposure includes loans and issued letters of credit accounted for under the fair value option and is comprised of loans outstanding of $7.9 billion and $8.0 billion and letters of credit with a notional amount of $503 million and $672 million at December 31, 2013 and 2012.

(2) Total commercial unfunded exposure includes loan commitments accounted for under the fair value option with a notional amount of $12.5 billion and $17.6 billion at December 31, 2013 and 2012.

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

(4) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $47.3 billion and $58.1 billion at December 31, 2013 and 2012. Not reflected in utilized and committed exposure is additional derivative collateral held of $17.1 billion and $18.7 billion which consists primarily of other marketable securities.

(5) The net monoline exposure of $1.3 billion at December 31, 2012 was settled during 2013.

Table 46 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure decreased $3.1 billion, or 19 percent, in 2013 primarily in the commercial real estate portfolio

driven largely by continued paydowns, upgrades, charge-offs and sales outpacing downgrades. At December 31, 2013, approximately 84 percent of commercial utilized reservable criticized exposure was secured compared to 82 percent at December 31, 2012.

Table 46 Commercial Utilized Reservable Criticized Exposure

	December 31			
	2013		2012	
(Dollars in millions)	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	$8,362	3.45 %	$8,631	3.72 %
Commercial real estate	1,452	2.92	3,782	9.24
Commercial lease financing	988	3.92	969	4.06
Non-U.S. commercial	1,424	1.49	1,614	2.02
	12,226	2.96	14,996	3.98
U.S. small business commercial	635	4.77	940	7.45
Total commercial utilized reservable criticized exposure	$12,861	3.02	$15,936	4.10

(1) Total commercial utilized reservable criticized exposure includes loans and leases of $11.5 billion and $14.6 billion and commercial letters of credit of $1.4 billion and $1.3 billion at December 31, 2013 and 2012.

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

U.S. Commercial

At December 31, 2013, 62 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 17 percent in Global Markets, 10 percent in GWIM (business-purpose loans for high net-worth clients) and the remainder primarily in CBB. U.S. commercial loans, excluding loans accounted for under the fair value option, increased $15.4 billion,

or eight percent, in 2013 with growth across the majority of core commercial portfolios. Nonperforming loans and leases decreased $665 million in 2013. Net charge-offs decreased $114 million to $128 million in 2013. The declines were broad-based with respect to clients and industries, driven by improved client credit profiles and liquidity.

Commercial Real Estate

Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate and is dependent on the sale or lease of the real estate as the primary source of repayment. The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration at 22 percent and 23 percent of commercial real estate loans and leases at December 31, 2013 and 2012. The commercial real estate portfolio is predominantly managed in Global Banking and consists of loans made primarily to public and private developers, and commercial real estate firms. Outstanding loans increased $9.3 billion, or 24 percent, in 2013 primarily due to new originations in major metropolitan markets.

During 2013, we continued to see improvements in credit quality in both the residential and non-residential portfolios. We

use a number of proactive risk mitigation initiatives to reduce adversely rated exposure in the commercial real estate portfolio including transfers of deteriorating exposures to management by independent special asset officers and the pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation. Nonperforming commercial real estate loans and foreclosed properties decreased $1.4 billion, or 77 percent, and reservable criticized balances decreased $2.3 billion, or 62 percent, in 2013.

Net charge-offs declined $235 million to $149 million in 2013. These improvements were primarily in the non-residential portfolio.

Table 47 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type.

Table 47 Outstanding Commercial Real Estate Loans

	December 31	
(Dollars in millions)	2013	2012
By Geographic Region		
California	$10,358	$8,792
Northeast	9,487	7,315
Southwest	6,913	4,612
Southeast	5,314	4,440
Midwest	3,109	3,421
Florida	3,030	2,148
Illinois	2,319	1,700
Northwest	2,037	1,553
Midsouth	2,013	1,980
Non-U.S.	1,582	1,483
Other [(1)]	1,731	1,193
Total outstanding commercial real estate loans	$47,893	$38,637
By Property Type		
Non-residential		
Office	$12,799	$9,324
Multi-family rental	8,559	5,893
Shopping centers/retail	7,470	5,780
Industrial/warehouse	4,522	3,839
Hotels/motels	3,926	3,095
Multi-use	1,960	2,186
Land and land development	855	1,157
Other	6,283	5,722
Total non-residential	46,374	36,996

Residential	1,519	1,641
Total outstanding commercial real estate loans	$47,893	$38,637

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

Tables 48 and 49 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables 47, 48 and 49 includes condominiums and other residential real estate. Other property

types in Tables 47, 48 and 49 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants, as well as unsecured loans to borrowers whose primary business is commercial real estate.

Table 48 Commercial Real Estate Credit Quality Data

	December 31 Nonperforming Loans and Foreclosed Properties [1]		Utilized Reservable Criticized Exposure [2]	
(Dollars in millions)	2013	2012	2013	2012
Non-residential				
Office	$96	$295	$367	$914
Multi-family rental	15	109	234	375
Shopping centers/retail	57	230	144	464
Industrial/warehouse	22	160	119	324
Hotels/motels	5	45	38	202
Multi-use	19	123	157	309
Land and land development	73	321	92	359
Other	23	87	173	301
Total non-residential	310	1,370	1,324	3,248
Residential	102	393	128	534
Total commercial real estate	$412	$1,763	$1,452	$3,782

(1) Includes commercial foreclosed properties of $90 million and $250 million at December 31, 2013 and 2012.
(2) Includes loans, SBLCs and bankers' acceptances and excludes loans accounted for under the fair value option.

Table 49 Commercial Real Estate Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	2013	2012	2013	2012
Non-residential				
Office	$42	$106	0.39 %	1.36 %
Multi-family rental	2	13	0.02	0.23
Shopping centers/retail	12	57	0.18	1.00
Industrial/warehouse	23	49	0.55	1.31
Hotels/motels	18	11	0.52	0.39
Multi-use	5	66	0.26	2.46
Land and land development	23	(23)	2.35	(1.73)
Other	(23)	31	(0.41)	0.51
Total non-residential	102	310	0.25	0.86
Residential	47	74	3.04	3.74
Total commercial real estate	$149	$384	0.35	1.01

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

At December 31, 2013, total committed non-residential exposure was $68.6 billion compared to $54.5 billion at December 31, 2012, of which $46.4 billion and $37.0 billion were funded secured loans. Non-residential nonperforming loans and foreclosed properties declined $1.1 billion, or 77 percent, to $310 million at December 31, 2013 compared to $1.4 billion at December 31, 2012, which represented 0.67 percent and 3.68 percent of total non-residential loans and foreclosed properties. The decline in nonperforming loans and foreclosed properties in the non-residential portfolio was driven by decreases across all property types. Non-residential utilized reservable criticized exposure decreased $1.9 billion, or 59 percent, to $1.3 billion at December 31, 2013 compared to $3.2 billion at December 31, 2012, which represented 2.75 percent and 8.27 percent of non-residential utilized reservable exposure, with the decrease primarily due to continued resolution of legacy criticized exposure. The decrease in reservable criticized exposure was driven by decreases across all property types. For the non-residential portfolio, net charge-offs decreased $208 million to $102 million

in 2013 primarily due to lower overall levels of criticized and nonperforming assets.

At December 31, 2013, total committed residential exposure was $3.1 billion compared to $3.2 billion at December 31, 2012, of which $1.5 billion and $1.6 billion were funded secured loans. Residential nonperforming loans and foreclosed properties decreased $291 million, or 74 percent, in 2013 due to repayments, sales and loan restructuring. Residential utilized reservable criticized exposure decreased $406 million, or 76 percent, during 2013 due to continued resolution of criticized exposure. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 6.65 percent and 7.81 percent at December 31, 2013 compared to 23.33 percent and 31.56 percent at December 31, 2012. Residential portfolio net charge-offs decreased $27 million in 2013 compared to 2012.

At December 31, 2013 and 2012, the commercial real estate loan portfolio included $7.0 billion and $6.7 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. Reservable criticized construction and land development loans totaled $431 million and $1.5 billion, and nonperforming construction and land development loans and foreclosed properties totaled $100 million and $730 million at December 31, 2013 and 2012. During a property's construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

At December 31, 2013, 70 percent of the non-U.S. commercial loan portfolio was managed in Global Banking and 30 percent in Global Markets. Outstanding loans, excluding loans accounted for under the fair value option, increased $15.3 billion in 2013 primarily due to increased demand from large corporate clients and client financing activity. Net charge-offs increased $17 million to $45 million in 2013. For more information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 100.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card loans and small business loans managed in CBB. Credit card-related products were 43 percent and 45 percent of the U.S. small business commercial portfolio at December 31, 2013 and 2012. Net charge-offs decreased $340 million to $359 million in 2013 driven by lower delinquencies and bankruptcies resulting from an improvement in credit quality within the small business loan portfolio, an improved economic environment, a reduction in higher risk vintages and the impact of higher credit quality originations. Of the U.S. small business commercial net charge-offs, 73 percent were credit card-related products in 2013 compared to 58 percent in 2012.

Commercial Loans Accounted for Under the Fair Value Option

The portfolio of commercial loans accounted for under the fair value option is managed primarily in Global Banking. Outstanding commercial loans accounted for under the fair value option decreased $119 million to an aggregate fair value of $7.9 billion at December 31, 2013 primarily due to decreased corporate borrowings under bank credit facilities. We recorded net gains of $88 million in 2013 compared to $213 million in 2012 resulting from changes in the fair value of the loan portfolio. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income (loss) and do not reflect the results of hedging activities.

In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of $354 million and $528 million at December 31, 2013 and 2012 which was recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was $13.0 billion and $18.3 billion at December 31, 2013 and 2012. We recorded net gains of $180 million from changes in the fair value of commitments and letters of credit during 2013 compared to $704 million in 2012 resulting from maturities and terminations at par value and changes in the fair value of the loan portfolio. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income (loss) and do not reflect the results of hedging activities.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 50 presents the nonperforming commercial loans, leases and foreclosed properties activity during 2013 and 2012. Nonperforming loans do not include loans accounted for under the fair value option. During 2013, nonperforming commercial loans and leases decreased $1.9 billion to $1.3 billion driven by paydowns, charge-offs and sales outpacing new nonperforming loans. Approximately 91 percent of commercial nonperforming loans, leases and foreclosed properties were secured and approximately 55 percent were contractually current. Commercial nonperforming loans were carried at approximately 71 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less costs to sell.

Table 50 Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

(Dollars in millions)	2013	2012
Nonperforming loans and leases, January 1	$3,224	$6,337
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	1,112	2,334
Advances	30	85
Reductions to nonperforming loans and leases:		
Paydowns	(1,342)	(2,372)
Sales	(498)	(840)
Returns to performing status [3]	(588)	(808)
Charge-offs	(549)	(1,164)
Transfers to foreclosed properties [4]	(54)	(302)
Transfers to loans held-for-sale	(26)	(46)
Total net reductions to nonperforming loans and leases	(1,915)	(3,113)
Total nonperforming loans and leases, December 31	1,309	3,224
Foreclosed properties, January 1	250	612
Additions to foreclosed properties:		
New foreclosed properties [4]	38	222
Reductions to foreclosed properties:		
Sales	(169)	(516)
Write-downs	(29)	(68)
Total net reductions to foreclosed properties	(160)	(362)
Total foreclosed properties, December 31	90	250
Nonperforming commercial loans, leases and foreclosed properties, December 31	$1,399	$3,474
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	0.34 %	0.93 %
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	0.36	1.00

(1) Balances do not include nonperforming LHFS of $296 million and $437 million at December 31, 2013 and 2012.
(2) Includes U.S. small business commercial activity. Small business card loans are excluded as they are not classified as nonperforming.
(3) Commercial loans and leases may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.
(4) New foreclosed properties represents transfers of nonperforming loans to foreclosed properties net of charge-offs recorded during the first 90 days after transfer of a loan to foreclosed properties.
(5) Outstanding commercial loans exclude loans accounted for under the fair value option.

Table 51 presents our commercial TDRs by product type and performing status. U.S. small business commercial TDRs are comprised of renegotiated small business card loans and are not classified as nonperforming as they are charged off no later than

the end of the month in which the loan becomes 180 days past due. For more information on TDRs, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 51 Commercial Troubled Debt Restructurings

	December 31					
	2013			2012		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
U.S. commercial	$1,318	$ 298	$ 1,020	$1,328	$ 565	$ 763
Commercial real estate	835	198	637	1,391	740	651
Non-U.S. commercial	48	38	10	100	15	85
U.S. small business commercial	88	—	88	202	—	202
Total commercial troubled debt restructurings	$2,289	$ 534	$ 1,755	$3,021	$ 1,320	$ 1,701

Industry Concentrations

Table 52 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. Total committed commercial credit exposure increased $56.8 billion, or seven percent, to $823.8 billion at December 31, 2013. The increase in commercial committed exposure was concentrated in diversified financials, real estate, retailing and capital goods, partially offset by lower exposure in food, beverage and tobacco.

Industry limits are used internally to manage industry concentrations and are based on committed exposures and capital

usage that are allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits as well as to provide ongoing monitoring. Management's Credit Risk Committee (CRC) oversees industry limit governance.

Diversified financials, our largest industry concentration, experienced an increase in committed exposure of $21.5 billion, or 22 percent, in 2013, driven by higher funded loans and certain asset-backed lending products.

Real estate, our second largest industry concentration, experienced an increase in committed exposure of $10.8 billion, or 16 percent, in 2013 primarily due to new originations and renewals outpacing paydowns and sales. Real estate construction and land development exposure represented 14 percent of the

total real estate industry committed exposure at December 31, 2013 and 2012. For more information on commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 94.
Retailing, our third largest industry concentration, experienced an increase in committed exposure of $6.9 billion, or 14 percent, in 2013 driven by loans to auto dealers and wholesalers, apparel retail, and specialty stores. Committed exposure to the food, beverage and tobacco industry decreased $6.8 billion, or 18 percent, in 2013, primarily related to commitment reductions and paydowns. Capital goods committed exposure increased $3.7 billion, or seven percent, in 2013 driven by heavy electrical equipment and machinery exposure. Healthcare equipment and services committed exposure increased $3.6 billion, or eight percent, in 2013 driven by health care distributors, doctors, dentists and practitioners, and health care equipment. Energy committed exposure increased $2.7 billion, or seven percent, in 2013 reflecting higher exposure to the integrated oil and gas, and exploration and production sectors.

Our committed state and municipal exposure of $35.9 billion at December 31, 2013 consisted of $29.4 billion of commercial utilized exposure (including $18.6 billion of funded loans, $7.3 billion of SBLCs and $1.7 billion of derivative assets) and $6.5 billion of unfunded commercial exposure (primarily unfunded loan commitments and letters of credit) and is reported in the government and public education industry in Table 52. While the slow pace of economic recovery continues to pressure budgets, most state and local governments have implemented offsetting fiscal adjustments and continue to honor debt obligations as agreed. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications are regularly circulated such that exposure levels are maintained in compliance with established concentration guidelines.

Table 52 Commercial Credit Exposure by Industry [(1)]

	December 31			
	Commercial Utilized		Total Commercial Committed	
(Dollars in millions)	2013	2012	2013	2012
Diversified financials	$78,423	$66,102	$121,075	$99,574
Real estate [(2)]	54,336	47,479	76,418	65,639
Retailing	32,859	28,065	54,616	47,719
Capital goods	28,016	25,071	52,849	49,196
Healthcare equipment and services	30,828	29,396	49,063	45,488
Government and public education	40,253	41,441	48,322	50,277
Banking	39,649	39,829	45,095	44,822
Materials	22,384	21,809	42,699	40,493
Energy	19,739	17,661	41,156	38,441
Consumer services	21,080	23,093	34,217	36,367
Commercial services and supplies	19,770	19,020	32,007	30,257
Food, beverage and tobacco	14,437	14,738	30,541	37,344
Utilities	9,253	8,403	25,243	23,425
Media	13,070	13,091	22,655	21,705
Transportation	15,280	13,791	22,595	20,255
Individuals and trusts	14,864	13,916	18,681	17,801
Software and services	6,814	5,549	14,172	12,125
Pharmaceuticals and biotechnology	6,455	3,846	13,986	11,401
Technology hardware and equipment	6,166	5,111	12,733	11,101
Insurance, including monolines	5,926	8,491	12,203	14,117

Telecommunication services	4,541	4,008	11,423	10,276
Consumer durables and apparel	5,427	4,246	9,757	8,438
Automobiles and components	3,165	3,312	8,424	7,675
Food and staples retailing	3,950	3,528	7,909	6,838
Religious and social organizations	5,452	6,850	7,677	9,107
Other	5,357	3,881	8,309	7,124
Total commercial credit exposure by industry	$507,494	$471,727	$823,825	$767,005
Net credit default protection purchased on total commitments [3]			$(8,085)	$(14,657)

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

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

(3) Represents net notional credit protection purchased. For additional information, see Commercial Portfolio Credit Risk Management – Risk Mitigation on page 99.

Monoline Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits. We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations and credit-enhanced securities as part of our public finance business, and other selected products. Such indirect exposure exists when we purchase credit protection from monolines to hedge all or a portion of the credit risk on certain credit exposures including loans and CDOs. We underwrite our public finance exposure by evaluating the underlying securities.

We also have indirect exposure to monolines in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when credit protection was purchased from monolines to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan due to a breach of the representations and warranties, and the market value of the loan has declined, or we are required to indemnify or provide recourse for a guarantor's loss. For more information regarding our exposure to representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 52 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 53 presents the notional amount of our monoline derivative credit exposure, mark-to-market adjustment and the counterparty credit valuation adjustment. The notional amount of monoline exposure decreased $2.9 billion in 2013 due to terminations, paydowns and maturities of monoline contracts.

Table 53 Derivative Credit Exposures

	December 31	
(Dollars in millions)	2013	2012
Notional amount of monoline exposure	$10,631	$13,547
Mark-to-market	$97	$898
Counterparty credit valuation adjustment	(15)	(118)
Net mark-to-market	$82	$780
	2013	2012
Gains from credit valuation changes	$73	$213

Risk Mitigation

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

At December 31, 2013 and 2012, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $8.1 billion and $14.7 billion. The mark-to-market effects resulted in net losses of $356 million in 2013 compared to $1.0 billion in 2012. The gains and losses on these instruments were offset by gains and losses on the exposures. Table 54 presents the average VaR statistics at a 99 percent confidence interval for the hedged credit exposure, the purchased credit protection and the remaining position. See Trading Risk Management on page 109 for a

description of our VaR calculation for the market-based trading portfolio.

Table 54 Credit Derivative VaR Statistics

(Dollars in millions)	2013	2012
Hedged credit exposure, average	$44	$79
Purchased credit protection, average	19	52

Remaining, average [1]	28	24

(1) Reflects the diversification effect between net credit default protection hedging our credit exposure and the related credit exposure.

Tables 55 and 56 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at December 31, 2013 and 2012.

Table 55 Net Credit Default Protection by Maturity

	December 31			
	2013		2012	
Less than or equal to one year	35	%	21	%
Greater than one year and less than or equal to five years	63		75	
Greater than five years	2		4	
Total net credit default protection	100	%	100	%

Table 56 Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	December 31 2013 Net Notional [1]		Percent of Total		2012 Net Notional [1]		Percent of Total	
Ratings [2, 3]								
AAA	$—		—	%	$(120	)	0.8	%
AA	(7	)	0.1		(474	)	3.2	
A	(2,560	)	31.7		(5,861	)	40.0	
BBB	(3,880	)	48.0		(6,067	)	41.4	
BB	(1,137	)	14.1		(1,101	)	7.5	
B	(452	)	5.6		(937	)	6.4	
CCC and below	(115	)	1.4		(247	)	1.7	
NR [4]	66		(0.9	)	150		(1.0	)
Total net credit default protection	$(8,085	)	100.0	%	$(14,657	)	100.0	%

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

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

the amount of collateral required by the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.
Table 57 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts with the counterparty. For more information on our written credit derivatives, see Note 2 – Derivatives to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 57 take into consideration the effects of legally enforceable master netting agreements, while amounts disclosed in Note 2 – Derivatives to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 57 Credit Derivatives

	December 31			
	2013		2012	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	$1,305,090	$6,042	$1,559,472	$8,987
Total return swaps/other	38,094	402	43,489	402
Total purchased credit derivatives	$1,343,184	$6,444	$1,602,961	$9,389
Written credit derivatives:				
Credit default swaps	$1,265,380	n/a	$1,531,504	n/a
Total return swaps/other	63,407	n/a	68,811	n/a
Total written credit derivatives	$1,328,787	n/a	$1,600,315	n/a

n/a = not applicable

Counterparty Credit Risk Valuation Adjustments

We record counterparty credit risk valuation adjustments on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit risk of the counterparty. We calculate CVA based on a modeled expected exposure that incorporates current market risk factors including changes in market spreads and non-credit related market factors that affect the value of a derivative. The exposure also takes into consideration credit mitigants such as legally enforceable master netting agreements and collateral. For additional information, see Note 2 – Derivatives to the Consolidated Financial Statements.

Table 58 Credit Valuation Gains and Losses

	2013			2012		
(Dollars in millions)	Gross	Hedge	Net	Gross	Hedge	Net
Credit valuation gains (losses)	$738	$(834)	$(96)	$1,022	$(731)	$291

Non-U.S. Portfolio

Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. Management oversight of country risk, including cross-border risk, is provided by the Country Credit Risk Committee, a subcommittee of the CRC. In addition to the direct risk of doing business in a country, we also are exposed to indirect country risks (e.g., related to the collateral received on secured financing transactions or related to client clearing activities). These indirect exposures are managed in the normal course of business through credit, market and operational risk governance, rather than through country risk governance.

