BANK OF AMERICA CORP /DE/
Form 10-K
February 24, 2016

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, 2015

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
Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series W	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.500% Non-Cumulative Preferred Stock, Series Y	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a share of 6.200% Non-Cumulative Preferred Stock, Series CC	New York Stock Exchange

Title of each class	Name of each exchange on which registered
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
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

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 No ü
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 (do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in 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, 2015 by non-affiliates was approximately $178,230,659,544 (based on the June 30, 2015 closing price of Common Stock of $17.02 per share as reported on the New York Stock Exchange). As of February 23, 2016, there were 10,325,631,017 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 April 27, 2016 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
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. As part of our efforts to streamline the Corporation's organizational structure and 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 (Exchange Act) 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). Also, 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 28255.
Segments
Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), with the remaining operations recorded in All Other. Additional information related to our business segments and the products and services they provide is included in the information set forth on pages 32 through 46 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, 2015, we had approximately 213,000 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.

We are subject to an extensive regulatory framework applicable to BHCs, financial holding companies and banks and other financial services entities. U.S. federal regulation of banks, BHCs and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund rather than for the protection of stockholders and creditors.

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 U.S. 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. 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.

The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act) enacted sweeping financial regulatory reform across the financial services industry, including significant changes regarding capital adequacy and capital planning, stress testing, resolution planning, derivatives activities, prohibitions on proprietary trading and restrictions on debit interchange fees