Table 59 presents our total non-U.S. exposure broken out by region at December 31, 2013 and 2012. Non-U.S. exposure is presented on an internal risk management basis and includes sovereign and non-sovereign credit exposure, securities and other investments issued by or domiciled in countries other than the U.S. The risk assignments by country can be adjusted for external guarantees and certain collateral types. Exposures that are subject to external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities.

Table 59 Total Non-U.S. Exposure by Region

	December 31	
(Dollars in millions)	2013	2012
Europe	$133,303	$137,778
Asia Pacific	69,266	92,412
Latin America	21,723	21,246
Middle East and Africa	8,691	8,200
Other [1]	20,866	22,014
Total	$253,849	$281,650

(1) Other includes Canada exposure of $19.8 billion and $20.3 billion at December 31, 2013 and 2012.

Our total non-U.S. exposure was $253.8 billion at December 31, 2013, a decrease of $27.8 billion from December 31, 2012. The decrease in non-U.S. exposure was driven by a reduction in Asia Pacific and Europe, partially offset by growth in other regions. Our non-U.S. exposure remained concentrated in Europe which accounted for $133.3 billion, or 53 percent of total non-U.S. exposure. The European exposure was mostly in Western Europe and was distributed across a variety of industries. Select European countries are further presented in Table 61. Asia Pacific was our second largest non-U.S. exposure at $69.3 billion, or 27 percent of total non-U.S. exposure. Latin America accounted for $21.7 billion, or nine percent of total non-U.S. exposure. Middle East and Africa accounted for $8.7 billion, or three percent of total non-U.S. exposure. Other non-U.S. exposure accounted for $20.9 billion or eight percent of total non-U.S. exposure. For information on country specific exposures, see Tables 60 and 61.

Funded loans and loan equivalents include loans, leases and other extensions of credit and funds, including letters of credit and due from placements, which have not been reduced by collateral, hedges or credit default protection. Funded loans and loan equivalents are reported net of charge-offs but prior to any allowance for loan and lease losses. Unfunded commitments are the undrawn portion of legally binding commitments related to loans and loan equivalents.

Net counterparty exposure includes the fair value of derivatives, including the counterparty risk associated with credit default swaps (CDS) and secured financing transactions. Derivative exposures are presented net of collateral, which is predominantly cash, pledged under legally enforceable master netting agreements. Secured financing transaction exposures are presented net of eligible cash or securities pledged as collateral.

Securities and other investments are carried at fair value and long securities exposures are netted against short exposures with

the same underlying issuer to, but not below, zero (i.e., negative issuer exposures are reported as zero). Other investments include our GPI portfolio and strategic investments.

Net country exposure represents country exposure less hedges and credit default protection purchased, net of credit default protection sold. We hedge certain of our country exposures with credit default protection primarily in the form of single-name, as well as indexed and tranched CDS. The exposures associated with these hedges represent the amount that would be realized upon the isolated default of an individual issuer in the relevant country assuming a zero recovery rate for that individual issuer, and are calculated based on the CDS notional amount less any fair value receivable or payable. Changes in the assumption of an isolated default can produce different results in a particular tranche.

Table 60 presents our 20 largest non-U.S. country exposures. These exposures accounted for 88 percent and 89 percent of our total non-U.S. exposure at December 31, 2013 and 2012. Net country exposure for these 20 countries decreased $30.5 billion in 2013 driven by a decrease in funded loans and loan equivalents in Japan and France resulting from a decrease in central bank deposits and a reduction in unfunded loan commitments in Singapore.

Table 60Top 20 Non-U.S. Countries Exposure

(Dollars in millions)	Funded Loans and Loan Equivalents	Unfunded Loan Commitments	Net Counterparty Exposure	Securities/ Other Investments	Country Exposure at December 31 2013	Hedges and Credit Default Protection	Net Country Exposure at December 31 2013	Increase (Decrease) from December 31 2012
United Kingdom	$ 25,898	$ 12,046	$ 5,259	$4,812	$ 48,015	$(4,429)	$ 43,586	$(3,606)
Canada	6,075	6,942	1,568	5,223	19,808	(1,397)	18,411	(565)
Brazil	8,591	698	416	4,106	13,811	(179)	13,632	1,129
China	10,712	587	642	1,468	13,409	(488)	12,921	3,734
Germany	6,262	4,973	2,800	3,173	17,208	(4,490)	12,718	1,698
India	6,256	643	361	3,204	10,464	(213)	10,251	(3,467)
France	1,914	6,790	976	5,228	14,908	(4,745)	10,163	(6,128)
Japan	4,340	477	1,827	2,854	9,498	(1,383)	8,115	(15,724)
Australia	4,374	2,136	565	2,048	9,123	(1,126)	7,997	(1,732)
Netherlands	3,599	2,758	555	2,496	9,408	(1,773)	7,635	(3,047)
	5,824	960	230	621	7,635	(913)	6,722	1,810

Russian Federation								
South Korea	3,771	811	566	2,236	7,384	(949)	6,435	(714)
Switzerland	2,760	3,150	625	629	7,164	(1,618)	5,546	(274)
Hong Kong	4,296	374	81	847	5,598	(241)	5,357	(86)
Italy	3,096	3,573	2,328	763	9,760	(4,558)	5,202	364
Taiwan	2,614	—	132	1,385	4,131	(59)	4,072	850
Mexico	3,030	687	129	657	4,503	(504)	3,999	340
Singapore	2,401	138	157	1,280	3,976	(147)	3,829	(6,345)
Spain	3,475	892	115	519	5,001	(1,598)	3,403	749
Turkey	2,354	75	10	271	2,710	(17)	2,693	551
Total top 20 non-U.S. countries exposure	$ 111,642	$ 48,710	$ 19,342	$43,820	$ 223,514	$(30,827)	$ 192,687	$(30,463)

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress in recent years. Risks from the ongoing financial instability in these countries could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these

countries. Market volatility is expected to continue as policymakers address the fundamental challenges of competitiveness, growth and fiscal solvency. We expect to continue to support client activities in the region and our exposures may vary over time as we monitor the situation and manage our risk profile.

Table 61 presents our direct sovereign and non-sovereign exposures in these countries at December 31, 2013. Our total sovereign and non-sovereign exposure to these countries was $17.1 billion at December 31, 2013 compared to $14.5 billion at December 31, 2012. The total exposure to these countries, net of all hedges, was $10.4 billion at December 31, 2013 compared to $9.5 billion at December 31, 2012. At December 31, 2013 and

2012, hedges and credit default protection purchased, net of credit default protection sold, was $6.8 billion and $5.1 billion. Net country exposure increased $901 million in 2013 driven by increased funded loan and loan equivalents with financial institutions in Spain and Italy, partially offset by a decrease in total sovereign exposures.

Table 61 Select European Countries

(Dollars in millions)	Funded Loans and Loan Equivalents	Unfunded Loan Commitments	Net Counterparty Exposure (1)	Securities/Other Investments (2)	Country Exposure at December 31 2013	Hedges and Credit Default Protection (3)	Net Country Exposure at December 31 2013	Increase (Decrease) from December 31 2012
Greece								
Sovereign	$ —	$ —	$ —	$ 58	$ 58	$—	$58	$56
Financial institutions	—	—	—	27	27	(30)	(3)	2
Corporates	63	61	2	13	139	(41)	98	(211)
Total Greece	$ 63	$ 61	$ 2	$ 98	$ 224	$(71)	$153	$(153)
Ireland								
Sovereign	$ 19	$ —	$ 19	$ —	$ 38	$(43)	$(5)	$(63)
Financial institutions	812	10	124	44	990	(10)	980	388
Corporates	356	338	69	55	818	(49)	769	(160)
Total Ireland	$ 1,187	$ 348	$ 212	$ 99	$ 1,846	$(102)	$1,744	$165
Italy								
Sovereign	$ 2	$ —	$ 1,611	$ 269	$ 1,882	$(2,095)	$(213)	$(243)
Financial institutions	1,938	348	179	175	2,640	(1,230)	1,410	333
Corporates	1,156	3,225	538	319	5,238	(1,233)	4,005	274
Total Italy	$ 3,096	$ 3,573	$ 2,328	$ 763	$ 9,760	$(4,558)	$5,202	$364
Portugal								
Sovereign	$ —	$ —	$ 15	$ 35	$ 50	$(27)	$23	$60
Financial institutions	4	—	2	—	6	(108)	(102)	(140)
Corporates	90	103	—	40	233	(292)	(59)	(144)
Total Portugal	$ 94	$ 103	$ 17	$ 75	$ 289	$(427)	$(138)	$(224)
Spain								
Sovereign	$ 37	$ —	$ 63	$ 2	$ 102	$(163)	$(61)	$(288)
Financial institutions	1,223	1	14	131	1,369	(421)	948	790
Corporates	2,215	891	38	386	3,530	(1,014)	2,516	247
Total Spain	$ 3,475	$ 892	$ 115	$ 519	$ 5,001	$(1,598)	$3,403	$749
Total								
Sovereign	$ 58	$ —	$ 1,708	$ 364	$ 2,130	$(2,328)	$(198)	$(478)

Financial institutions	3,977	359	319	377	5,032	(1,799)	3,233	1,373
Corporates	3,880	4,618	647	813	9,958	(2,629)	7,329	6
Total select European exposure	$ 7,915	$ 4,977	$ 2,674	$ 1,554	$ 17,120	$(6,756)	$10,364	$901

(1) Net counterparty exposure includes the fair value of derivatives, including the counterparty risk associated with CDS, and secured financing transactions. Derivative exposures are presented net of $1.1 billion in collateral, which is predominantly cash, pledged under legally enforceable master netting agreements. Secured financing transaction exposures are presented net of eligible cash or securities pledged as collateral. The notional amount of reverse repurchase transactions was $4.0 billion. Counterparty exposure is not presented net of hedges or credit default protection.

(2) Long securities exposures are netted on a single-name basis to, but not below, zero by short exposures of $4.9 billion and net CDS purchased of $1.9 billion, consisting of $1.5 billion of net single-name CDS purchased and $406 million of net indexed and tranched CDS purchased.

(3) Represents credit default protection purchased, net of credit default protection sold, which is used to mitigate the Corporation's risk to country exposures as listed, including $4.5 billion, consisting of $3.0 billion in net single-name CDS purchased and $1.5 billion in net indexed and tranched CDS purchased, to hedge loans and securities, $2.3 billion in additional credit default protection purchased to hedge derivative assets and $127 million in other short exposures.

The majority of our CDS contracts on reference assets in Greece, Ireland, Italy, Portugal and Spain are with highly-rated financial institutions primarily outside of the Eurozone and we work to limit or eliminate correlated CDS. Due to our engagement in market-making activities, our CDS portfolio contains contracts with various maturities to a diverse set of counterparties. We work to

limit mismatches in maturities between our exposures and the CDS we use to hedge them. However, there may be instances where the protection purchased has a different maturity than the exposure for which the protection was purchased, in which case, those exposures and hedges are subject to more active monitoring and management.

Table 62 presents the notional amount and fair value of single-name CDS purchased and sold on reference assets in Greece, Ireland, Italy, Portugal and Spain. Table 62 includes only single-name CDS netted at the counterparty level, whereas, Table 61 includes single-name, indexed and tranched CDS exposures netted by the reference asset that they are intended to hedge; therefore, CDS purchased and sold information is not comparable between tables.

Table 62 Single-Name CDS with Reference Assets in Greece, Ireland, Italy, Portugal and Spain [1]

	December 31, 2013			
	Notional		Fair Value	
(Dollars in billions)	Purchased	Sold	Purchased	Sold
Greece				
Aggregate	$1.4	$1.4	$0.1	$0.1
After legally netting [2]	0.3	0.3	—	—
Ireland				
Aggregate	2.4	2.2	0.1	0.1
After legally netting [2]	0.9	0.7	0.1	—
Italy				
Aggregate	53.8	47.9	2.5	1.7
After legally netting [2]	13.0	7.0	1.1	0.4
Portugal				
Aggregate	7.5	7.5	0.4	0.4
After legally netting [2]	1.2	1.3	0.1	0.1
Spain				
Aggregate	20.7	20.8	0.6	0.6
After legally netting [2]	3.2	3.2	0.1	0.1

(1) The majority of our CDS contracts on reference assets in Greece, Ireland, Italy, Portugal and Spain are primarily with non-Eurozone counterparties.

(2) Amounts listed are after consideration of legally enforceable counterparty master netting agreements.

Losses could result even if there is credit default protection purchased because the purchased credit protection contracts may only pay out under certain scenarios and thus not all losses may be covered by the credit protection contracts. The effectiveness of our CDS protection as a hedge of these risks is influenced by a number of factors, including the contractual terms of the CDS. Generally, only the occurrence of a credit event as defined by the CDS terms (which may include, among other events, the failure to pay by, or restructuring of, the reference entity) results in a payment under the purchased credit protection contracts. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association, Inc. (ISDA) Determination Committee (comprised of various ISDA member firms) based on the terms of the CDS and facts and

circumstances for the event. Accordingly, uncertainties exist as to whether any particular strategy or policy action for addressing the European financial instability would constitute a credit event under the CDS. A voluntary restructuring may not trigger a credit event under CDS terms and consequently may not trigger a payment under the CDS contract.

In addition to our direct sovereign and non-sovereign exposures, a significant deterioration of the European financial instability could result in material reductions in the value of sovereign debt and other asset classes posted as collateral, disruptions in capital markets, widening of credit spreads of U.S. and non-U.S. financial institutions, loss of investor confidence in the financial services industry, a slowdown in global economic activity and other adverse developments. For more information on the financial instability in Europe, see Item 1A. Risk Factors.

Table 63 presents countries where total cross-border exposure exceeded one percent of our total assets. At December 31, 2013, the United Kingdom was the only country where total cross-border exposure exceeded one percent of our total assets. At December 31, 2013, France had total cross-border exposure of $17.8 billion representing 0.85 percent of our total assets. No other countries had total cross-border exposure that exceeded 0.75 percent of our total assets at December 31, 2013.

Table 63 Total Cross-border Exposure Exceeding One Percent of Total Assets

	United Kingdom	
(Dollars in millions)	2013	2012
Public sector	$6	$95
Banks	7,027	5,656
Private sector	32,466	31,595
Cross-border exposure	$39,499	$37,346
Exposure as a percentage of total assets	1.88 %	1.69 %

Cross-border exposures are calculated using FFIEC guidelines and not our internal risk management view; therefore, exposures are not comparable between tables. Exposure includes cross-border claims by our non-U.S. offices including loans, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unfunded commitments, letters of credit and financial guarantees, and the notional amount of cash lent under secured financing transactions. Sector definitions are consistent with FFIEC reporting requirements for preparing the Country Exposure Report.

Provision for Credit Losses

The provision for credit losses decreased $4.6 billion to $3.6 billion in 2013 compared to 2012. The provision for credit losses was $4.3 billion lower than net charge-offs for 2013, resulting in a reduction in the allowance for credit losses due to continued improvement in the home loans and credit card portfolios. This compared to a reduction of $6.7 billion in the allowance for credit losses for 2012. If the economy and our asset quality continue to improve, we anticipate additional reductions in the allowance for credit losses in future periods, although at a significantly lower level than in 2013.

The provision for credit losses for the consumer portfolio decreased $6.0 billion to $2.0 billion in 2013 compared to 2012, due to continued improvement in the home loans portfolio primarily as a result of improved delinquencies, increased home prices, and continued loan balance run-off, as well as improvement in the credit card portfolios primarily driven by lower delinquencies. The provision for credit losses related to the PCI loan portfolio was a benefit of $707 million in 2013 primarily due to improvement in our home price outlook compared to a benefit of $103 million in 2012.

The provision for credit losses for the commercial portfolio, including unfunded lending commitments, increased $1.3 billion to $1.5 billion in 2013 compared to 2012 due to stabilization of credit quality, an increase in reserves due to loan growth and a higher volume of loan resolutions in the prior year within the core commercial portfolio.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is comprised of two components. The first component covers nonperforming commercial loans and TDRs. The second component covers loans and leases on which there are incurred losses that are not yet individually identifiable, as well as incurred losses that may not be represented in the loss forecast models. We evaluate the adequacy of the allowance for loan and lease losses based on the total of these two components, each of which is described in more detail below. The allowance for loan and lease losses excludes LHFS and loans accounted for under the fair value option as the fair value reflects a credit risk component.

The first component of the allowance for loan and lease losses covers both nonperforming commercial loans and all TDRs within the consumer and commercial portfolios. These loans are subject to impairment measurement based on the present value of projected future cash flows discounted at the loan's original effective interest rate, or in certain circumstances, impairment may also be based upon the collateral value or the loan's observable market price if available. Impairment measurement for the renegotiated consumer credit card, small business credit card and unsecured consumer TDR portfolios is based on the present value of projected cash flows discounted using the average portfolio contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers the remaining consumer and commercial loans and

leases that have incurred losses which are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of loans that will default based on individual loan attributes, the most significant of which are refreshed LTV or CLTV, and borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Additionally, we incorporate the delinquency status of underlying first-lien loans on our junior-lien home equity portfolio in our allowance process. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of December 31, 2013, the loss forecast process resulted in reductions in the allowance for all major consumer portfolios.

The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience, internal risk rating, current economic conditions, industry performance trends, geographic and obligor concentrations within each portfolio and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize our historical database of actual defaults and other data. The loan risk ratings and composition of the commercial portfolios used to calculate the allowance are updated quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the probability of default and the LGD based on our historical experience of defaults and credit losses. Factors considered when assessing the internal risk rating include the value of the underlying collateral, if applicable, the industry in which the obligor operates, the obligor's liquidity and other financial indicators, and other quantitative and qualitative factors relevant to the obligor's credit risk. As of December 31, 2013, changes in portfolio size and composition resulted in an increase in the allowance for all major commercial portfolios.

Also included within the second component of the allowance for loan and lease losses are reserves to cover losses that are incurred but, in our assessment, may not be adequately represented in the historical loss data used in the loss forecast models. For example, factors that we consider include, among others, changes in lending policies and procedures, changes in economic and business conditions, changes in the nature and size of the portfolio, changes in portfolio concentrations, changes in the volume and severity of past due loans and nonaccrual loans, the effect of external factors such as competition, and legal and regulatory requirements. We also consider factors that are applicable to unique portfolio segments. For example, we consider the risk of uncertainty in our loss forecasting models related to junior-lien home equity loans that are current, but have first-lien loans that we do not service that are 30 days or more past due. In addition, we consider the increased risk of default associated with our interest-only loans that have yet to enter the amortization period. Given the heightened risk of loss with these loans, additional reserves are recorded to the allowance for loan and lease losses. Further, we consider the inherent uncertainty in mathematical models that are built upon historical data. During 2013, the factors that impacted the allowance for loan and lease losses included significant overall improvements in the credit quality of the portfolios driven by improvements in the U.S. economy and housing and labor markets, continuing proactive credit risk management initiatives and the impact of recent higher credit quality originations. Additionally, the resolution of uncertainties through current recognition of net charge-offs has impacted the amount of reserve needed in certain portfolios. Evidencing the improvements in the U.S. economy and housing and labor markets are modest growth in consumer spending, improvements in unemployment levels, a decrease in the absolute level and our share of national consumer bankruptcy filings, and a rise in both residential building activity and overall home prices. In addition to these improvements, paydowns, charge-offs, sales, returns to performing status and upgrades out of criticized continued to outpace new nonaccrual consumer loans and reservable criticized commercial loans, but such loans remained elevated relative to levels experienced prior to the financial crisis.

We monitor differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of loan and lease portfolios and the models used to estimate incurred losses in those portfolios.

Additions to, or reductions of, the allowance for loan and lease losses generally are recorded through charges or credits to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses for the consumer portfolio, as presented in Table 65, was $13.4 billion at December 31, 2013, a decrease of $7.7 billion from December 31, 2012. The decrease was primarily driven by the home equity and residential mortgage portfolios due to improved delinquencies and home prices as evidenced by improving LTV statistics as presented in Tables 30 and 32 as well as continued loan balance run-off. In addition, the home equity and residential mortgage allowance declined due to write-offs in our PCI loan portfolio. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses.

The decrease in the allowance related to the U.S. credit card and unsecured consumer lending portfolios in CBB was primarily due to improvement in delinquencies and bankruptcies. For example, in the U.S. credit card portfolio, accruing loans 30 days or more past due decreased to $2.1 billion at December 31, 2013 from $2.7 billion (to 2.25 percent from 2.90 percent of outstanding U.S. credit card loans) at December 31, 2012, and accruing loans 90 days or more past due declined to $1.1 billion at December 31, 2013 from $1.4 billion (to 1.14 percent from 1.52 percent of outstanding U.S. credit card loans) at December 31, 2012. See Tables 27, 28, 37 and 39 for additional details on key credit statistics for the credit card and other unsecured consumer lending portfolios.

The allowance for loan and lease losses for the commercial portfolio, as presented in Table 65, was $4.0 billion at December 31, 2013, a $899 million increase from December 31, 2012, as continued improvement in credit quality was more than offset by loan growth across the commercial portfolio. The commercial utilized reservable criticized exposure decreased to $12.9 billion at December 31, 2013 from $15.9 billion (to 3.02 percent from 4.10 percent of total commercial utilized reservable exposure) at December 31, 2012. Similarly, nonperforming commercial loans declined to $1.3 billion at December 31, 2013 from $3.2 billion (to 0.34 percent from 0.93 percent of outstanding commercial loans) at December 31, 2012. See Tables 43, 44 and 46 for additional details on key commercial credit statistics.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.90 percent at December 31, 2013 compared to 2.69 percent at December 31, 2012. The decrease in the ratio was primarily due to improved credit quality driven by improved economic conditions and write-offs in the PCI loan portfolio for home equity and residential mortgage which led to the reduction in the allowance for credit losses discussed above. The December 31, 2013 and 2012 ratios above include the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.67 percent at December 31, 2013 compared to 2.14 percent at December 31, 2012.

Table 64 presents a rollforward of the allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, for 2013 and 2012.

Table 64 Allowance for Credit Losses

(Dollars in millions)	2013	2012
Allowance for loan and lease losses, January 1	$24,179	$33,783
Loans and leases charged off		
Residential mortgage	(1,508)	(3,276)
Home equity	(2,258)	(4,573)
U.S. credit card	(4,004)	(5,360)
Non-U.S. credit card	(508)	(835)
Direct/Indirect consumer	(710)	(1,258)
Other consumer	(273)	(274)
Total consumer charge-offs	(9,261)	(15,576)
U.S. commercial (1)	(774)	(1,309)
Commercial real estate	(251)	(719)
Commercial lease financing	(4)	(32)
Non-U.S. commercial	(79)	(36)
Total commercial charge-offs	(1,108)	(2,096)
Total loans and leases charged off	(10,369)	(17,672)
Recoveries of loans and leases previously charged off		
Residential mortgage	424	165
Home equity	455	331
U.S. credit card	628	728
Non-U.S. credit card	109	254
Direct/Indirect consumer	365	495
Other consumer	39	42
Total consumer recoveries	2,020	2,015
U.S. commercial (2)	287	368
Commercial real estate	102	335
Commercial lease financing	29	38
Non-U.S. commercial	34	8
Total commercial recoveries	452	749
Total recoveries of loans and leases previously charged off	2,472	2,764
Net charge-offs	(7,897)	(14,908)
Write-offs of PCI loans	(2,336)	(2,820)
Provision for loan and lease losses	3,574	8,310
Other (3)	(92)	(186)
Allowance for loan and lease losses, December 31	17,428	24,179
Reserve for unfunded lending commitments, January 1	513	714
Provision for unfunded lending commitments	(18)	(141)
Other (4)	(11)	(60)
Reserve for unfunded lending commitments, December 31	484	513
Allowance for credit losses, December 31	$17,912	$24,692

(1) Includes U.S. small business commercial charge-offs of $457 million and $799 million in 2013 and 2012.

(2) Includes U.S. small business commercial recoveries of $98 million and $100 million in 2013 and 2012.

(3) Primarily represents the net impact of portfolio sales, consolidations and deconsolidations, and foreign currency translation adjustments.

(4) Primarily represents accretion of the Merrill Lynch purchase accounting adjustment.

Table 64 Allowance for Credit Losses (continued)

(Dollars in millions)	2013		2012	
Loan and allowance ratios:				
Loans and leases outstanding at December 31 (5)	$918,191		$898,817	
Allowance for loan and lease losses as a percentage of total loans and leases and outstanding at December 31 (5)	1.90	%	2.69	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 (6)	2.53		3.81	
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 (7)	1.03		0.90	
Average loans and leases outstanding (5)	$909,127		$890,337	
Net charge-offs as a percentage of average loans and leases outstanding (5, 8)	0.87	%	1.67	%
Net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (5)	1.13		1.99	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (5, 9)	102		107	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs (8)	2.21		1.62	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and PCI write-offs	1.70		1.36	
Amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (10)	$7,680		$12,021	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (10)	57	%	54	%
Loan and allowance ratios excluding PCI loans and the related valuation allowance: (11)				
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (5)	1.67	%	2.14	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 (6)	2.17		2.95	
Net charge-offs as a percentage of average loans and leases outstanding (5)	0.90		1.73	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (5, 9)	87		82	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	1.89		1.25	

(5) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option, which were $10.0 billion and $9.0 billion at December 31, 2013 and 2012. Average loans accounted for under the fair value option were $9.5 billion and $8.4 billion in 2013 and 2012.

(6) Excludes consumer loans accounted for under the fair value option of $2.2 billion and $1.0 billion at December 31, 2013 and 2012.

(7) Excludes commercial loans accounted for under the fair value option of $7.9 billion and $8.0 billion at December 31, 2013 and 2012.

(8) Net charge-offs exclude $2.3 billion and $2.8 billion of write-offs in the PCI loan portfolio in 2013 and 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

(9) For more information on our definition of nonperforming loans, see pages 89 and 96.

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

(11) For more information on the PCI loan portfolio and the valuation allowance for PCI loans, see Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is generally available to absorb any credit losses without restriction. Table 65 presents our allocation by product type.

Table 65 Allocation of the Allowance for Credit Losses by Product Type

	December 31, 2013			December 31, 2012		
(Dollars in millions)	Amount	Percent of Total	Percent of Loans and Leases Outstanding (1)	Amount	Percent of Total	Percent of Loans and Leases Outstanding (1)
Allowance for loan and lease losses						
Residential mortgage	$4,084	23.43 %	1.65 %	$7,088	29.31 %	2.80 %
Home equity	4,434	25.44	4.73	7,845	32.45	7.26
U.S. credit card	3,930	22.55	4.26	4,718	19.51	4.97
Non-U.S. credit card	459	2.63	3.98	600	2.48	5.13
Direct/Indirect consumer	417	2.39	0.51	718	2.97	0.86
Other consumer	99	0.58	5.02	104	0.43	6.40
Total consumer	13,423	77.02	2.53	21,073	87.15	3.81
U.S. commercial (2)	2,394	13.74	1.06	1,885	7.80	0.90
Commercial real estate	917	5.26	1.91	846	3.50	2.19
Commercial lease financing	118	0.68	0.47	78	0.32	0.33
Non-U.S. commercial	576	3.30	0.64	297	1.23	0.40
Total commercial (3)	4,005	22.98	1.03	3,106	12.85	0.90
Allowance for loan and lease losses	17,428	100.00 %	1.90	24,179	100.00 %	2.69
Reserve for unfunded lending commitments	484			513		
Allowance for credit losses (4)	$17,912			$24,692		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option. Consumer loans accounted for under the fair value option included residential mortgage loans of $2.0 billion and $1.0 billion and home equity loans of $147 million and $0 at December 31, 2013 and 2012. Commercial loans accounted for under the fair value option included U.S. commercial loans of $1.5 billion and $2.3 billion and non-U.S. commercial loans of $6.4 billion and $5.7 billion at December 31, 2013 and 2012.

(2) Includes allowance for loan and lease losses for U.S. small business commercial loans of $462 million and $642 million at December 31, 2013 and 2012.

(3) Includes allowance for loan and lease losses for impaired commercial loans of $277 million and $475 million at December 31, 2013 and 2012.

(4) Includes $2.5 billion and $5.5 billion of valuation allowance included as part of the allowance for credit losses related to PCI loans at December 31, 2013 and 2012.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees, unfunded bankers' acceptances and binding loan commitments, excluding commitments accounted for under the fair value option. Unfunded lending commitments are subject to the same assessment as funded loans, including estimates of probability of default and LGD. Due to the nature of unfunded commitments, the estimate of probable losses must also consider utilization. To estimate the portion of these undrawn commitments that is likely to be drawn by a borrower at the time of estimated default, analyses of the Corporation's historical experience are applied to the unfunded commitments to estimate the funded EAD. The expected loss for unfunded lending commitments is the product of the probability of default, the LGD and the EAD, adjusted for any qualitative factors including economic uncertainty and inherent imprecision in models.

The reserve for unfunded lending commitments was $484 million at December 31, 2013, a decrease of $29 million from December 31, 2012. The decrease was driven by improved credit quality in the unfunded portfolio.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. This risk is inherent in the financial instruments associated with our operations, primarily within our Global Markets segment. We are also exposed to these risks in other areas of the Corporation (e.g., our ALM activities). In the event of market stress, these risks could have a material impact on the results of the Corporation. For additional information, see Interest Rate Risk Management for Nontrading Activities on page 113.

Our traditional banking loan and deposit products are nontrading positions and are generally reported at amortized cost for assets or the amount owed for liabilities (historical cost). However, these positions are still subject to changes in economic value based on varying market conditions, with one of the primary risks being changes in the levels of interest rates. The risk of adverse changes in the economic value of our nontrading positions arising from changes in interest rates is managed through our ALM activities. We have elected to account for certain assets and liabilities under the fair value option.

Our trading positions are reported at fair value with changes reflected in income. Trading positions are subject to various changes in market-based risk factors. The majority of this risk is generated by our activities in the interest rate, foreign exchange, credit, mortgage, equity and commodities markets. In addition, the values of assets and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility. We seek to manage these risk exposures by using a variety of techniques that encompass a broad range of financial instruments. The key risk management techniques are discussed in more detail in the Trading Risk Management section.

Global Markets Risk Management is an independent function within the Corporation that supports the Global Banking and Markets Risk Executive. The Global Markets Risk Committee (GMRC), chaired by the Global Markets Risk Executive, has been designated by ALMRC as the primary risk governance authority for Global Markets. The GMRC's focus is to take a forward-looking view of the primary credit, market and operational risks impacting Global Markets and prioritize those that need a proactive risk mitigation strategy.

Global Markets Risk Management is responsible for providing senior management with a clear and comprehensive understanding of the trading risks to which the Corporation is exposed. These responsibilities include ownership of market risk policy, developing and maintaining quantitative risk models, calculating aggregated risk measures, establishing and monitoring position limits consistent with risk appetite, conducting daily reviews and analysis of trading inventory, approving material risk exposures and fulfilling regulatory requirements. Market risks that impact businesses outside of Global Markets are monitored and governed by their respective governance functions.

Quantitative risk models, such as VaR, are an essential component in evaluating the market risks within a portfolio. The Enterprise Model Risk Committee (EMRC) reports to the ALMRC and is responsible for providing management oversight and approval of model risk management and governance. The EMRC defines model risk standards, consistent with the Corporation's Risk Framework and risk appetite, prevailing regulatory guidance and industry best practice. Models must meet certain validation criteria, including effective challenge of the model development process and a sufficient demonstration of developmental evidence incorporating a comparison of alternative theories and approaches. The EMRC ensures that model standards are consistent with model risk requirements and monitors the effective challenge in the model validation process across the Corporation. In addition, the relevant stakeholders must agree on any required limitations or restrictions to the models and maintain a stringent monitoring process to ensure continued compliance.

For more information on the fair value of certain financial assets and liabilities, see Note 20 – Fair Value Measurements to the Consolidated Financial Statements.

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivatives. Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps.

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in currencies other than the U.S. dollar. The types of instruments exposed to this risk include investments in non-U.S. subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivatives whose values fluctuate with changes in the level or volatility of currency exchange rates or non-U.S. interest rates. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards, and foreign currency-denominated debt and deposits.

Mortgage Risk

Mortgage risk represents exposures to changes in the values of mortgage-related instruments. The values of these instruments are sensitive to prepayment rates, mortgage rates, agency debt ratings, default, market liquidity, government participation and interest rate volatility. Our exposure to these instruments takes several forms. First, we trade and engage in market-making activities in a variety of mortgage securities including whole loans, pass-through certificates, commercial mortgages and collateralized mortgage obligations including CDOs using mortgages as underlying collateral. Second, we originate a variety of MBS which involves the accumulation of mortgage-related loans in anticipation of eventual securitization. Third, we may hold positions in mortgage securities and residential mortgage loans as part of the ALM portfolio. Fourth, we create MSRs as part of our mortgage origination activities. For more information on MSRs, see Note 1 – Summary of Significant Accounting Principles and Note 23 – Mortgage Servicing Rights to the Consolidated Financial Statements. Hedging instruments used to mitigate this risk include contracts and derivatives such as options, swaps, futures and forwards. For additional information, see Mortgage Banking Risk Management on page 116.

Equity Market Risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Instruments that would lead to this exposure include, but are not limited to, the following: common stock, exchange-traded funds, American Depositary Receipts, convertible bonds, listed equity options (puts and calls), OTC equity options, equity total return swaps, equity index futures and other equity derivative products. Hedging instruments used to mitigate this risk include options, futures, swaps, convertible bonds and cash positions.

Commodity Risk

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. These instruments consist primarily of futures, forwards, swaps and options. Hedging instruments used to mitigate this risk include options, futures and swaps in the same or similar commodity product, as well as cash positions.

Issuer Credit Risk

Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. Our portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration or by defaults. Hedging instruments used to mitigate this risk include bonds, CDS and other credit fixed-income instruments.

Market Liquidity Risk

Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease. This exposes us to the risk that we will not be able to transact business and execute trades in an orderly manner which may impact our results. This impact could be further exacerbated if expected hedging or pricing correlations are compromised by disproportionate demand or lack of demand for certain instruments. We utilize various risk mitigating techniques as discussed in more detail in Trading Risk Management.

Trading Risk Management

To evaluate risk in our trading activities, we focus on the actual and potential volatility of revenues generated by individual positions as well as portfolios of positions. Various techniques and procedures are utilized to enable the most complete understanding of these risks. Quantitative measures of market risk are evaluated on a daily basis from a single position to the portfolio of the Corporation. These measures include sensitivities of positions to various market risk factors, such as the potential impact on revenue from a one basis point change in interest rates, and statistical measures utilizing both actual and hypothetical market moves, such as VaR and stress testing. Periods of extreme market stress influence the reliability of these techniques to varying degrees. Qualitative evaluations of market risk utilize the suite of quantitative risk measures while understanding each of their respective limitations. Additionally, risk managers independently evaluate the risk of the portfolios under the current market environment and potential future environments.

VaR is a common statistic used to measure market risk as it allows the aggregation of market risk factors, including the effects of portfolio diversification. A VaR model simulates the value of a portfolio under a range of scenarios in order to generate a distribution of potential gains and losses. VaR represents the loss a portfolio is not expected to exceed more than a certain number of times per period, based on a specified holding period, confidence interval and window of historical data. We use one VaR model consistently across the trading portfolios that uses a historical simulation approach based on a three-year window of historical data. Our primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one-day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days.

Within any VaR model, there are significant and numerous assumptions that will differ from company to company. The accuracy of a VaR model depends on the availability and quality of historical data for each of the risk factors in the portfolio. A VaR model may require additional modeling assumptions for new products that do not have the necessary historical market data or for less liquid positions for which accurate daily prices are not consistently available. For positions with insufficient historical data for the VaR calculation, the process for establishing an appropriate proxy is based on fundamental and statistical analysis of the new product or less liquid position. This analysis identifies reasonable alternatives that replicate both the expected volatility and correlation to other market risk factors that the missing data would be expected to experience.

VaR may not be indicative of realized revenue volatility as changes in market conditions or in the composition of the portfolio can have a material impact on the results. In particular, the historical data used for the VaR calculation might indicate higher or lower levels of portfolio diversification than will be experienced. In order for the VaR model to reflect current market conditions, we update the historical data underlying our VaR model on a bi-weekly basis, or more frequently during periods of market stress, and regularly review the assumptions underlying the model. A relatively minor portion of risks related to our trading positions are not included in VaR. These risks are reviewed as part of our ICAAP.

Global Markets Risk Management continually reviews, evaluates and enhances our VaR model so that it reflects the material risks in our trading portfolio. Changes to the VaR model are reviewed and approved prior to implementation and any material changes are reported to management through the appropriate governance committees.
Market risk VaR for trading activities as presented in Table 66 differs from VaR used for regulatory capital calculations (regulatory VaR). The VaR disclosed in Table 66 excludes both counterparty CVA, which are adjustments to the mark-to-market value of our derivative exposures to reflect the impact of the credit quality of counterparties on our derivatives assets, and the corresponding hedges. Regulatory standards require that regulatory VaR only

exclude counterparty CVA but include the corresponding hedges. The holding period for regulatory VaR is 10 days while for the market risk VaR presented below, it is one day. Both regulatory and market risk VaR values utilize the same process and methodology. For more information on certain components in regulatory VaR, see Capital Management – Regulatory Capital Changes on page 68.
The market risk across all business segments to which the Corporation is exposed is included in the total market-based trading portfolio VaR results. The majority of this portfolio is within the Global Markets segment.
Table 66 presents year-end, average, high and low daily trading VaR for 2013 and 2012.

Table 66 Market Risk VaR for Trading Activities

(Dollars in millions)	2013 Year End	Average	High [1]	Low [1]	2012 Year End	Average	High [1]	Low [1]
Foreign exchange	$16	$ 20	$ 42	$ 12	$26	$ 21	$ 34	$ 12
Interest rate	32	34	66	20	49	46	75	30
Credit	66	53	72	33	73	50	81	31
Real estate/mortgage	35	28	44	20	37	34	45	28
Equities	25	29	56	17	27	28	55	15
Commodities	7	12	18	7	13	13	18	7
Portfolio diversification	(82)	(107)	—	—	(103)	(117)	—	—
Total market-based trading portfolio	$99	$ 69	$ 115	$ 42	$ 122	$ 75	$ 128	$ 42

(1) The high and low for the total portfolio may have occurred on different trading days than the high and low for the individual components. Therefore the amount of portfolio diversification, which is the difference between the total portfolio and the sum of the individual components, is not relevant.

The decrease in average VaR during 2013 was driven by lower levels of exposures in the interest rate and real estate/mortgage markets.

The graph below presents the daily total market-based trading portfolio VaR for 2013, corresponding to the data presented in Table 66.

To enhance the visibility of the market risks to which we are exposed, additional VaR statistics produced within the Corporation's single VaR model are provided in Table 67. Evaluating VaR with additional statistics allows for an increased understanding of the risks in the portfolio as the historical market

data used in the VaR calculation does not necessarily follow a predefined statistical distribution. Table 67 presents average trading VaR statistics for 99 percent and 95 percent confidence intervals for 2013 and 2012.

Table 67 Average Market Risk VaR for Trading Activities – Additional VaR Statistics

(Dollars in millions)	2013 99 percent	2013 95 percent	2012 99 percent	2012 95 percent [(1)]
Foreign exchange	$20	$13	$21	$12
Interest rate	34	20	46	26
Credit	53	23	50	24
Real estate/mortgage	28	17	34	18
Equities	29	16	28	16
Commodities	12	7	13	7
Portfolio diversification	(107)	(63)	(117)	(65)
Total market-based trading portfolio	$69	$33	$75	$38

(1) Due to system constraints, the 95 percent VaR for the three months ended March 31, 2012 is not available and therefore average 95 percent VaR for that period has been estimated. It is not expected that this estimation materially affected the average 95 percent VaR for 2012.

Limits on quantitative risk measures, including VaR, are monitored on a daily basis. The trading limits are independently set by market risk management and reviewed on a regular basis to ensure they remain relevant and within our overall risk appetite for market risks. Limits are reviewed in the context of market liquidity, volatility and strategic business priorities. The limits are set at both a granular level to ensure extensive coverage of risks as well as at aggregated portfolios to account for correlations among risk factors. Trading limits are approved at least annually. The ALMRC has given authority to the GMRC to approve changes to trading limits throughout the year. Approved trading limits are stored and tracked in a centralized limits management system. Trading limit excesses are communicated to management for review. Certain quantitative market risk measures and corresponding limits have been identified as critical in the Corporation's Risk Appetite Statement. These risk appetite limits are monitored on a daily basis and are approved at least annually by the Board. The market risk based risk appetite limits were not exceeded during 2013.

In periods of market stress, the GMRC members communicate daily to discuss losses, key risk positions and any limit excesses. As a result of this process, the businesses may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposures.

Backtesting

The accuracy of the VaR methodology is evaluated by backtesting, which compares the daily regulatory VaR results, utilizing a one-day holding period, against the realized daily profit and loss. Backtesting excesses occur when a trading loss exceeds the VaR for the corresponding day. These excesses are evaluated to understand the positions and market moves that produced the trading loss and to ensure that the VaR methodology accurately represents those losses. As our primary VaR statistic used for backtesting is based on a 99 percent confidence interval and a one-day holding period, we expect one trading loss in excess of VaR every 100 days, or between two to three trading losses in excess of VaR over the course of a year. The number of backtesting excesses observed can differ from the statistically expected number of excesses if the current level of market volatility is

materially different than the level of market volatility that existed during the three years of historical data used in the VaR calculation.

We conduct daily backtesting on our portfolios and report the results to senior market risk management. Senior management, including the GMRC, regularly reviews and evaluates the results of these tests. The government agencies that regulate our operations also regularly review these results.

The revenue used for backtesting is defined by regulatory agencies in order to most closely align with the VaR component of the regulatory capital calculation. This revenue differs from total trading-related revenue in that it excludes revenues from trading activities that either do not generate market risk or the market risk cannot be included in VaR. Some examples of the types of revenue excluded for backtesting are fees, commissions, reserves, net interest income and intraday trading revenues. In addition, counterparty CVA is not included in the VaR component of the regulatory capital calculation and is therefore not included in the revenue used for backtesting.

There were no days with backtesting excesses for our total market-based trading portfolio VaR, utilizing a holding period, during 2013.

Total Trading Revenue

Total trading-related revenue, excluding brokerage fees, represents the total amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities are reported at fair value. For more information on fair value, see Note 20 – Fair Value Measurements to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Also, trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment. Significant daily revenues by business are monitored and the primary drivers of these are reviewed. When it is deemed material, an explanation of these revenues is provided to the GMRC.

The histogram below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for 2013 and 2012. During 2013, positive trading-related revenue was recorded for 96 percent, or 241 of the 251 trading days, of which 74 percent (186 days) were daily trading gains of over $25 million

and the largest loss was $54 million. This compares to 2012 where positive trading-related revenue was recorded for 98 percent, or 243 of the 249 trading days, of which 80 percent (199 days) were daily trading gains of over $25 million and the largest loss was $50 million.

Trading Portfolio Stress Testing

Because the very nature of a VaR model suggests results can exceed our estimates and are dependent on a limited historical window, we also stress test our portfolio using scenario analysis. This analysis estimates the change in value of our trading portfolio that may result from abnormal market movements.

A set of scenarios, categorized as either historical or hypothetical, are computed daily for the overall trading portfolio and individual businesses. These scenarios include shocks to underlying market risk factors that may be well beyond the shocks found in the historical data used to calculate VaR. Historical scenarios simulate the impact of the market moves that occurred during a period of extended historical market stress. Generally, a 10-business day window or longer representing the most severe point during a crisis is selected for each historical scenario. Hypothetical scenarios provide simulations of the estimated portfolio impact from potential future market stress events. Scenarios are reviewed and updated in response to changing

positions and new economic or political information. In addition, new or adhoc scenarios are developed to address specific potential market events. For example, a stress test was conducted to estimate the impact of a significant increase in global interest rates and the corresponding impact across other asset classes. The stress tests are reviewed on a regular basis and the results are presented to senior management.

Stress testing for the trading portfolio is integrated with enterprise-wide stress testing and incorporated into the limits framework. A process is in place to promote consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information, see Managing Risk – Enterprise-wide Stress Testing on page 63.

Interest Rate Risk Management for Nontrading Activities

The following discussion presents net interest income excluding the impact of trading-related activities.

Interest rate risk represents the most significant market risk exposure to our nontrading balance sheet. Interest rate risk is measured as the potential change in net interest income caused by movements in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

The interest rate scenarios that we analyze incorporate balance sheet assumptions such as loan and deposit growth and pricing, changes in funding mix, product repricing and maturity characteristics. Our overall goal is to manage interest rate risk so that movements in interest rates do not significantly adversely affect earnings and capital.

Table 68 presents the spot and 12-month forward rates used in our baseline forecasts at December 31, 2013 and 2012.

Table 68 Forward Rates

	Federal Funds	Three-Month LIBOR	10-Year Swap
	December 31, 2013		
Spot rates	0.25 %	0.25 %	3.09 %
12-month forward rates	0.25	0.43	3.52
	December 31, 2012		
Spot rates	0.25 %	0.31 %	1.84 %
12-month forward rates	0.25	0.37	2.10

Table 69 shows the pre-tax dollar impact to forecasted net interest income over the next 12 months from December 31, 2013 and 2012, resulting from instantaneous parallel and non-parallel shocks to the market-based forward curve. Periodically, we evaluate the scenarios presented to ensure that they are meaningful in the context of the current rate environment. For further discussion of net interest income excluding the impact of trading-related activities, see page 34.

During 2013, the 10-year Treasury rate increased more than 120 bps. We continue to be asset sensitive to both a parallel move in interest rates and to a lesser degree a long-end led steepening of the yield curve. Additionally, rising interest rates impact the fair value of debt securities and, accordingly, for debt securities classified as AFS, may adversely affect accumulated OCI and thus capital levels.

Table 69 Estimated Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions) Curve Change	Short Rate (bps)	Long Rate (bps)	December 31 2013	2012
Parallel Shifts				
+100 bps instantaneous shift	+100	+100	$3,229	$4,350
-50 bps instantaneous shift	--50	--50	(1,616)	(2,322)
Flatteners				
Short end	+100	—	2,210	2,130

instantaneous change				
Long end instantaneous change	—	--50	(641)	(1,669)
Steepeners				
Short end instantaneous change	--50	—	(937)	(648)
Long end instantaneous change	—	+100	1,066	2,238

The sensitivity analysis in Table 69 assumes that we take no action in response to these rate shocks. As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

Securities

The securities portfolio is an integral part of our interest rate risk management, which includes our ALM positioning, and is primarily comprised of debt securities including MBS and to a lesser extent U.S. Treasury, corporate, municipal and other debt securities. As part of the ALM positioning, we use derivatives to hedge interest rate and duration risk. At December 31, 2013 and 2012, our securities portfolio used for ALM positioning had a carrying value of $323.9 billion and $360.3 billion.

During 2013 and 2012, we purchased debt securities of $190.4 billion and $185.5 billion, sold $117.7 billion and $72.4 billion, and had maturities and received paydowns of $94.0 billion and $77.8 billion, respectively. We realized $1.3 billion and $1.7 billion in net gains on sales of AFS debt securities.

At December 31, 2013 and 2012, accumulated OCI included after-tax net unrealized losses of $3.3 billion and gains of $4.4 billion on AFS debt securities and after-tax net unrealized losses of $4 million and gains of $462 million on AFS marketable equity securities. For more information on accumulated OCI, see Note 14 – Accumulated Other Comprehensive Income (Loss) to the Consolidated Financial Statements. The pre-tax net amounts in accumulated OCI related to AFS debt securities decreased $12.2 billion during 2013 to a $5.2 billion net unrealized loss primarily due to the impact of higher interest rates. For more information on our securities portfolio, see Note 3 – Securities to the Consolidated Financial Statements.

We recognized $20 million of other-than-temporary impairment (OTTI) losses in earnings on AFS debt securities in 2013 compared to losses of $53 million in 2012. The recognition of OTTI losses is based on a variety of factors, including the length of time and extent to which the market value has been less than amortized cost, the financial condition of the issuer of the security including credit ratings and any specific events affecting the operations of the issuer, underlying assets that collateralize the debt security, other industry and macroeconomic conditions, and our intent and ability to hold the security to recovery.

Residential Mortgage Portfolio

At December 31, 2013 and 2012, our residential mortgage portfolio was $248.1 billion and $252.9 billion excluding $2.0 billion and $1.0 billion of consumer residential mortgage loans accounted for under the fair value option. For more information on consumer fair value option loans, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 89. The $4.9 billion decrease in 2013 was primarily due to paydowns, charge-offs, transfers to foreclosed

properties and sales. These were partially offset by new origination volume retained on our balance sheet, loans repurchased as part of the FNMA Settlement, as well as repurchases of delinquent loans pursuant to our servicing agreements with GNMA, which is part of our mortgage banking activities. For more information on the FNMA Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

During 2013, CRES and GWIM originated $44.5 billion of first-lien mortgages that we retained compared to $35.4 billion in 2012. Additionally, during 2013 in connection with the FNMA Settlement, we repurchased $5.3 billion of certain residential mortgage loans as mentioned above. We repurchased, net of loans redelivered, $5.5 billion of loans pursuant to our servicing agreements with GNMA, primarily FHA-insured loans, compared to $7.0 billion in 2012. Sales of loans, excluding redelivered FHA loans, during 2013 were $4.0 billion compared to $302 million in 2012. Substantially all of the loans sold in 2013 were nonperforming or PCI. Gains recognized on the sales of residential mortgages in both years were not material. We received paydowns of $53.0 billion in 2013 compared to $54.3 billion in 2012.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For more information on our hedging activities, see Note 2 – Derivatives to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps, foreign currency futures contracts, foreign currency forward contracts and options to mitigate the foreign exchange

risk associated with foreign currency-denominated assets and liabilities.
Changes to the composition of our derivatives portfolio during 2013 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based on the current assessment of economic and financial conditions including the interest rate and foreign currency environments, balance sheet composition and trends, and the relative mix of our cash and derivative positions.

Table 70 presents derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments and shows the notional amount, fair value, weighted-average receive-fixed and pay-fixed rates, expected maturity and average estimated durations of our open ALM derivatives at December 31, 2013 and 2012. These amounts do not include derivative hedges on our MSRs.

Table 70 Asset and Liability Management Interest Rate and Foreign Exchange Contracts

		December 31, 2013 Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2014	2015	2016	2017	2018	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps (1, 2)	$5,074								4.67
Notional amount		$109,539	$7,604	$12,873	$15,339	$19,803	$20,733	$33,187	
Weighted-average fixed-rate		3.42 %	3.79 %	3.32 %	3.12 %	3.87 %	3.34 %	3.29 %	
Pay-fixed interest rate swaps (1, 2)	427								5.92
Notional amount		$28,418	$4,645	$520	$1,025	$1,527	$8,529	$12,172	
Weighted-average fixed-rate		1.87 %	0.54 %	2.30 %	1.65 %	1.84 %	1.52 %	2.62 %	
Same-currency basis swaps (3)	6								
Notional amount		$145,184	$47,529	$25,171	$28,157	$15,283	$9,156	$19,888	
Foreign exchange basis swaps (2, 4, 5)	1,208								
Notional amount		205,560	39,151	37,298	27,293	24,304	14,517	62,997	
Option products (6)	21								
Notional amount (7)		(641)	(649)	(11)	—	—	—	19	
Foreign exchange contracts (2, 5, 8)	1,619								
Notional amount (7)		(19,515)	(35,991)	1,873	(669)	7,224	2,026	6,022	
Futures and forward rate	147								

contracts									
Notional amount (7)		(19,427)	(19,427)	—	—	—	—	—	
Net ALM contracts	$8,502								

		December 31, 2012 Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2013	2014	2015	2016	2017	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps (1, 2)	$10,491								5.30
Notional amount		$85,899	$7,175	$7,604	$11,785	$11,362	$19,693	$28,280	
Weighted-average fixed-rate		4.12 %	4.06 %	3.79 %	3.56 %	3.98 %	3.89 %	4.67 %	
Pay-fixed interest rate swaps (1, 2)	(4,903)								15.47
Notional amount		$26,548	$27	$3,989	$520	$1,025	$1,527	$19,460	
Weighted-average fixed-rate		3.09 %	6.91 %	0.79 %	2.30 %	1.65 %	1.84 %	3.75 %	
Same-currency basis swaps (3)	45								
Notional amount		$213,458	$82,716	$54,534	$19,995	$20,361	$13,542	$22,310	
Foreign exchange basis swaps (2, 4, 5)	431								
Notional amount		191,925	32,590	44,732	27,569	15,965	20,134	50,935	
Option products (6)	(147)								
Notional amount (7)		4,218	4,000	—	—	—	—	218	
Foreign exchange contracts (2, 5, 8)	5,636								
Notional amount (7)		(1,200)	(23,438)	8,615	1,303	582	6,183	5,555	
Futures and forward rate contracts	24								
Notional amount (7)		(11,595)	(11,595)	—	—	—	—	—	

Net ALM contracts	$11,577

(1) At December 31, 2013, the receive-fixed interest rate swap notional amounts that represent forward starting swaps and which will not be effective until their respective contractual start dates totaled $600 million compared to none at December 31, 2012. The forward starting pay-fixed swap positions at December 31, 2013 and 2012 were $1.1 billion and $520 million.

(2) Does not include basis adjustments on either fixed-rate debt issued by the Corporation or AFS debt securities, which are hedged using derivatives designated as fair value hedging instruments, that substantially offset the fair values of these derivatives.

(3) At December 31, 2013 and 2012, the notional amount of same-currency basis swaps was comprised of $145.2 billion and $213.5 billion in both foreign currency and U.S. dollar-denominated basis swaps in which both sides of the swap are in the same currency.

(4) Foreign exchange basis swaps consisted of cross-currency variable interest rate swaps used separately or in conjunction with receive-fixed interest rate swaps.

(5) Does not include foreign currency translation adjustments on certain non-U.S. debt issued by the Corporation that substantially offset the fair values of these derivatives.

(6) The notional amount of option products of $(641) million at December 31, 2013 was comprised of $(2.0) billion in swaptions, $1.4 billion in foreign exchange options and $19 million in purchased caps/floors. Option products of $4.2 billion at December 31, 2012 were comprised of $4.2 billion in swaptions and $18 million in purchased caps/floors.

(7) Reflects the net of long and short positions. Amounts shown as negative reflect a net short position.

(8) The notional amount of foreign exchange contracts of $(19.5) billion at December 31, 2013 was comprised of $36.1 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $(49.3) billion in net foreign currency forward rate contracts, $(10.3) billion in foreign currency-denominated pay-fixed swaps and $4.0 billion in foreign currency futures contracts. Foreign exchange contracts of $(1.2) billion at December 31, 2012 were comprised of $41.9 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $(10.5) billion in foreign currency-denominated pay-fixed swaps and $(32.6) billion in net foreign currency forward rate contracts.

We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities and other forecasted transactions (collectively referred to as cash flow hedges). The net losses on both open and terminated cash flow hedge derivative instruments recorded in accumulated OCI, net-of-tax, were $2.3 billion and $2.9 billion at December 31, 2013 and 2012. These net losses are expected to be reclassified into earnings in the same period as the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes in prices or interest rates beyond what is implied in forward yield curves at December 31, 2013, the pre-tax net losses are expected to be reclassified into earnings as follows: $784 million, or 22 percent within the next year, 58 percent in years two through five, and 14 percent in years six through ten, with the remaining six percent thereafter. For more information on derivatives designated as cash flow hedges, see Note 2 – Derivatives to the Consolidated Financial Statements.

We hedge our net investment in non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in less than 180 days, cross-currency basis swaps and foreign exchange options. We recorded net after-tax losses on derivatives in accumulated OCI associated with net investment hedges which were offset by gains on our net investments in consolidated non-U.S. entities at December 31, 2013.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be HFI or held-for-sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate risk and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity, which in turn affects total origination and servicing income. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. Typically, an increase in mortgage interest rates will lead to a decrease in mortgage originations and related fees. IRLCs and the related residential first mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market, as an increase in mortgage interest rates will typically lead to a decrease in the value of these instruments. To hedge interest rate risk and certain market risks of IRLCs and residential first mortgage LHFS, we utilize forward loan sale commitments and other derivative instruments including purchased options. At December 31, 2013 and 2012, the notional amounts of derivatives economically hedging the IRLCs and residential first mortgage LHFS were $7.9 billion and $31.1 billion.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. Typically, an increase in mortgage rates will lead to an increase in the value of the MSRs driven by lower prepayment expectations. We use certain derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures, as well as principal-only and interest-only MBS and U.S. Treasuries to hedge interest rate and certain other market

risks of MSRs. The fair value and notional amounts of the derivative contracts and the fair value of securities hedging the MSRs were $(2.9) billion, $1.8 trillion and $2.5 billion at December 31, 2013 and $2.3 billion, $1.6 trillion and $2.3 billion at December 31, 2012. In 2013, we recorded in mortgage banking income losses of $1.1 billion related to the change in fair value of the derivative contracts and other securities used to hedge the market risks of the MSRs compared to gains of $2.3 billion for 2012. For more information on MSRs, see Note 23 – Mortgage Servicing Rights to the Consolidated Financial Statements and for more information on mortgage banking income, see CRES on page 40.

Compliance Risk Management

The Global Compliance organization is responsible for overseeing compliance risk, which is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Corporation in the event of the failure of the Corporation to comply with requirements of applicable banking and financial services laws, rules and regulations, related self-regulatory organization standards, and codes of conduct. Compliance is at the core of the Corporation’s culture and is a key component of risk management discipline.

The Global Compliance Framework, an addendum to our Risk Framework, details the high-level requirements of the global compliance program in one comprehensive document. The Global Compliance Framework also clearly defines roles and responsibilities and is supported by policies that articulate detailed requirements for implementation and execution of the global compliance program. As such, the Global Compliance Framework is designed to support responsible, well-informed compliance risk management that incorporates an ongoing, disciplined approach to proactive planning, oversight, escalation and decision making across the Corporation.

The Global Compliance Framework also provides an outline for senior management and the Board, and/or appropriate Board-level committees, such as the Audit Committee, to oversee the Corporation's compliance risk management. The Board provides oversight of compliance risks through its Audit Committee.

Operational Risk Management

The Corporation defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may occur anywhere in the Corporation, including outsourced business processes, and is not limited to operations functions. Its effects may extend beyond financial losses. Operational risk includes legal risk. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Operational risk is a significant component in the calculation of total risk-weighted assets used in the Basel 3 capital determination. For more information on Basel 3, see Capital Management – Regulatory Capital Changes on page 68.

We approach operational risk management from two perspectives to manage operational risk within the structure of the Corporation: (1) at the enterprise level to provide independent, integrated management of operational risk across the organization, and (2) at the business and enterprise control function levels to address operational risk in revenue producing and non-revenue producing units. The Operational Risk Management Program addresses the overarching processes for identifying, measuring, mitigating, controlling, monitoring, testing and reviewing operational risk, and reporting operational risk information to management and the Board. A sound internal governance structure enhances the effectiveness of the Corporation's Operational Risk Management Program and is accomplished at the enterprise level through formal oversight by the Board, the CRO and a variety of management committees and risk oversight groups aligned to the Corporation's overall risk governance framework and practices. Of these, the Compliance and Operational Risk Committee (CORC) oversees the Corporation's policies and processes for sound operational risk management. The CORC also serves as an escalation point for critical operational risk matters within the Corporation. The CORC reports operational risk activities to the Enterprise Risk Committee of the Board.

Within the Global Risk Management organization, the Corporate Operational Risk team develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across the organization and reports results to businesses, enterprise control functions, senior management, governance committees and the Board.

Corporate Audit provides independent assessment and validation through testing of key processes and controls across the Corporation. An annual Audit Plan ensures that coverage activities address the significant aspects of the Corporation's risk profile. Risk assessments incorporating operational risk are completed within the audit planning process.

The business and enterprise control functions are responsible for managing all the risks within their units, including operational risks. In addition to enterprise risk management tools such as loss reporting, scenario analysis and RCSAs, operational risk executives, working in conjunction with senior business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each business and enterprise control function. Examples of these include personnel management practices; data reconciliation processes; fraud management units; cybersecurity controls, processes and systems; transaction processing, monitoring and analysis; business recovery planning; and new product introduction processes. The business and enterprise control functions are also responsible for consistently implementing and monitoring adherence to corporate practices.

Business and enterprise control function management uses the enterprise RCSA process to identify and evaluate the status of risk and control issues including mitigation plans, as appropriate. The goals of this process are to assess changing market and business conditions, evaluate key risks impacting each business and enterprise control function and assess the controls in place to mitigate the risks. Key operational risk indicators for these risks have been developed and are used to assist in identifying trends and issues on an enterprise, business and enterprise control function level. Independent review and challenge to the Corporation's overall operational risk management framework is performed by the Corporate Operational Risk Validation Team.

Enterprise control functions have risk governance and control responsibilities for their enterprise programs (e.g., Global Technology and Operations Group, CFO Group, Global Marketing and Corporate Affairs, Global Human Resources). They provide insights on day-to-day risk activities throughout the Corporation by overseeing and managing the performance of their functions against Corporation-wide expectations. The enterprise control functions participate in the operational risk management process

in two ways. First, these organizations manage risk in their functional department. Second, they provide specialized risk management services (e.g., information management, vendor management) within their area of expertise to the enterprise, businesses and other enterprise control functions they support. These groups also work with business and risk executives to develop and guide appropriate strategies, policies, practices, controls and monitoring tools for each business and enterprise control function relative to these programs.

Where appropriate, insurance policies are purchased to mitigate the impact of operational losses. These insurance policies are explicitly incorporated in the structural features of operational risk evaluation. As insurance recoveries, especially given recent market events, are subject to legal and financial uncertainty, the inclusion of these insurance policies is subject to reductions in their expected mitigating benefits.

Complex Accounting Estimates

Our significant accounting principles, as described in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements are essential in understanding the MD&A. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates are summarized in the following discussion. We have identified and described the development of the variables most important in the estimation processes that involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact our results of operations. Separate from the possible future impact to our results of operations from input and model variables, the value of our lending portfolio and market-sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management’s estimate of probable losses inherent in the Corporation’s loan portfolio excluding those loans accounted for under the fair value option. Our process for determining the allowance for credit losses is discussed in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements. We evaluate our allowance at the portfolio segment level and our portfolio segments are Home Loans, Credit Card and Other Consumer, and Commercial. Due to the variability in the drivers of the assumptions used in this process, estimates of the portfolio’s inherent risks and overall collectability change with changes in the economy, individual industries, countries, and borrowers’ ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions.

Key judgments used in determining the allowance for credit losses include risk ratings for pools of commercial loans and leases, market and collateral values and discount rates for individually evaluated loans, product type classifications for consumer and commercial loans and leases, loss rates used for consumer and commercial loans and leases, adjustments made to address current events and conditions, considerations regarding domestic and global economic uncertainty, and overall credit conditions.

Our estimate for the allowance for loan and lease losses is sensitive to the loss rates and expected cash flows from our Home Loans and Credit Card and Other Consumer portfolio segments, as well as our U.S. small business commercial portfolio within the Commercial portfolio segment. For each one percent increase in the loss rates on loans collectively evaluated for impairment in our Home Loans portfolio segment, excluding PCI loans, coupled with a one percent decrease in the discounted cash flows on those loans individually evaluated for impairment within this portfolio segment, the allowance for loan and lease losses at December 31, 2013 would have increased by $127 million. PCI loans within our Home Loans portfolio segment are initially recorded at fair value. Applicable accounting guidance prohibits carry-over or creation of valuation allowances in the initial accounting. However, subsequent decreases in the expected cash flows from the date of acquisition result in a charge to the provision for credit losses and a corresponding increase to the allowance for loan and lease losses. We subject our PCI portfolio to stress scenarios to evaluate the potential impact given certain events. A one percent decrease in the expected cash flows could result in a $205 million impairment of the portfolio. For each one percent increase in the loss rates on loans collectively evaluated for impairment within our Credit Card and Other Consumer portfolio segment and U.S. small business commercial portfolio coupled with a one percent decrease in the expected cash flows on those loans individually evaluated for impairment within the portfolio segment and the U.S. small business commercial portfolio, the allowance for loan and lease losses at December 31, 2013 would have increased by $59 million.

Our allowance for loan and lease losses is sensitive to the risk ratings assigned to loans and leases within the Commercial portfolio segment (excluding the U.S. small business commercial portfolio). Assuming a downgrade of one level in the internal risk ratings for commercial loans and leases, except loans and leases already risk-rated Doubtful as defined by regulatory authorities, the allowance for loan and lease losses would have increased by $2.2 billion at December 31, 2013.

The allowance for loan and lease losses as a percentage of total loans and leases at December 31, 2013 was 1.90 percent and these hypothetical increases in the allowance would raise the ratio to 2.18 percent.

These sensitivity analyses do not represent management’s expectations of the deterioration in risk ratings or the increases

in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and that the probability of the alternative scenarios outlined above occurring within a short period of time is remote.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

For a discussion of the Financial Accounting Standards Board’s proposed standard on accounting for credit losses, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Mortgage Servicing Rights

MSRs are nonfinancial assets that are created when a mortgage loan is sold and we retain the right to service the loan. We account for consumer MSRs, including residential mortgage and home equity MSRs, at fair value with changes in fair value recorded in mortgage banking income (loss) in the Consolidated Statement of Income.

We determine the fair value of our consumer MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates key economic assumptions including estimates of prepayment rates and resultant weighted-average lives of the MSRs, and the option-adjusted spread levels. These variables can, and generally do, change from quarter to quarter as market conditions and projected interest rates change. These assumptions are subjective in nature and changes in these assumptions could materially affect our operating results. For example, increasing the prepayment rate assumption used in the valuation of our consumer

MSRs by 10 percent while keeping all other assumptions unchanged could have resulted in an estimated decrease of $244 million in both MSRs and mortgage banking income (loss) for 2013. This impact does not reflect any hedge strategies that may be undertaken to mitigate such risk.

We manage potential changes in the fair value of MSRs through a comprehensive risk management program. The intent is to mitigate the effects of changes in the fair value of MSRs through the use of risk management instruments. To reduce the sensitivity of earnings to interest rate and market value fluctuations, securities including MBS and U.S. Treasuries, as well as certain derivatives such as options and interest rate swaps, may be used to hedge certain market risks of the MSRs, but are not designated as accounting hedges. These instruments are carried at fair value with changes in fair value recognized in mortgage banking income (loss). For additional information, see Mortgage Banking Risk Management on page 116.

For more information on MSRs, including the sensitivity of weighted-average lives and the fair value of MSRs to changes in modeled assumptions, see Note 23 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Fair Value of Financial Instruments

We classify the fair values of 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. Applicable accounting guidance establishes three levels of inputs used to measure fair value. We carry trading account assets and liabilities, derivative assets and liabilities, AFS debt and equity securities, other debt securities carried at fair value, certain MSRs and certain other assets at fair value. Also, we account for certain loans and loan commitments, LHFS, short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits and long-term debt under the fair value option. For additional information, see Note 20 – Fair Value Measurements and Note 21 – Fair Value Option to the Consolidated Financial Statements.

The fair values of assets and liabilities may include adjustments, such as market liquidity and credit quality, where appropriate. Valuations of products using models or other techniques are sensitive to assumptions used for the significant inputs. Where market data is available, the inputs used for valuation reflect that information as of our valuation date. Inputs to valuation models are considered unobservable if they are supported by little or no market activity. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process. In keeping with the prudent application of estimates and management judgment in determining the fair value of assets and liabilities, we have in place various processes and controls that include: a model validation policy that requires review and approval of quantitative models used for deal pricing, financial statement fair value determination and risk quantification; a trading product valuation policy that requires verification of all traded product valuations; and a periodic review and substantiation of daily profit and loss reporting for all traded products. Primarily through validation controls, we utilize both broker and pricing service inputs which can and do include both market-observable and internally-modeled values and/or valuation inputs. Our reliance on this information is tempered by the knowledge of how the broker and/or pricing service develops its data with a higher degree of reliance applied to those that are more directly observable and lesser reliance applied to those developed through their own internal modeling. Similarly, broker quotes that are executable are given a higher level of reliance than indicative broker quotes, which are not executable. These processes and controls are performed independently of the business.

Trading account assets and liabilities are carried at fair value based primarily on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair values of trading account assets and liabilities. 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. 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.

Trading account profits, which represent the net amount earned from our trading positions, can be volatile and are largely driven by general market conditions and customer demand. Trading account profits are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment. To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use trading limits, stress testing and tools such as VaR modeling, which estimates a potential daily loss that we do not expect to exceed with a specified confidence level, to measure and manage market risk. For more information on VaR, see Trading Risk Management on page 109.

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. 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 our own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data. We do not incorporate a funding valuation or funding benefit adjustment (collectively, FVA) into the fair value of our uncollateralized derivatives. There is diversity in industry practice regarding FVA and such views continue to evolve. We continue to evaluate FVA as it relates to our valuation methodologies used to comply with applicable fair value accounting guidance.

Level 3 Assets and Liabilities

Financial assets and liabilities where values are based on valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include certain loans, MBS, ABS,

CDOs, CLOs and structured liabilities, as well as highly structured, complex or long-dated derivative contracts, private equity investments and consumer MSRs. The fair value of these Level 3 financial assets and liabilities is determined using pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value requires significant management judgment or estimation.

Table 71 Level 3 Asset and Liability Summary

	December 31					
	2013			2012		
(Dollars in millions)	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets
Trading account assets	$9,044	28.46 %	0.43 %	$9,559	26.13 %	0.43 %
Derivative assets	7,277	22.90	0.35	8,073	22.06	0.37
AFS debt securities	4,760	14.98	0.23	5,091	13.91	0.23
All other Level 3 assets at fair value	10,697	33.66	0.50	13,865	37.90	0.63
Total Level 3 assets at fair value [(1)]	$31,778	100.00 %	1.51 %	$36,588	100.00 %	1.66 %
	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities
Derivative liabilities	$7,301	78.20 %	0.39 %	$6,605	73.51 %	0.33 %
Long-term debt	1,990	21.32	0.11	2,301	25.61	0.12
All other Level 3 liabilities at fair value	45	0.48	—	79	0.88	0.01
Total Level 3 liabilities at fair value [(1)]	$9,336	100.00 %	0.50 %	$8,985	100.00 %	0.46 %

(1) Level 3 total assets and liabilities are shown before the impact of cash collateral and counterparty netting related to our derivative positions.

During 2013, we recognized net gains of $2.0 billion on Level 3 assets and liabilities. The net gains were primarily gains on MSRs and trading account assets, partially offset by losses on net derivative assets and other assets. Gains on MSRs were primarily due to the impact of the increase in interest rates on forecasted prepayments. Gains on trading account assets were primarily due to realized gains on the sale of corporate bonds as well as distributions received on secondary loan positions held in inventory, partially offset by unrealized losses on certain collateralized loan and debt obligations. Losses on net derivative assets were driven by unrealized losses associated with certain structured products and credit default and total return swaps, partially offset by unrealized gains associated with the performance of various index option contracts as well as gains on IRLCs. Losses on other assets were primarily due to a write-down of a receivable. There were net unrealized gains of $40 million (pre-tax) in accumulated OCI on Level 3 assets and liabilities at December 31, 2013. For more information on the components of net realized and unrealized gains and losses during 2013, see Note 20 – Fair Value Measurements to the Consolidated Financial Statements.

Level 3 financial instruments, such as our consumer MSRs, may be hedged with derivatives classified as Level 1 or 2; therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The Level 3 gains and losses recorded in earnings did not have a significant impact on our liquidity or capital resources.

We conduct a review of our fair value hierarchy classifications on a quarterly basis. Transfers into or out of Level 3 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 on the significant transfers into and out of Level 3 during 2013, see Note 20 – Fair Value Measurements to the Consolidated Financial Statements.

Accrued Income Taxes and Deferred Tax Assets

Accrued income taxes, reported as a component of accrued expenses and other liabilities on the Consolidated Balance Sheet, represent the net amount of current income taxes we expect to pay to or receive from various taxing jurisdictions attributable to our operations to date. We currently file income tax returns in more than 100 jurisdictions and consider many factors, including statutory, judicial and regulatory guidance, in estimating the appropriate accrued income taxes for each jurisdiction.

Consistent with the applicable accounting guidance, we monitor relevant tax authorities and change our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities. These revisions of our estimate of accrued income taxes, which also may result from our income tax planning and from the resolution of income tax controversies, may be material to our operating results for any given period.

Net deferred tax assets, reported as a component of other assets on the Consolidated Balance Sheet, represent the net decrease in taxes expected to be paid in the future because of net operating loss (NOL) and tax credit carryforwards and because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. NOL and tax credit carryforwards result in reductions to future tax liabilities, and many of these attributes can expire if not utilized within certain periods. We consider the need for valuation allowances to reduce net deferred tax assets to the amounts that we estimate are more-likely-than-not to be realized.

While we have established some valuation allowances for certain state and non-U.S. deferred tax assets, we have concluded that no valuation allowance was necessary with respect to all U.S. federal and U.K. deferred tax assets, including NOL and tax credit carryforwards, that are not subject to any special limitations (such as change-in-control limitations) prior to any expiration. Management's conclusion is supported by recent financial results and forecasts, the reorganization of certain business activities and the indefinite period to carry forward NOLs. The majority of our U.K. net deferred tax assets, which consist primarily of NOLs, are expected to be realized by certain subsidiaries over an extended number of years. However, significant changes to our estimates, such as changes that would be caused by substantial and prolonged worsening of the condition of Europe's capital markets, could lead management to reassess its U.K. valuation allowance conclusions. See Note 19 – Income Taxes to the Consolidated Financial Statements for a table of significant tax attributes and additional information.

Goodwill and Intangible Assets

Background

The nature of and accounting for goodwill and intangible assets are discussed in Note 1 – Summary of Significant Accounting Principles and Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, which for the Corporation is as of June 30, and in interim periods if events or circumstances indicate a potential impairment. A reporting unit is an operating segment or one level below. As reporting units are determined after an acquisition or evolve with changes in business strategy, goodwill is assigned to reporting units and it no longer retains its association with a particular acquisition. All of the revenue streams and related activities of a reporting unit, whether acquired or organic, are available to support the value of the goodwill.

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, we utilized allocated equity as a proxy for the carrying value of our 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.

The Corporation's common stock price improved during 2013; however, our market capitalization remained below our recorded book value. We estimate that the fair value of all reporting units with assigned goodwill in aggregate as of the June 30, 2013 annual goodwill impairment test was $290.9 billion and the aggregate carrying value of all reporting units with assigned goodwill, as measured by allocated equity, was $163.5 billion. The common stock market capitalization of the Corporation as of June 30, 2013 was $138.2 billion ($164.9 billion at December 31, 2013). As none of our reporting units are publicly traded, individual reporting unit fair value determinations do not directly correlate to the

Corporation's stock price. Although we believe it is reasonable to conclude that market capitalization could be an indicator of fair value over time, we do not believe that our current market capitalization reflects the aggregate fair value of our individual reporting units.

Estimating the fair value of reporting units is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, the appropriate discount rates and an applicable control premium. We determined the fair values of the reporting units using a combination of valuation techniques consistent with the market approach and the income approach and also utilized independent valuation specialists.

The market approach we used estimates the fair value of the individual reporting units by incorporating any combination of the tangible capital, book capital and earnings multiples from comparable publicly-traded companies in industries similar to that of the reporting unit. The relative weight assigned to these multiples varies among the reporting units based on qualitative and quantitative characteristics, primarily the size and relative profitability of the reporting unit as compared to the comparable publicly-traded companies. Since the fair values determined under the market approach are representative of a noncontrolling interest, we added a control premium to arrive at the reporting

units' estimated fair values on a controlling basis.
For purposes of the income approach, we calculated discounted cash flows by taking the net present value of estimated future cash flows and an appropriate terminal value. Our discounted cash flow analysis employs a capital asset pricing model in estimating the discount rate (i.e., cost of equity financing) for each reporting unit. The inputs to this model include the risk-free rate of return, beta, which is a measure of the level of non-diversifiable risk associated with comparable companies for each specific reporting unit, size premium to reflect the historical incremental return on stocks, market equity risk premium and in certain cases an unsystematic (company-specific) risk factor. The unsystematic risk factor is the input that specifically addresses uncertainty related to our projections of earnings and growth, including the uncertainty related to loss expectations. We utilized discount rates that we believe adequately reflect the risk and uncertainty in the financial markets generally and specifically in our internally developed forecasts. We estimated expected rates of equity returns based on historical market returns and risk/return rates for similar industries of each reporting unit. We use our internal forecasts to estimate future cash flows and actual results may differ from forecasted results.
In 2013, the consumer DFS business, including $1.7 billion of goodwill, was moved from Global Banking to CBB in order to align this business more closely with our consumer lending activity and better serve the needs of our customers. In 2012, the International Wealth Management businesses within GWIM, including $230 million of goodwill, were moved to All Other in connection with our agreement to sell these businesses in a series of transactions. Certain of the sales transactions were completed in 2013 and most of the remaining sales transactions are expected to close over the next year. Prior periods were reclassified to conform to current period presentation.
2013 Annual Impairment Test
During the three months ended September 30, 2013, we completed our annual goodwill impairment test as of June 30, 2013 for all of our reporting units that had goodwill. In performing the first step of the annual goodwill impairment analysis, we

compared the fair value of each reporting unit to its estimated carrying value as measured by allocated equity, which includes goodwill. During our 2013 annual goodwill impairment test, we also evaluated the U.K. Card business, which is a reporting unit, within All Other, as the U.K. Card business comprises the majority of the goodwill included in All Other. To determine fair value, we utilized a combination of the market approach and the income approach. Under the market approach, we compared earnings and equity multiples of the individual reporting units to multiples of public companies comparable to the individual reporting units. The control premium used in the June 30, 2013 annual goodwill impairment test was 35 percent for all reporting units. Under the income approach, we updated our assumptions to reflect the current market environment. The discount rates used in the June 30, 2013 annual goodwill impairment test ranged from 11 percent to 14 percent depending on the relative risk of a reporting unit. Growth rates developed by management for individual revenue and expense items in each reporting unit ranged from (5.4) percent to 11.4 percent.

Based on the results of step one of the annual goodwill impairment test, we determined that step two was not required for any of the reporting units as their fair value exceeded their carrying value indicating there was no impairment.

As described above, during the three months ended June 30, 2013, the consumer DFS business was moved from Global Banking to CBB and subsequently constitutes a new separate reporting unit. The goodwill allocated to this reporting unit was reviewed for impairment as part of the goodwill testing process. Based on the results of step one of the annual goodwill impairment test, we determined that the fair value of the reporting unit exceeded its carrying value. Although not required, given the recent move and the results of step one, and to further substantiate the value of goodwill, we performed step two of the goodwill impairment test for this reporting unit. The fair value of the reporting unit was estimated based on the income approach. Significant assumptions for the valuation of consumer DFS under the income approach included cash flow estimates, including expected new account growth, the discount rate and the terminal value. In performing step two, significant assumptions used in measuring the fair value of the assets and liabilities of the reporting unit included discount rates, loss rates and interest rates. The results of step two further supported that the goodwill for the consumer DFS reporting unit was not impaired.

On July 31, 2013, the U.S. District Court for the District of Columbia issued a ruling regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment. The ruling requires the Federal Reserve to reconsider the $0.21 per transaction cap on debit card interchange fees. The Federal Reserve is appealing the ruling and final resolution is expected in the first half of 2014. In performing the annual goodwill impairment test for Card Services within CBB, we considered the impact of the recent ruling in determining the fair value of the reporting unit and, assuming the range initially included in the Federal Reserve's rule is used for forecasting interchange fees, no goodwill impairment would result. If the Federal Reserve, upon final resolution, implements a lower per transaction cap than the initial range, it may have a significant adverse impact on our debit card interchange fee revenue and the associated goodwill allocated to the Card Services reporting unit.

2012 Annual Impairment Tests

During the three months ended September 30, 2012, we completed our annual goodwill impairment test as of June 30, 2012 for all of our reporting units which had goodwill. Additionally, we also evaluated the U.K. Card business within All Other as the U.K. Card business comprises the majority of the goodwill included in All Other.

Based on the results of step one of the annual goodwill impairment test, we determined that step two was not required for any of the reporting units as their respective fair values exceeded their carrying values indicating there was no impairment.

Representations and Warranties Liability

The methodology used to estimate the liability for obligations under representations and warranties related to transfers of residential mortgage loans is a function of the representations and warranties given and considers a variety of factors. Depending upon the counterparty, these factors include actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that we will receive a repurchase request, including consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that we will be required to repurchase a loan. It also considers other relevant facts and circumstances, such as bulk settlements and identity of the counterparty or type of counterparty, as appropriate. The estimate of the liability for obligations under representations and warranties is based upon currently available information, significant judgment, and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of our liability. The representations and warranties provision may vary significantly each period as the methodology used to estimate the expense continues to be refined based on the level and type of repurchase requests presented, defects identified, the latest experience gained on repurchase requests, and other relevant facts and circumstances. The estimate of the liability for representations and warranties is sensitive to future defaults, loss severity and the net repurchase rate. An assumed simultaneous increase or decrease of 10 percent in estimated future defaults, loss severity and the net repurchase rate would result in an increase or decrease of approximately $550 million in the representations and warranties liability as of December 31, 2013. These sensitivities are hypothetical and are intended to provide an indication of the impact of a significant change in these key assumptions on the representations and warranties liability. In reality, changes in one assumption may result in changes in other assumptions, which may or may not counteract the sensitivity.

For more information on representations and warranties exposure and the corresponding estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 52, as well as Note 7 – Representations and Warranties Obligations and Corporate Guarantees and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Litigation Reserve
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 both 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 will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.
For a limited number of the matters disclosed in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements 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, we are 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 information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements. For other disclosed matters for which a loss is probable or reasonably possible, such an estimate is not possible. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, the estimated range of possible loss represents what we believe 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 in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies.

Consolidation and Accounting for Variable Interest Entities
In accordance with applicable accounting guidance, an entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. The Corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.
Determining whether an entity has a controlling financial interest in a VIE requires significant judgment. An entity must assess the purpose and design of the VIE, including explicit and implicit contractual arrangements, and the entity's involvement in both the design of the VIE and its ongoing activities. The entity must then determine which activities have the most significant impact on the economic performance of the VIE and whether the entity has the power to direct such activities. For VIEs that hold financial assets, the party that services the assets or makes investment management decisions may have the power to direct the most significant activities of a VIE. Alternatively, a third party that has the unilateral right to replace the servicer or investment manager or to liquidate the VIE may be deemed to be the party with power. If there are no significant ongoing activities, the party that was responsible for the design of the VIE may be deemed to have power. If the entity determines that it has the power to direct the most significant activities of the VIE, then the entity must determine if it has either an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Such economic interests may include investments in debt or equity instruments issued by the VIE, liquidity commitments, and explicit and implicit guarantees.

On a quarterly basis, we reassess whether we have a controlling financial interest and are the primary beneficiary of a VIE. The quarterly reassessment process considers whether we have acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether we have acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which we are involved may change as a result of such reassessments. Changes in consolidation status are applied prospectively, with assets and liabilities of a newly consolidated VIE initially recorded at fair value. A gain or loss may be recognized upon deconsolidation of a VIE depending on the carrying values of deconsolidated assets and liabilities compared to the fair value of retained interests and ongoing contractual arrangements.

2012 Compared to 2011

The following discussion and analysis provide a comparison of our results of operations for 2012 and 2011. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes. Tables 7 and 8 contain financial data to supplement this discussion.

Overview

Net Income

Net income was $4.2 billion in 2012 compared to $1.4 billion in 2011. Including preferred stock dividends, net income applicable to common shareholders was $2.8 billion, or $0.25 per diluted share for 2012 and $85 million, or $0.01 per diluted share for 2011.

Net Interest Income

Net interest income on a FTE basis was $41.6 billion for 2012, a decrease of $4.0 billion compared to 2011. The decline was primarily due to lower consumer loan balances and yields, recouponing of the ALM portfolio to a lower yield and decreased commercial loan yields. Lower trading-related net interest income also negatively impacted 2012 results. These decreases were partially offset by ongoing reductions in long-term debt and lower rates paid on deposits. The net interest yield on a FTE basis was 2.35 percent for 2012, a decrease of 13 bps compared to 2011 as the yield continued to be under pressure due to the aforementioned items and the low rate environment.

Noninterest Income

Noninterest income was $42.7 billion in 2012, a decrease of $6.2 billion compared to 2011.

Card income decreased $1.1 billion primarily driven by the implementation of interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011.

Service charges decreased $494 million primarily due to the impact of lower accretion on acquired portfolios and reduced reimbursed merchant processing fees.

Investment and brokerage services income decreased $433 million primarily driven by lower transactional volumes.

Equity investment income decreased $5.3 billion. The results for 2012 included $1.6 billion of gains which primarily related to the sales of certain equity and strategic investments. The results for 2011 included $6.5 billion of gains on the sale of CCB shares, $836 million of CCB dividends and a $377 million gain on the sale of our investment in BlackRock, Inc., partially offset by $1.1 billion of impairment charges on our merchant services joint venture.

Trading account profits decreased $827 million. Net DVA losses on derivatives were $2.5 billion in 2012 compared to net DVA gains of $1.0 billion in 2011. Excluding net DVA, trading account profits increased $2.7 billion in 2012 compared to 2011 due to an improved market environment.

Mortgage banking income increased $13.6 billion primarily due to an $11.7 billion decrease in the representations and warranties provision. The 2012 results included $2.5 billion in provision related to the FNMA Settlement, a $500 million provision for obligations to FNMA related to MI rescissions, partially offset by an increase in servicing income of $1.1 billion due to improved MSR results. The 2011 results included $15.6 billion in representations and warranties provision related to the agreement to resolve nearly all legacy Countrywide-issued first-lien non-GSE RMBS repurchase exposures and other non-GSE exposures.

Other income decreased $10.2 billion due to negative fair value adjustments on our structured liabilities of $5.1 billion compared to positive fair value adjustments of $3.3 billion in 2011. In addition, 2012 included $1.6 billion of gains related to debt repurchases and exchanges of trust preferred securities compared to gains of $1.2 billion in the prior year.

Provision for Credit Losses

The provision for credit losses was $8.2 billion for 2012, a decrease of $5.2 billion compared to 2011. The provision for credit losses was $6.7 billion lower than net charge-offs for 2012, resulting in a reduction in the allowance for credit losses driven by improved portfolio trends and increasing home prices in consumer real estate products, lower bankruptcy filings and delinquencies affecting the credit card portfolio, and improvement in overall credit quality within the core commercial portfolio.

Net charge-offs totaled $14.9 billion, or 1.67 percent of average loans and leases for 2012 compared to $20.8 billion, or 2.24 percent for 2011. The decrease in net charge-offs was primarily driven by fewer delinquent loans and lower bankruptcy filings in the credit card portfolio, as well as lower net charge-offs in the consumer real estate and core commercial portfolios in 2012.

Noninterest Expense

Noninterest expense was $72.1 billion for 2012, a decrease of $8.2 billion compared to 2011. The decrease was primarily driven by $3.2 billion of goodwill impairment charges in 2011 and none in 2012, a $2.8 billion decrease in other general operating expense primarily related to lower litigation expense and mortgage-related assessments, waivers and similar costs related to foreclosure delays, partially offset by a provision of $1.1 billion in 2012 related to the 2013 IFR Acceleration Agreement. Personnel expense decreased $1.3 billion in 2012 as we continued to streamline processes and achieve cost savings. Partially offsetting the decreases were increases in professional fees and data processing expenses due to continuing default management activities in Legacy Assets & Servicing. Also, 2011 included $638 million in merger and restructuring charges.

Income Tax Benefit

The income tax benefit was $1.1 billion on pre-tax income of $3.1 billion for 2012 compared to an income tax benefit of $1.7 billion on the pre-tax loss of $230 million for 2011. Included in the income tax benefit for 2012 was a $1.7 billion tax benefit attributable to the excess of foreign tax credits recognized in the U.S. upon repatriation of the earnings of certain subsidiaries over the related U.S. tax liability. Also included in the income tax benefit was a $788 million charge to reduce the carrying value of certain U.K. deferred tax assets due to the two percent U.K. corporate income tax rate reduction enacted in 2012. Our effective tax rate for 2012 excluding these two items was a benefit of seven percent and differed from the statutory rate due to the impact of our recurring tax preference items (e.g., affordable housing credits and tax-exempt income) on the level of pre-tax earnings.

The income tax benefit for 2011 was driven by our recurring tax preference items, a $1.0 billion benefit from the release of the remaining valuation allowance applicable to the Merrill Lynch capital loss carryover deferred tax asset and a benefit of $823 million for planned realization of previously unrecognized deferred tax assets related to the tax basis in certain subsidiaries. These benefits were partially offset by a $782 million charge for the two percent U.K. corporate income tax rate reduction enacted in 2011. The $3.2 billion of goodwill impairment charges recorded during 2011 were non-deductible.

Business Segment Operations

Consumer & Business Banking

CBB recorded net income of $5.5 billion in 2012 compared to $7.8 billion in 2011 with the decrease primarily due to lower revenue and higher provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $2.4 billion to $19.9 billion due to lower average loan balances as well as compressed deposit spreads due to the continued low rate environment. Noninterest income decreased $1.6 billion to $9.9 billion due to lower interchange fees as a result of implementing the Durbin Amendment, lower gains on sales of portfolios and the impact of charges related to our consumer protection products. The provision for credit losses increased $471 million to $4.1 billion as portfolio trends stabilized during 2012. Noninterest expense decreased $917 million to $17.0 billion primarily due to lower FDIC and operating expenses, partially offset by an increase in litigation expense.

Consumer Real Estate Services

CRES recorded a net loss of $6.4 billion in 2012 compared to $19.4 billion in 2011 with the decrease in the net loss primarily driven by mortgage banking income of $5.6 billion in 2012 compared to a loss of $8.1 billion in 2011. The representations and warranties provision for 2011, which is included in mortgage banking income, included $8.6 billion related to the settlement with BNY Mellon and $7.0 billion related to other non-GSE, and to a lesser extent, GSE exposures. Also contributing to the decrease in the net loss was a decrease in the provision for credit losses and a decline in noninterest expense, partially offset by lower other noninterest income. Mortgage banking income increased $13.7 billion due to an $11.7 decrease in the representations and warranties provision, and higher servicing income and core production revenue. The provision for credit losses decreased $3.1 billion to $1.4 billion due to improved portfolio trends and increasing home prices in both the non-PCI and PCI home equity loan portfolios. Noninterest expense decreased $4.5 billion to $17.2 billion due to a decline in litigation expense and lower mortgage-related assessments, waivers and similar costs related to foreclosure delays, partially offset by higher default-related servicing costs and a provision for the 2013 IFR Acceleration Agreement. Noninterest expense in 2011 included a $2.6 billion goodwill impairment charge.

Global Wealth & Investment Management

GWIM recorded net income of $2.2 billion in 2012 compared to $1.7 billion in 2011 with the increase driven by lower noninterest expense and lower provision for credit losses. Revenue remained

relatively unchanged as an increase in asset management fees due to higher AUM flows and higher market levels was offset by lower transactional revenue and lower net interest income due to the impact of the continued low rate environment. The provision for credit losses decreased $132 million to $266 million driven by lower delinquencies and improving portfolio trends within the residential mortgage portfolio. Noninterest expense decreased $615 million to $12.7 billion due to lower FDIC expense, lower litigation costs and other expense reductions, partially offset by higher production-related expenses.

Global Banking

Global Banking recorded net income of $5.3 billion in 2012 compared to $5.6 billion in 2011 with the decrease primarily driven by an increase in the provision for credit losses, partially offset by lower noninterest expense. Revenue remained relatively unchanged with lower investment banking fees and lower net interest income as a result of spread compression and the benefit in the prior year from higher accretion on acquired portfolios, largely offset by the impact of higher average loan and deposit balances and gains on liquidation of certain legacy portfolios. The provision for credit losses was a benefit of $342 million compared to a benefit of $1.3 billion in 2011 with the reduction in the benefit reflecting stabilization of asset quality, core commercial loan growth and the impact of a higher volume of loan resolutions in the commercial real estate portfolio in the prior year. Noninterest expense decreased $410 million to $7.6 billion primarily due to lower personnel and operating expenses.

Global Markets

Global Markets recorded net income of $1.2 billion in 2012 compared to $1.1 billion in 2011. Sales and trading revenue decreased due to net DVA losses compared to net DVA gains in the prior year. Excluding net DVA, sales and trading revenue increased $2.4 billion primarily driven by our FICC business as a result of improved performance in our rates and currencies, and credit-related businesses due to an improved global economic climate, and a gain on the sale of an equity investment. Noninterest expense decreased $1.6 billion to $11.3 billion due to a reduction in personnel-related expenses and in brokerage, clearing and exchange fees, and other operating expenses. Income tax expense included a $781 million charge for remeasurement of certain deferred tax assets due to decreases in the U.K. corporate tax rate compared to a similar charge of $774 million in 2011.

All Other

All Other recorded a net loss of $3.7 billion in 2012 compared to net income of $4.6 billion in 2011 primarily due to negative fair value adjustments on structured liabilities of $5.1 billion related to the improvement in our credit spreads in 2012 compared to $3.3 billion of positive fair value adjustments in 2011, a $6.0 billion decrease in equity investment income as 2011 included a $6.5 billion gain on the sale of portion of our investment in CCB, and lower gains on sales of debt securities. Partially offsetting these items was a reduction in the provision for credit losses of $3.6 billion to $2.6 billion. The income tax benefit included $1.7 billion attributable to the excess of foreign tax credits recognized in the U.S. upon repatriation of the earnings of certain subsidiaries over the related U.S. tax liability.

Statistical Tables

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Table I Average Balances and Interest Rates – FTE Basis

	2013			2012			2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$16,066	$187	1.16 %	$22,888	$237	1.03 %	$28,242	$366	1.29 %
Federal funds sold and securities borrowed or purchased under agreements to resell	224,331	1,229	0.55	236,042	1,502	0.64	245,069	2,147	0.88
Trading account assets	168,998	4,879	2.89	170,647	5,306	3.11	181,996	6,142	3.37
Debt securities [2]	337,953	9,779	2.89	353,577	8,931	2.53	342,650	9,606	2.80
Loans and leases [3]:									
Residential mortgage [4]	256,531	9,319	3.63	264,164	9,845	3.73	280,112	11,588	4.14
Home equity	100,267	3,831	3.82	117,339	4,426	3.77	130,945	5,050	3.86
U.S. credit card	90,369	8,792	9.73	94,863	9,504	10.02	105,478	10,808	10.25
Non-U.S. credit card	10,861	1,271	11.70	13,549	1,572	11.60	24,049	2,656	11.04
Direct/Indirect consumer [5]	82,907	2,370	2.86	84,424	2,900	3.44	90,163	3,716	4.12
Other consumer [6]	1,805	72	4.02	2,359	140	5.95	2,760	176	6.39
Total consumer	542,740	25,655	4.73	576,698	28,387	4.92	633,507	33,994	5.37
U.S. commercial	218,875	6,811	3.11	201,352	6,979	3.47	192,524	7,360	3.82
Commercial real estate [7]	42,346	1,392	3.29	37,982	1,332	3.51	44,406	1,522	3.43
Commercial lease financing	23,865	851	3.56	21,879	874	4.00	21,383	1,001	4.68
Non-U.S. commercial	90,815	2,082	2.29	60,857	1,594	2.62	46,276	1,382	2.99
Total commercial	375,901	11,136	2.96	322,070	10,779	3.35	304,589	11,265	3.70
Total loans and leases	918,641	36,791	4.00	898,768	39,166	4.36	938,096	45,259	4.82
Other earning assets	80,985	2,832	3.50	88,047	2,970	3.36	98,606	3,502	3.55
Total earning assets [8]	1,746,974	55,697	3.19	1,769,969	58,112	3.28	1,834,659	67,022	3.65
Cash and cash equivalents [1]	109,014	182		115,739	189		112,616	186	
Other assets, less allowance for loan and lease losses	307,525			305,648			349,047		
Total assets	$2,163,513			$2,191,356			$2,296,322		
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$43,868	$22	0.05 %	$41,453	$45	0.11 %	$40,364	$100	0.25 %
NOW and money market deposit accounts	506,082	413	0.08	466,096	693	0.15	470,519	1,060	0.23
	82,963	481	0.58	95,559	693	0.73	110,922	1,045	0.94

Consumer CDs and IRAs									
Negotiable CDs, public funds and other deposits	23,504	106	0.45	20,928	128	0.61	17,227	120	0.70
Total U.S. interest-bearing deposits	656,417	1,022	0.16	624,036	1,559	0.25	639,032	2,325	0.36
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	12,419	70	0.56	14,737	94	0.64	20,782	138	0.66
Governments and official institutions	1,032	2	0.24	1,019	4	0.35	1,985	7	0.35
Time, savings and other	56,193	302	0.54	53,318	333	0.63	61,632	532	0.86
Total non-U.S. interest-bearing deposits	69,644	374	0.54	69,074	431	0.62	84,399	677	0.80
Total interest-bearing deposits	726,061	1,396	0.19	693,110	1,990	0.29	723,431	3,002	0.42
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	301,417	2,923	0.97	318,400	3,572	1.12	324,269	4,599	1.42
Trading account liabilities	88,323	1,638	1.85	78,554	1,763	2.24	84,689	2,212	2.61
Long-term debt	263,416	6,798	2.58	316,393	9,419	2.98	421,229	11,807	2.80
Total interest-bearing liabilities [8]	1,379,217	12,755	0.92	1,406,457	16,744	1.19	1,553,618	21,620	1.39
Noninterest-bearing sources:									
Noninterest-bearing deposits	363,674			354,672			312,371		
Other liabilities	186,675			194,550			201,238		
Shareholders' equity	233,947			235,677			229,095		
Total liabilities and shareholders' equity	$2,163,513			$2,191,356			$2,296,322		
Net interest spread			2.27 %			2.09 %			2.26 %
Impact of noninterest-bearing sources			0.19			0.25			0.21
Net interest income/yield on earning assets [1]		$42,942	2.46 %		$41,368	2.34 %		$45,402	2.47 %

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, are included in the cash and cash equivalents line. Net interest income and net interest yield are

calculated excluding the fees included in the cash and cash equivalents line.

(2) Yields on debt securities carried at fair value are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

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

(4) Includes non-U.S. residential mortgage loans of $79 million, $90 million and $91 million in 2013, 2012 and 2011, respectively.

(5) Includes non-U.S. consumer loans of $6.7 billion, $7.8 billion and $8.5 billion in 2013, 2012 and 2011, respectively.

(6) Includes consumer finance loans of $1.3 billion, $1.5 billion and $1.8 billion; consumer leases of $351 million, $0 and $0; other non-U.S. consumer loans of $5 million, $699 million and $878 million; and consumer overdrafts of $153 million, $128 million and $93 million in 2013, 2012 and 2011, respectively.

(7) Includes U.S. commercial real estate loans of $40.7 billion, $36.4 billion and $42.1 billion, and non-U.S. commercial real estate loans of $1.6 billion, $1.6 billion and $2.3 billion in 2013, 2012 and 2011, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $205 million, $754 million and $2.6 billion in 2013, 2012 and 2011, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $2.4 billion, $2.3 billion and $2.6 billion in 2013, 2012 and 2011, respectively. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 113.

Table II Analysis of Changes in Net Interest Income – FTE Basis

(Dollars in millions)	From 2012 to 2013 Due to Change in [1] Volume	Rate	Net Change	From 2011 to 2012 Due to Change in [1] Volume	Rate	Net Change
Increase (decrease) in interest income						
Time deposits placed and other short-term investments [2]	$(72)	$22	$(50)	$(71)	$(58)	$(129)
Federal funds sold and securities borrowed or purchased under agreements to resell	(66)	(207)	(273)	(70)	(575)	(645)
Trading account assets	(50)	(377)	(427)	(391)	(445)	(836)
Debt securities	(381)	1,229	848	294	(969)	(675)
Loans and leases:						
Residential mortgage	(276)	(250)	(526)	(652)	(1,091)	(1,743)
Home equity	(646)	51	(595)	(521)	(103)	(624)
U.S. credit card	(449)	(263)	(712)	(1,085)	(219)	(1,304)
Non-U.S. credit card	(312)	11	(301)	(1,160)	76	(1,084)
Direct/Indirect consumer	(48)	(482)	(530)	(238)	(578)	(816)
Other consumer	(33)	(35)	(68)	(25)	(11)	(36)
Total consumer			(2,732)			(5,607)
U.S. commercial	616	(784)	(168)	332	(713)	(381)
Commercial real estate	154	(94)	60	(219)	29	(190)
Commercial lease financing	81	(104)	(23)	23	(150)	(127)
Non-U.S. commercial	785	(297)	488	438	(226)	212
Total commercial			357			(486)
Total loans and leases			(2,375)			(6,093)
Other earning assets	(249)	111	(138)	(376)	(156)	(532)
Total interest income			$(2,415)			$(8,910)
Increase (decrease) in interest expense						
U.S. interest-bearing deposits:						
Savings	$3	$(26)	$(23)	$4	$(59)	$(55)
NOW and money market deposit accounts	66	(346)	(280)	12	(379)	(367)
Consumer CDs and IRAs	(87)	(125)	(212)	(147)	(205)	(352)
Negotiable CDs, public funds and other deposits	15	(37)	(22)	26	(18)	8
Total U.S. interest-bearing deposits			(537)			(766)
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	(15)	(9)	(24)	(41)	(3)	(44)
Governments and official institutions	—	(2)	(2)	(3)	—	(3)
Time, savings and other	21	(52)	(31)	(73)	(126)	(199)
Total non-U.S. interest-bearing deposits			(57)			(246)
Total interest-bearing deposits			(594)			(1,012)
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	(196)	(453)	(649)	(78)	(949)	(1,027)
Trading account liabilities	215	(340)	(125)	(162)	(287)	(449)
Long-term debt	(1,569)	(1,052)	(2,621)	(2,948)	560	(2,388)
Total interest expense			(3,989)			(4,876)
Net increase (decrease) in net interest income [2]			$1,574			$(4,034)

(1)

The changes for each category of interest income and expense are divided between the portion of change attributable to the variance in volume and the portion of change attributable to the variance in rate for that category. The unallocated change in rate or volume variance is allocated between the rate and volume variances.

(2) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, are included in the cash and cash equivalents line. Net interest income in the table is calculated excluding the fees included in the cash and cash equivalents line.

Table III Preferred Stock Cash Dividend Summary (as of February 25, 2014)

Preferred Stock	December 31, 2013 Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate		Dividend Per Share
Series B [(1)]	$ 1	February 11, 2014	April 11, 2014	April 25, 2014	7.00	%	$ 1.75
		October 24, 2013	January 10, 2014	January 24, 2014	7.00		1.75
		July 24, 2013	October 11, 2013	October 25, 2013	7.00		1.75
		April 30, 2013	July 11, 2013	July 25, 2013	7.00		1.75
		January 23, 2013	April 11, 2013	April 25, 2013	7.00		1.75
Series D [(2)]	$ 654	January 13, 2014	February 28, 2014	March 14, 2014	6.204	%	$ 0.38775
		October 15, 2013	November 29, 2013	December 16, 2013	6.204		0.38775
		July 2, 2013	August 30, 2013	September 16, 2013	6.204		0.38775
		April 2, 2013	May 31, 2013	June 14, 2013	6.204		0.38775
		January 3, 2013	February 28, 2013	March 14, 2013	6.204		0.38775
Series E [(2)]	$ 317	January 13, 2014	January 31, 2014	February 18, 2014	Floating		$ 0.25556
		October 15, 2013	October 31, 2013	November 15, 2013	Floating		0.25556
		July 2, 2013	July 31, 2013	August 15, 2013	Floating		0.25556
		April 2, 2013	April 30, 2013	May 15, 2013	Floating		0.24722
		January 3, 2013	January 31, 2013	February 15, 2013	Floating		0.25556
Series F	$ 141	January 13, 2014	February 28, 2014	March 17, 2014	Floating		$ 1,000.00
		October 15, 2013	November 29, 2013	December 16, 2013	Floating		1,011.1111
		July 2, 2013	August 30, 2013	September 16, 2013	Floating		1,022.2222
		April 2, 2013	May 31, 2013	June 17, 2013	Floating		1,044.44
		January 3, 2013	February 28, 2013	March 15, 2013	Floating		1,000.00
Series G	$ 493	January 13, 2014	February 28, 2014	March 17, 2014	Adjustable		$ 1,000.00
		October 15, 2013	November 29, 2013	December 16, 2013	Adjustable		1,011.1111

		July 2, 2013	August 30, 2013	September 16, 2013	Adjustable		1,022.2222
		April 2, 2013	May 31, 2013	June 17, 2013	Adjustable		1,044.44
		January 3, 2013	February 28, 2013	March 15, 2013	Adjustable		1,000.00
Series H [2, 3]	$ —	April 2, 2013	April 15, 2013	May 1, 2013	8.20	%	$0.51250
		January 3, 2013	January 15, 2013	February 1, 2013	8.20		0.51250
Series I [2]	$ 365	January 13, 2014	March 15, 2014	April 1, 2014	6.625	%	$0.4140625
		October 15, 2013	December 15, 2013	January 2, 2014	6.625		0.4140625
		July 2, 2013	September 15, 2013	October 1, 2013	6.625		0.4140625
		April 2, 2013	June 15, 2013	July 1, 2013	6.625		0.41406
		January 3, 2013	March 15, 2013	April 1, 2013	6.625		0.41406
Series J [2, 4]	$ —	July 2, 2013	July 15, 2013	August 1, 2013	7.25	%	$0.453125
		April 2, 2013	April 15, 2013	May 1, 2013	7.25		0.453125
		January 3, 2013	January 15, 2013	February 1, 2013	7.25		0.45312
Series K [5, 6]	$ 1,544	January 13, 2014	January 15, 2014	January 30, 2014	Fixed-to-floating		$40.00
		July 2, 2013	July 15, 2013	July 30, 2013	Fixed-to-floating		40.00
		January 3, 2013	January 15, 2013	January 30, 2013	Fixed-to-floating		40.00
Series L	$ 3,080	December 16, 2013	January 1, 2014	January 30, 2014	7.25	%	$18.125
		September 16, 2013	October 1, 2013	October 30, 2013	7.25		18.125
		June 17, 2013	July 1, 2013	July 30, 2013	7.25		18.125
		March 15, 2013	April 1, 2013	April 30, 2013	7.25		18.125
Series M [5, 6]	$ 1,310	October 15, 2013	October 31, 2013	November 15, 2013	Fixed-to-floating		$40.62500
		April 2, 2013	April 30, 2013	May 15, 2013	Fixed-to-floating		40.62500
Series T [1, 7]	$ 5,000	December 16, 2013	December 26, 2013	January 10, 2014	6.00	%	$1,500.00
		September 16, 2013	September 25, 2013	October 10, 2013	6.00		1,500.00
		June 17, 2013	June 25, 2013	July 10, 2013	6.00		1,500.00
		March 15, 2013	March 26, 2013	April 10, 2013	6.00		1,500.00
Series U	$ 1,000	October 15, 2013	November 15, 2013	December 2, 2013	Fixed-to-floating		$26.288889

(1) Dividends are cumulative.
(2) Dividends per depositary share, each representing a $1/1,000^{th}$ interest in a share of preferred stock.
(3) This series was redeemed on May 1, 2013.
(4) This series was redeemed on August 1, 2013.
(5) Initially pays dividends semi-annually.

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

(7) For more information on the restructuring of the Series T Preferred Stock, which is subject to shareholder approval, see Capital Management – Capital Composition and Ratios on page 66.

Table III Preferred Stock Cash Dividend Summary (as of February 25, 2014) (continued)

Preferred Stock	December 31, 2013 Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate		Dividend Per Share
Series 1 (8)	$ 98	January 13, 2014	February 15, 2014	February 28, 2014	Floating		$0.18750
		October 15, 2013	November 15, 2013	November 29, 2013	Floating		0.18750
		July 2, 2013	August 15, 2013	August 28, 2013	Floating		0.18750
		April 2, 2013	May 15, 2013	May 28, 2013	Floating		0.18750
		January 3, 2013	February 15, 2013	February 28, 2013	Floating		0.18750
Series 2 (8)	$ 299	January 13, 2014	February 15, 2014	February 28, 2014	Floating		$0.19167
		October 15, 2013	November 15, 2013	November 29, 2013	Floating		0.19167
		July 2, 2013	August 15, 2013	August 28, 2013	Floating		0.19167
		April 2, 2013	May 15, 2013	May 28, 2013	Floating		0.18542
		January 3, 2013	February 15, 2013	February 28, 2013	Floating		0.19167
Series 3 (8)	$ 653	January 13, 2014	February 15, 2014	February 28, 2014	6.375	%	$0.3984375
		October 15, 2013	November 15, 2013	November 29, 2013	6.375		0.39844
		July 2, 2013	August 15, 2013	August 28, 2013	6.375		0.3984375
		April 2, 2013	May 15, 2013	May 28, 2013	6.375		0.39843
		January 3, 2013	February 15, 2013	February 28, 2013	6.375		0.39843
Series 4 (8)	$ 210	January 13, 2014	February 15, 2014	February 28, 2014	Floating		$0.25556
		October 15, 2013	November 15, 2013	November 29, 2013	Floating		0.25556
		July 2, 2013	August 15, 2013	August 28, 2013	Floating		0.25556
		April 2, 2013	May 15, 2013	May 28, 2013	Floating		0.24722
		January 3, 2013	February 15, 2013	February 28, 2013	Floating		0.25556
Series 5 (8)	$ 422	January 13, 2014	February 1, 2014	February 21, 2014	Floating		$0.25556
		October 15, 2013	November 1, 2013	November 21, 2013	Floating		0.25556

		July 2, 2013	August 1, 2013	August 21, 2013	Floating		0.25556
		April 2, 2013	May 1, 2013	May 21, 2013	Floating		0.24722
		January 3, 2013	February 1, 2013	February 21, 2013	Floating		0.25556
Series 6 (9, 10)	$ —	April 2, 2013	June 15, 2013	June 28, 2013	6.70	%	$0.41875
		January 3, 2013	March 15, 2013	March 29, 2013	6.70		0.41875
Series 7 (9, 10)	$ —	April 2, 2013	June 15, 2013	June 28, 2013	6.25	%	$0.390625
		January 3, 2013	March 15, 2013	March 29, 2013	6.25		0.39062
Series 8 (8, 11)	$ —	April 2, 2013	May 15, 2013	May 28, 2013	8.625	%	$0.53906
		January 3, 2013	February 15, 2013	February 28, 2013	8.625		0.53906

(8) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.
(9) Dividends per depositary share, each representing a 1/40th interest in a share of preferred stock.
(10) These series were redeemed on June 28, 2013.
(11) This series was redeemed on May 28, 2013.

Table IV Outstanding Loans and Leases [(1)]

	December 31				
(Dollars in millions)	2013	2012	2011	2010	2009
Consumer					
Residential mortgage [(2)]	$248,066	$252,929	$273,228	$270,901	$256,748
Home equity	93,672	108,140	124,856	138,161	149,361
U.S. credit card	92,338	94,835	102,291	113,785	49,453
Non-U.S. credit card	11,541	11,697	14,418	27,465	21,656
Direct/Indirect consumer [(3)]	82,192	83,205	89,713	90,308	97,236
Other consumer [(4)]	1,977	1,628	2,688	2,830	3,110
Total consumer loans excluding loans accounted for under the fair value option	529,786	552,434	607,194	643,450	577,564
Consumer loans accounted for under the fair value option [(5)]	2,164	1,005	2,190	—	—
Total consumer	531,950	553,439	609,384	643,450	577,564
Commercial					
U.S. commercial [(6)]	225,851	209,719	193,199	190,305	198,903
Commercial real estate [(7)]	47,893	38,637	39,596	49,393	69,447
Commercial lease financing	25,199	23,843	21,989	21,942	22,199
Non-U.S. commercial	89,462	74,184	55,418	32,029	27,079
Total commercial loans excluding loans accounted for under the fair value option	388,405	346,383	310,202	293,669	317,628
Commercial loans accounted for under the fair value option [(5)]	7,878	7,997	6,614	3,321	4,936
Total commercial	396,283	354,380	316,816	296,990	322,564
Total loans and leases	$928,233	$907,819	$926,200	$940,440	$900,128

(1) 2013, 2012, 2011 and 2010 are presented in accordance with consolidation guidance that was effective January 1, 2010.

(2) Includes pay option loans of $4.4 billion, $6.7 billion, $9.9 billion, $11.8 billion and $13.4 billion, and non-U.S. residential mortgage loans of $0, $93 million, $85 million, $90 million and $552 million at December 31, 2013, 2012, 2011, 2010 and 2009, respectively. The Corporation no longer originates pay option loans

(3) Includes dealer financial services loans of $38.5 billion, $35.9 billion, $43.0 billion, $43.3 billion and $41.6 billion; consumer lending loans of $2.7 billion, $4.7 billion, $8.0 billion, $12.4 billion and $19.7 billion; U.S. securities-based lending loans of $31.2 billion, $28.3 billion, $23.6 billion, $16.6 billion and $12.9 billion; non-U.S. consumer loans of $4.7 billion, $8.3 billion, $7.6 billion, $8.0 billion and $8.0 billion; student loans of $4.1 billion, $4.8 billion, $6.0 billion, $6.8 billion and $10.8 billion; and other consumer loans of $1.0 billion, $1.2 billion, $1.5 billion, $3.2 billion and $4.2 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(4) Includes consumer finance loans of $1.2 billion, $1.4 billion, $1.7 billion, $1.9 billion and $2.3 billion; consumer leases of $606 million, $34 million, $0, $0 and $0; consumer overdrafts of $176 million, $177 million, $103 million, $88 million and $144 million; and other non-U.S. consumer loans of $5 million, $5 million, $929 million, $803 million and $709 million at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(5) Consumer loans accounted for under the fair value option were residential mortgage loans of $2.0 billion, $1.0 billion and $2.2 billion, and home equity loans of $147 million, $0 and $0 at December 31, 2013, 2012 and 2011, respectively. There were no consumer loans accounted for under the fair value option prior to 2011. Commercial loans accounted for under the fair value option were U.S. commercial loans of $1.5 billion, $2.3 billion, $2.2 billion, $1.6 billion and $3.0 billion; commercial real estate loans of $0, $0, $0, $79 million and $90 million; and non-U.S. commercial loans of $6.4 billion, $5.7 billion, $4.4 billion, $1.7 billion and $1.9 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(6) Includes U.S. small business commercial loans, including card-related products, of $13.3 billion, $12.6 billion, $13.3 billion, $14.7 billion and $17.5 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(7) Includes U.S. commercial real estate loans of $46.3 billion, $37.2 billion, $37.8 billion, $46.9 billion and $66.5 billion, and non-U.S. commercial real estate loans of $1.6 billion, $1.5 billion, $1.8 billion, $2.5 billion and $3.0 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

Table V Nonperforming Loans, Leases and Foreclosed Properties [1]

	December 31				
(Dollars in millions)	2013	2012	2011	2010	2009
Consumer					
Residential mortgage	$11,712	$15,055	$16,259	$18,020	$16,841
Home equity	4,075	4,282	2,454	2,696	3,808
Direct/Indirect consumer	35	92	40	90	86
Other consumer	18	2	15	48	104
Total consumer [2]	15,840	19,431	18,768	20,854	20,839
Commercial					
U.S. commercial	819	1,484	2,174	3,453	4,925
Commercial real estate	322	1,513	3,880	5,829	7,286
Commercial lease financing	16	44	26	117	115
Non-U.S. commercial	64	68	143	233	177
	1,221	3,109	6,223	9,632	12,503
U.S. small business commercial	88	115	114	204	200
Total commercial [3]	1,309	3,224	6,337	9,836	12,703
Total nonperforming loans and leases	17,149	22,655	25,105	30,690	33,542
Foreclosed properties	623	900	2,603	1,974	2,205
Total nonperforming loans, leases and foreclosed properties	$17,772	$23,555	$27,708	$32,664	$35,747

(1) Balances do not include PCI loans even though the customer may be contractually past due. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan. In addition, balances do not include foreclosed properties that are insured by the FHA and have entered foreclosure of $1.4 billion, $2.5 billion and $1.4 billion at December 31, 2013, 2012 and 2011, respectively.

(2) In 2013, $2.3 billion in interest income was estimated to be contractually due on consumer loans and leases classified as nonperforming and TDRs classified as performing, if these loans and leases had been paying according to their terms and conditions. At December 31, 2013, the TDRs classified as performing of $22.5 billion are not included in the table above. Approximately $1.4 billion of the estimated $2.3 billion in contractual interest was received and included in interest income for 2013.

(3) In 2013, $157 million in interest income was estimated to be contractually due on commercial loans and leases classified as nonperforming and TDRs classified as performing, if these loans and leases had been paying according to their terms and conditions. At December 31, 2013, the TDRs classified as performing of $1.8 billion are not included in the table above. Approximately $75 million of the estimated $157 million in contractual interest was received and included in interest income for 2013.

Table VI Accruing Loans and Leases Past Due 90 Days or More [(1)]

	December 31				
(Dollars in millions)	2013	2012	2011	2010	2009
Consumer					
Residential mortgage [(2)]	$16,961	$22,157	$21,164	$16,768	$11,680
U.S. credit card	1,053	1,437	2,070	3,320	2,158
Non-U.S. credit card	131	212	342	599	515
Direct/Indirect consumer	408	545	746	1,058	1,488
Other consumer	2	2	2	2	3
Total consumer	18,555	24,353	24,324	21,747	15,844
Commercial					
U.S. commercial	47	65	75	236	213
Commercial real estate	21	29	7	47	80
Commercial lease financing	41	15	14	18	32
Non-U.S. commercial	17	—	—	6	67
	126	109	96	307	392
U.S. small business commercial	78	120	216	325	624
Total commercial	204	229	312	632	1,016
Total accruing loans and leases past due 90 days or more [(3)]	$18,759	$24,582	$24,636	$22,379	$16,860

(1) Our policy is to classify consumer real estate-secured loans as nonperforming at 90 days past due, except the PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option as referenced in footnote 3.

(2) Balances are fully-insured loans.

(3) Balances exclude loans accounted for under the fair value option. At December 31, 2013 and 2009, $8 million and $87 million of loans accounted for under the fair value option were past due 90 days or more and still accruing interest. At December 31, 2012, 2011 and 2010, there were no loans accounted for under the fair value option that were past due 90 days or more and still accruing interest.

Table VII Allowance for Credit Losses

(Dollars in millions)	2013	2012	2011	2010	2009
Allowance for loan and lease losses, January 1 [(1)]	$24,179	$33,783	$41,885	$47,988	$23,071
Loans and leases charged off					
Residential mortgage	(1,508)	(3,276)	(4,294)	(3,843)	(4,525)
Home equity	(2,258)	(4,573)	(4,997)	(7,072)	(7,220)
U.S. credit card	(4,004)	(5,360)	(8,114)	(13,818)	(6,753)
Non-U.S. credit card	(508)	(835)	(1,691)	(2,424)	(1,332)
Direct/Indirect consumer	(710)	(1,258)	(2,190)	(4,303)	(6,406)
Other consumer	(273)	(274)	(252)	(320)	(491)
Total consumer charge-offs	(9,261)	(15,576)	(21,538)	(31,780)	(26,727)
U.S. commercial [(2)]	(774)	(1,309)	(1,690)	(3,190)	(5,237)
Commercial real estate	(251)	(719)	(1,298)	(2,185)	(2,744)
Commercial lease financing	(4)	(32)	(61)	(96)	(217)
Non-U.S. commercial	(79)	(36)	(155)	(139)	(558)
Total commercial charge-offs	(1,108)	(2,096)	(3,204)	(5,610)	(8,756)
Total loans and leases charged off	(10,369)	(17,672)	(24,742)	(37,390)	(35,483)
Recoveries of loans and leases previously charged off					
Residential mortgage	424	165	377	117	89
Home equity	455	331	517	279	155
U.S. credit card	628	728	838	791	206
Non-U.S. credit card	109	254	522	217	93
Direct/Indirect consumer	365	495	714	967	943
Other consumer	39	42	50	59	63
Total consumer recoveries	2,020	2,015	3,018	2,430	1,549
U.S. commercial [(3)]	287	368	500	391	161
Commercial real estate	102	335	351	168	42
Commercial lease financing	29	38	37	39	22
Non-U.S. commercial	34	8	3	28	21
Total commercial recoveries	452	749	891	626	246
Total recoveries of loans and leases previously charged off	2,472	2,764	3,909	3,056	1,795
Net charge-offs	(7,897)	(14,908)	(20,833)	(34,334)	(33,688)
Write-offs of PCI loans	(2,336)	(2,820)	—	—	—
Provision for loan and lease losses	3,574	8,310	13,629	28,195	48,366
Other [(4)]	(92)	(186)	(898)	36	(549)
Allowance for loan and lease losses, December 31	17,428	24,179	33,783	41,885	37,200
Reserve for unfunded lending commitments, January 1	513	714	1,188	1,487	421
Provision for unfunded lending commitments	(18)	(141)	(219)	240	204
Other [(5)]	(11)	(60)	(255)	(539)	862
Reserve for unfunded lending commitments, December 31	484	513	714	1,188	1,487
Allowance for credit losses, December 31	$17,912	$24,692	$34,497	$43,073	$38,687

(1) The 2010 balance includes $10.8 billion of allowance for loan and lease losses related to the adoption of consolidation guidance that was effective January 1, 2010.

(2) Includes U.S. small business commercial charge-offs of $457 million, $799 million, $1.1 billion, $2.0 billion and $3.0 billion in 2013, 2012, 2011, 2010 and 2009, respectively.

(3) Includes U.S. small business commercial recoveries of $98 million, $100 million, $106 million, $107 million and $65 million in 2013, 2012, 2011, 2010 and 2009, respectively.

(4)

The 2013, 2012 and 2011 amounts primarily represent the net impact of portfolio sales, consolidations and deconsolidations, and foreign currency translation adjustments. In addition, the 2011 amount includes a $449 million reduction in the allowance for loan and lease losses related to Canadian consumer card loans that were transferred to LHFS. The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for $7.8 billion in held-to-maturity debt securities that were issued by the Corporation's U.S. Credit Card Securitization Trust and retained by the Corporation.

(5) The 2013, 2012, 2011 and 2010 amounts primarily represent accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions. The 2009 amount includes the remaining balance of the acquired Merrill Lynch reserve excluding those commitments accounted for under the fair value option, net of accretion, and the impact of funding previously unfunded positions.

Table VII Allowance for Credit Losses (continued)

(Dollars in millions)	2013		2012		2011		2010		2009	
Loan and allowance ratios:										
Loans and leases outstanding at December 31 (6)	$918,191		$898,817		$917,396		$937,119		$895,192	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (6)	1.90	%	2.69	%	3.68	%	4.47	%	4.16	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 (7)	2.53		3.81		4.88		5.40		4.81	
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 (8)	1.03		0.90		1.33		2.44		2.96	
Average loans and leases outstanding (6)	$909,127		$890,337		$929,661		$954,278		$941,862	
Net charge-offs as a percentage of average loans and leases outstanding (6, 9)	0.87	%	1.67	%	2.24	%	3.60	%	3.58	%
Net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (6, 10)	1.13		1.99		2.24		3.60		3.58	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (6, 11)	102		107		135		136		111	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs (9)	2.21		1.62		1.62		1.22		1.10	
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and PCI write-offs (10)	1.70		1.36		1.62		1.22		1.10	
Amounts included in allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (12)	$7,680		$12,021		$17,490		$22,908		$17,690	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (12)	57	%	54	%	65	%	62	%	58	%
Loan and allowance ratios excluding PCI loans and the related valuation allowance: (13)										
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (6)	1.67	%	2.14	%	2.86	%	3.94	%	3.88	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 (7)	2.17		2.95		3.68		4.66		4.43	
Net charge-offs as a percentage of average loans and leases outstanding (6)	0.90		1.73		2.32		3.73		3.71	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (6, 11)	87		82		101		116		99	
	1.89		1.25		1.22		1.04		1.00	

Ratio of the allowance for loan and lease losses at December 31 to net charge-offs

(6) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option, which were $10.0 billion, $9.0 billion, $8.8 billion, $3.3 billion and $4.9 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively. Average loans accounted for under the fair value option were $9.5 billion, $8.4 billion, $8.4 billion, $4.1 billion and $6.9 billion in 2013, 2012, 2011, 2010 and 2009, respectively.

(7) Excludes consumer loans accounted for under the fair value option of $2.2 billion, $1.0 billion and $2.2 billion at December 31, 2013, 2012 and 2011. There were no consumer loans accounted for under the fair value option prior to 2011.

(8) Excludes commercial loans accounted for under the fair value option of $7.9 billion, $8.0 billion, $6.6 billion, $3.3 billion and $4.9 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(9) Net charge-offs exclude $2.3 billion and $2.8 billion of write-offs in the PCI loan portfolio in 2013 and 2012. These write-offs decreased the PCI valuation allowance included as part of the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

(10) There were no write-offs of PCI loans in 2011, 2010 and 2009.

(11) For more information on our definition of nonperforming loans, see pages 89 and 96.

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

(13) For more information on the PCI loan portfolio and the valuation allowance for PCI loans, see Note 4 – Outstanding Loans and Leases and Note 5 – Allowance for Credit Losses to the Consolidated Financial Statements.

Table VIII Allocation of the Allowance for Credit Losses by Product Type

	December 31									
	2013		2012		2011		2010		2009	
(Dollars in millions)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Allowance for loan and lease losses										
Residential mortgage	$4,084	23.43 %	$7,088	29.31 %	$7,985	23.64 %	$6,365	15.20 %	$5,640	15.17 %
Home equity	4,434	25.44	7,845	32.45	13,094	38.76	12,887	30.77	10,116	27.19
U.S. credit card	3,930	22.55	4,718	19.51	6,322	18.71	10,876	25.97	6,017	16.17
Non-U.S. credit card	459	2.63	600	2.48	946	2.80	2,045	4.88	1,581	4.25
Direct/Indirect consumer	417	2.39	718	2.97	1,153	3.41	2,381	5.68	4,227	11.36
Other consumer	99	0.58	104	0.43	148	0.44	161	0.38	204	0.55
Total consumer	13,423	77.02	21,073	87.15	29,648	87.76	34,715	82.88	27,785	74.69
U.S. commercial (1)	2,394	13.74	1,885	7.80	2,441	7.23	3,576	8.54	5,152	13.85
Commercial real estate	917	5.26	846	3.50	1,349	3.99	3,137	7.49	3,567	9.59
Commercial lease financing	118	0.68	78	0.32	92	0.27	126	0.30	291	0.78
Non-U.S. commercial	576	3.30	297	1.23	253	0.75	331	0.79	405	1.09
Total commercial (2)	4,005	22.98	3,106	12.85	4,135	12.24	7,170	17.12	9,415	25.31
Allowance for loan and lease losses	17,428	100.00%	24,179	100.00%	33,783	100.00%	41,885	100.00%	37,200	100.00%
Reserve for unfunded lending commitments	484		513		714		1,188		1,487	
Allowance for credit losses (3)	$17,912		$24,692		$34,497		$43,073		$38,687	

(1) Includes allowance for loan and lease losses for U.S. small business commercial loans of $462 million, $642 million, $893 million, $1.5 billion and $2.4 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(2) Includes allowance for loan and lease losses for impaired commercial loans of $277 million, $475 million, $545 million, $1.1 billion and $1.2 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(3) Includes $2.5 billion, $5.5 billion, $8.5 billion, $6.4 billion and $3.9 billion of valuation allowance included as part of the allowance for credit losses related to PCI loans at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

Table IX Selected Loan Maturity Data [1, 2]

	December 31, 2013			
(Dollars in millions)	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years	Total
U.S. commercial	$58,522	$122,739	$46,114	$227,375
U.S. commercial real estate	7,244	32,826	6,242	46,312
Non-U.S. and other [3]	78,201	14,026	5,170	97,397
Total selected loans	$143,967	$169,591	$57,526	$371,084
Percent of total	39 %	46 %	15 %	100 %
Sensitivity of selected loans to changes in interest rates for loans due after one year:				
Fixed interest rates		$12,668	$28,463	
Floating or adjustable interest rates		156,923	29,063	
Total		$169,591	$57,526	

(1) Loan maturities are based on the remaining maturities under contractual terms.
(2) Includes loans accounted for under the fair value option.
(3) Loan maturities include non-U.S. commercial and commercial real estate loans.

Table X Non-exchange Traded Commodity Contracts

	December 31, 2013	
(Dollars in millions)	Asset Positions	Liability Positions
Net fair value of contracts outstanding, January 1, 2013	$4,041	$3,977
Effects of legally enforceable master netting agreements	5,110	5,110
Gross fair value of contracts outstanding, January 1, 2013	9,151	9,087
Contracts realized or otherwise settled	(5,494)	(5,229)
Fair value of new contracts	4,076	4,023
Other changes in fair value	1,268	984
Gross fair value of contracts outstanding, December 31, 2013	9,001	8,865
Effects of legally enforceable master netting agreements	(4,625)	(4,625)
Net fair value of contracts outstanding, December 31, 2013	$4,376	$4,240

Table XI Non-exchange Traded Commodity Contract Maturities

	December 31, 2013	
(Dollars in millions)	Asset Positions	Liability Positions
Less than one year	$4,737	$4,575
Greater than or equal to one year and less than three years	2,108	2,411
Greater than or equal to three years and less than five years	494	489
Greater than or equal to five years	1,662	1,390
Gross fair value of contracts outstanding	9,001	8,865

Effects of legally enforceable master netting agreements	(4,625)	(4,625)
Net fair value of contracts outstanding	$4,376	$4,240

Table XII Selected Quarterly Financial Data

(In millions, except per share information)	2013 Quarters Fourth	Third	Second	First	2012 Quarters Fourth	Third	Second	First
Income statement								
Net interest income	$10,786	$10,266	$10,549	$10,664	$10,324	$9,938	$9,548	$10,846
Noninterest income	10,702	11,264	12,178	12,533	8,336	10,490	12,420	11,432
Total revenue, net of interest expense	21,488	21,530	22,727	23,197	18,660	20,428	21,968	22,278
Provision for credit losses	336	296	1,211	1,713	2,204	1,774	1,773	2,418
Noninterest expense	17,307	16,389	16,018	19,500	18,360	17,544	17,048	19,141
Income (loss) before income taxes	3,845	4,845	5,498	1,984	(1,904)	1,110	3,147	719
Income tax expense (benefit)	406	2,348	1,486	501	(2,636)	770	684	66
Net income	3,439	2,497	4,012	1,483	732	340	2,463	653
Net income (loss) applicable to common shareholders	3,183	2,218	3,571	1,110	367	(33)	2,098	328
Average common shares issued and outstanding	10,633	10,719	10,776	10,799	10,777	10,776	10,776	10,651
Average diluted common shares issued and outstanding [1]	11,404	11,482	11,525	11,155	10,885	10,776	11,556	10,762
Performance ratios								
Return on average assets	0.64 %	0.47 %	0.74 %	0.27 %	0.13 %	0.06 %	0.45 %	0.12 %
Four quarter trailing return on average assets [2]	0.53	0.40	0.30	0.23	0.19	0.25	0.51	n/m
Return on average common shareholders' equity	5.74	4.06	6.55	2.06	0.67	n/m	3.89	0.62
Return on average tangible common	8.61	6.15	9.88	3.12	1.01	n/m	5.95	0.95

shareholders' equity (3)								
Return on average tangible shareholders' equity (3)	8.53	6.32	9.98	3.69	1.77	0.84	6.16	1.67
Total ending equity to total ending assets	11.07	10.92	10.88	10.91	10.72	11.02	10.92	10.66
Total average equity to total average assets	10.93	10.85	10.76	10.71	10.79	10.86	10.73	10.63
Dividend payout	3.33	4.82	3.01	9.75	29.33	n/m	5.60	34.97
Per common share data								
Earnings	$0.30	$0.21	$0.33	$0.10	$0.03	$0.00	$0.19	$0.03
Diluted earnings (1)	0.29	0.20	0.32	0.10	0.03	0.00	0.19	0.03
Dividends paid	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Book value	20.71	20.50	20.18	20.19	20.24	20.40	20.16	19.83
Tangible book value (3)	13.79	13.62	13.32	13.36	13.36	13.48	13.22	12.87
Market price per share of common stock								
Closing	$15.57	$13.80	$12.86	$12.18	$11.61	$8.83	$8.18	$9.57
High closing	15.88	14.95	13.83	12.78	11.61	9.55	9.68	9.93
Low closing	13.69	12.83	11.44	11.03	8.93	7.04	6.83	5.80
Market capitalization	$164,914	$147,429	$138,156	$131,817	$125,136	$95,163	$88,155	$103,123

(1) Due to a net loss applicable to common shareholders for the third quarter of 2012, the impact of antidilutive equity instruments was excluded from diluted earnings per share and average diluted common shares.

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios, see Supplemental Financial Data on page 33, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVII.

(4) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 77.

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

(6) 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 89 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 96 and corresponding Table 50.

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

(8) Net charge-offs exclude $741 million, $443 million, $313 million and $839 million of write-offs in the PCI loan portfolio for the fourth, third, second and first quarters of 2013, respectively, and $1.1 billion and $1.7 billion for the fourth and third quarters of 2012. These write-offs decreased the PCI valuation allowance included as part of

the allowance for loan and lease losses. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 85.

(9) There were no write-offs of PCI loans in the second and first quarters of 2012.

(10) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at December 31, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

n/m = not meaningful

Table XII Selected Quarterly Financial Data (continued)

	2013 Quarters				2012 Quarters			
(Dollars in millions)	Fourth	Third	Second	First	Fourth	Third	Second	First
Average balance sheet								
Total loans and leases	$929,777	$923,978	$914,234	$906,259	$893,166	$888,859	$899,498	$913,722
Total assets	2,134,875	2,123,430	2,184,610	2,212,430	2,210,365	2,173,312	2,194,563	2,187,174
Total deposits	1,112,674	1,090,611	1,079,956	1,075,280	1,078,076	1,049,697	1,032,888	1,030,112
Long-term debt	251,055	258,717	270,198	273,999	277,894	291,684	333,173	363,518
Common shareholders' equity	220,088	216,766	218,790	218,225	219,744	217,273	216,782	214,150
Total shareholders' equity	233,415	230,392	235,063	236,995	238,512	236,039	235,558	232,566
Asset quality [4]								
Allowance for credit losses [5]	$17,912	$19,912	$21,709	$22,927	$24,692	$26,751	$30,862	$32,862
Nonperforming loans, leases and foreclosed properties [6]	17,772	20,028	21,280	22,842	23,555	24,925	25,377	27,790
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [6]	1.90 %	2.10 %	2.33 %	2.49 %	2.69 %	2.96 %	3.43 %	3.61 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [6]	102	100	103	102	107	111	127	126
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases,	87	84	84	82	82	81	90	91

excluding the PCI loan portfolio (6)								
Amounts included in allowance that are excluded from nonperforming loans and leases (7)	$7,680	$8,972	$9,919	$10,690	$12,021	$13,978	$16,327	$17,006
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases (7)	57 %	54 %	55 %	53 %	54 %	52 %	59 %	60 %
Net charge-offs (8)	$1,582	$1,687	$2,111	$2,517	$3,104	$4,122	$3,626	$4,056
Annualized net charge-offs as a percentage of average loans and leases outstanding (6, 8)	0.68 %	0.73 %	0.94 %	1.14 %	1.40 %	1.86 %	1.64 %	1.80 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (6)	0.70	0.75	0.97	1.18	1.44	1.93	1.69	1.87
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases	1.00	0.92	1.07	1.52	1.90	2.63	1.64	1.80

outstanding (6, 9)																
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	1.87		2.10		2.26		2.44		2.52		2.68		2.70		2.85	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	1.93		2.17		2.33		2.53		2.62		2.81		2.87		3.10	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (8)	2.78		2.90		2.51		2.20		1.96		1.60		2.08		1.97	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.38		2.42		2.04		1.76		1.51		1.17		1.46		1.43	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs (9)	1.89		2.30		2.18		1.65		1.44		1.13		2.08		1.97	
Capital ratios at period end (10)																
Risk-based capital:																
Tier 1 common capital	11.19	%	11.08	%	10.83	%	10.49	%	11.06	%	11.41	%	11.24	%	10.78	%
Tier 1 capital	12.44		12.33		12.16		12.22		12.89		13.64		13.80		13.37	

Total capital	15.44	15.36	15.27	15.50	16.31	17.16	17.51	17.49
Tier 1 leverage	7.86	7.79	7.49	7.49	7.37	7.84	7.84	7.79
Tangible equity (3)	7.86	7.73	7.67	7.78	7.62	7.85	7.73	7.48
Tangible common equity (3)	7.20	7.08	6.98	6.88	6.74	6.95	6.83	6.58

For footnotes see page 138.

Table XIII Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Fourth Quarter 2013 Average Balance	Interest Income/ Expense	Yield/ Rate	Third Quarter 2013 Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$15,782	$48	1.21 %	$17,256	$47	1.07 %
Federal funds sold and securities borrowed or purchased under agreements to resell	203,415	304	0.59	223,434	291	0.52
Trading account assets	156,194	1,182	3.01	144,502	1,093	3.01
Debt securities [2]	325,119	2,455	3.02	327,493	2,211	2.70
Loans and leases [3]:						
Residential mortgage [4]	253,974	2,374	3.74	256,297	2,359	3.68
Home equity	95,388	953	3.97	98,172	930	3.77
U.S. credit card	90,057	2,125	9.36	90,005	2,226	9.81
Non-U.S. credit card	11,171	310	11.01	10,633	317	11.81
Direct/Indirect consumer [5]	82,990	565	2.70	83,773	587	2.78
Other consumer [6]	1,929	17	3.73	1,867	19	3.89
Total consumer	535,509	6,344	4.72	540,747	6,438	4.74
U.S. commercial	225,596	1,700	2.99	221,542	1,704	3.05
Commercial real estate [7]	46,341	374	3.20	43,164	352	3.24
Commercial lease financing	24,468	206	3.37	23,869	204	3.41
Non-U.S. commercial	97,863	544	2.20	94,656	528	2.22
Total commercial	394,268	2,824	2.84	383,231	2,788	2.89
Total loans and leases	929,777	9,168	3.92	923,978	9,226	3.97
Other earning assets	78,214	709	3.61	74,022	677	3.62
Total earning assets [8]	1,708,501	13,866	3.23	1,710,685	13,545	3.15
Cash and cash equivalents [1]	125,259	59		113,064	50	
Other assets, less allowance for loan and lease losses	301,115			299,681		
Total assets	$2,134,875			$2,123,430		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$43,665	$5	0.05 %	$43,968	$5	0.05 %
NOW and money market deposit accounts	514,220	89	0.07	508,136	100	0.08
Consumer CDs and IRAs	77,424	97	0.50	81,190	116	0.56
Negotiable CDs, public funds and other deposits	26,271	28	0.40	24,079	25	0.42
Total U.S. interest-bearing deposits	661,580	219	0.13	657,373	246	0.15
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	13,878	18	0.52	12,789	16	0.47
Governments and official institutions	1,258	—	0.22	1,041	1	0.25
Time, savings and other	59,029	77	0.51	55,446	71	0.52
Total non-U.S. interest-bearing deposits	74,165	95	0.51	69,276	88	0.50
Total interest-bearing deposits	735,745	314	0.17	726,649	334	0.18
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	271,538	682	1.00	279,425	683	0.97
Trading account liabilities	82,393	364	1.75	84,648	375	1.76

Long-term debt	251,055	1,566	2.48	258,717	1,724	2.65
Total interest-bearing liabilities (8)	1,340,731	2,926	0.87	1,349,439	3,116	0.92
Noninterest-bearing sources:						
Noninterest-bearing deposits	376,929			363,962		
Other liabilities	183,800			179,637		
Shareholders' equity	233,415			230,392		
Total liabilities and shareholders' equity	$2,134,875			$2,123,430		
Net interest spread			2.36 %			2.23 %
Impact of noninterest-bearing sources			0.19			0.20
Net interest income/yield on earning assets (1)		$10,940	2.55 %		$10,429	2.43 %

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, are included in the cash and cash equivalents line. Net interest income and net interest yield are calculated excluding the fees included in the cash and cash equivalents line.

(2) Yields on debt securities carried at fair value are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

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

(4) Includes non-U.S. residential mortgage loans of $56 million, $83 million, $86 million and $90 million in the fourth, third, second and first quarters of 2013, respectively, and $93 million in the fourth quarter of 2012.

(5) Includes non-U.S. consumer loans of $5.1 billion, $6.7 billion, $7.5 billion and $7.7 billion in the fourth, third, second and first quarters of 2013, respectively, and $8.1 billion in the fourth quarter of 2012.

(6) Includes consumer finance loans of $1.2 billion, $1.3 billion, $1.3 billion and $1.4 billion in the fourth, third, second and first quarters of 2013, respectively, and $1.4 billion in the fourth quarter of 2012; consumer leases of $549 million, $422 million, $291 million and $138 million in the fourth, third, second and first quarters of 2013, respectively, and $3 million in the fourth quarter of 2012; other non-U.S. consumer loans of $5 million for each of the quarters of 2013, and $4 million in the fourth quarter of 2012; and consumer overdrafts of $163 million, $172 million, $136 million and $142 million in the fourth, third, second and first quarters of 2013, respectively, and $156 million in the fourth quarter of 2012.

(7) Includes U.S. commercial real estate loans of $44.5 billion, $41.5 billion, $39.1 billion and $37.7 billion in the fourth, third, second and first quarters of 2013, respectively, and $36.7 billion in the fourth quarter of 2012; and non-U.S. commercial real estate loans of $1.8 billion, $1.7 billion, $1.5 billion and $1.5 billion in the fourth, third, second and first quarters of 2013, respectively, and $1.5 billion in the fourth quarter of 2012.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $0, $1 million, $63 million and $141 million in the fourth, third, second and first quarters of 2013, respectively, and $146 million in the fourth quarter of 2012. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $588 million, $556 million, $660 million and $618 million in the fourth, third, second and first quarters of 2013, respectively, and $598 million in the fourth quarter of 2012. For more information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 113.

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

	Second Quarter 2013			First Quarter 2013			Fourth Quarter 2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$15,088	$46	1.21 %	$16,129	$46	1.17 %	$16,967	$50	1.14 %
Federal funds sold and securities borrowed or purchased under agreements to resell	233,394	319	0.55	237,463	315	0.54	241,950	329	0.54
Trading account assets	181,620	1,224	2.70	194,364	1,380	2.87	186,252	1,362	2.91
Debt securities [2]	343,260	2,557	2.98	356,399	2,556	2.87	360,213	2,201	2.44
Loans and leases [3]:									
Residential mortgage [4]	257,275	2,246	3.49	258,630	2,340	3.62	256,564	2,292	3.57
Home equity	101,708	951	3.74	105,939	997	3.80	110,270	1,068	3.86
U.S. credit card	89,722	2,192	9.80	91,712	2,249	9.95	92,849	2,336	10.01
Non-U.S. credit card	10,613	315	11.93	11,027	329	12.10	13,081	383	11.66
Direct/Indirect consumer [5]	82,485	598	2.90	82,364	620	3.06	82,583	662	3.19
Other consumer [6]	1,756	17	4.17	1,666	19	4.36	1,602	19	4.57
Total consumer	543,559	6,319	4.66	551,338	6,554	4.79	556,949	6,760	4.84
U.S. commercial	217,464	1,741	3.21	210,706	1,666	3.20	209,496	1,729	3.28
Commercial real estate [7]	40,612	340	3.36	39,179	326	3.38	38,192	341	3.55
Commercial lease financing	23,579	205	3.48	23,534	236	4.01	22,839	184	3.23
Non-U.S. commercial	89,020	543	2.45	81,502	467	2.32	65,690	433	2.62
Total commercial	370,675	2,829	3.06	354,921	2,695	3.07	336,217	2,687	3.18
Total loans and leases	914,234	9,148	4.01	906,259	9,249	4.12	893,166	9,447	4.21
Other earning assets	81,740	713	3.50	90,172	733	3.29	90,388	771	3.40
Total earning assets [8]	1,769,336	14,007	3.17	1,800,786	14,279	3.20	1,788,936	14,160	3.16
Cash and cash equivalents [1]	104,486	40		92,846	33		111,671	42	
Other assets, less allowance for loan and lease losses	310,788			318,798			309,758		
Total assets	$2,184,610			$2,212,430			$2,210,365		
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$44,897	$6	0.05 %	$42,934	$6	0.05 %	$41,294	$6	0.06 %
NOW and money market deposit accounts	500,628	107	0.09	501,177	117	0.09	479,130	146	0.12
	85,001	130	0.62	88,376	138	0.63	91,256	156	0.68

Consumer CDs and IRAs									
Negotiable CDs, public funds and other deposits	22,721	27	0.46	20,880	26	0.52	19,904	27	0.54
Total U.S. interest-bearing deposits	653,247	270	0.17	653,367	287	0.18	631,584	335	0.21
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	10,832	17	0.64	12,155	19	0.64	11,970	22	0.71
Governments and official institutions	924	—	0.26	901	1	0.23	876	1	0.29
Time, savings and other	55,661	79	0.56	54,597	75	0.56	53,649	80	0.60
Total non-U.S. interest-bearing deposits	67,417	96	0.57	67,653	95	0.57	66,495	103	0.62
Total interest-bearing deposits	720,664	366	0.20	721,020	382	0.22	698,079	438	0.25
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	318,028	809	1.02	337,644	749	0.90	336,341	855	1.01
Trading account liabilities	94,349	427	1.82	92,047	472	2.08	80,084	420	2.09
Long-term debt	270,198	1,674	2.48	273,999	1,834	2.70	277,894	1,934	2.77
Total interest-bearing liabilities (8)	1,403,239	3,276	0.94	1,424,710	3,437	0.98	1,392,398	3,647	1.04
Noninterest-bearing sources:									
Noninterest-bearing deposits	359,292			354,260			379,997		
Other liabilities	187,016			196,465			199,458		
Shareholders' equity	235,063			236,995			238,512		
Total liabilities and shareholders' equity	$2,184,610			$2,212,430			$2,210,365		
Net interest spread			2.23 %			2.22 %			2.12 %
Impact of noninterest-bearing sources			0.20			0.21			0.22
Net interest income/yield on earning assets (1)		$10,731	2.43 %		$10,842	2.43 %		$10,513	2.34 %

For footnotes see page 140.

Table XIV Quarterly Supplemental Financial Data

(Dollars in millions, except per share information)	2013 Quarters				2012 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Fully taxable-equivalent basis data [1]								
Net interest income [2]	$10,999	$10,479	$10,771	$10,875	$10,555	$10,167	$9,782	$11,053
Total revenue, net of interest expense	21,701	21,743	22,949	23,408	18,891	20,657	22,202	22,485
Net interest yield [2]	2.56 %	2.44 %	2.44 %	2.43 %	2.35 %	2.32 %	2.21 %	2.51 %
Efficiency ratio	79.75	75.38	69.80	83.31	97.19	84.93	76.79	85.13

(1) FTE basis is a non-GAAP financial measure. For more information on these performance measures and ratios, see Supplemental Financial Data on page 33 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVII.

(2) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks.

Table XV Five-year Reconciliations to GAAP Financial Measures [1]

(Dollars in millions, shares in thousands)	2013	2012	2011	2010	2009
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$42,265	$40,656	$44,616	$51,523	$47,109
Fully taxable-equivalent adjustment	859	901	972	1,170	1,301
Net interest income on a fully taxable-equivalent basis	$43,124	$41,557	$45,588	$52,693	$48,410
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$88,942	$83,334	$93,454	$110,220	$119,643
Fully taxable-equivalent adjustment	859	901	972	1,170	1,301
Total revenue, net of interest expense on a fully taxable-equivalent basis	$89,801	$84,235	$94,426	$111,390	$120,944
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$69,214	$72,093	$80,274	$83,108	$66,713
Goodwill impairment charges	—	—	(3,184)	(12,400)	—
Total noninterest expense, excluding goodwill impairment charges	$69,214	$72,093	$77,090	$70,708	$66,713
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$4,741	$(1,116)	$(1,676)	$915	$(1,916)
Fully taxable-equivalent adjustment	859	901	972	1,170	1,301
Income tax expense (benefit) on a fully taxable-equivalent basis	$5,600	$(215)	$(704)	$2,085	$(615)
Reconciliation of net income (loss) to net income, excluding goodwill impairment charges					
Net income (loss)	$11,431	$4,188	$1,446	$(2,238)	$6,276
Goodwill impairment charges	—	—	3,184	12,400	—
Net income, excluding goodwill impairment charges	$11,431	$4,188	$4,630	$10,162	$6,276
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$10,082	$2,760	$85	$(3,595)	$(2,204)
Goodwill impairment charges	—	—	3,184	12,400	—
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$10,082	$2,760	$3,269	$8,805	$(2,204)
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$218,468	$216,996	$211,709	$212,686	$182,288
Common Equivalent Securities	—	—	—	2,900	1,213
Goodwill	(69,910)	(69,974)	(72,334)	(82,600)	(86,034)
Intangible assets (excluding MSRs)	(6,132)	(7,366)	(9,180)	(10,985)	(12,220)
Related deferred tax liabilities	2,328	2,593	2,898	3,306	3,831
Tangible common shareholders' equity	$144,754	$142,249	$133,093	$125,307	$89,078

Reconciliation of average shareholders’ equity to average tangible shareholders’ equity					
Shareholders’ equity	$233,947	$235,677	$229,095	$233,235	$244,645
Goodwill	(69,910)	(69,974)	(72,334)	(82,600)	(86,034)
Intangible assets (excluding MSRs)	(6,132)	(7,366)	(9,180)	(10,985)	(12,220)
Related deferred tax liabilities	2,328	2,593	2,898	3,306	3,831
Tangible shareholders’ equity	$160,233	$160,930	$150,479	$142,956	$150,222
Reconciliation of year-end common shareholders’ equity to year-end tangible common shareholders’ equity					
Common shareholders’ equity	$219,333	$218,188	$211,704	$211,686	$194,236
Common Equivalent Securities	—	—	—	—	19,244
Goodwill	(69,844)	(69,976)	(69,967)	(73,861)	(86,314)
Intangible assets (excluding MSRs)	(5,574)	(6,684)	(8,021)	(9,923)	(12,026)
Related deferred tax liabilities	2,166	2,428	2,702	3,036	3,498
Tangible common shareholders’ equity	$146,081	$143,956	$136,418	$130,938	$118,638
Reconciliation of year-end shareholders’ equity to year-end tangible shareholders’ equity					
Shareholders’ equity	$232,685	$236,956	$230,101	$228,248	$231,444
Goodwill	(69,844)	(69,976)	(69,967)	(73,861)	(86,314)
Intangible assets (excluding MSRs)	(5,574)	(6,684)	(8,021)	(9,923)	(12,026)
Related deferred tax liabilities	2,166	2,428	2,702	3,036	3,498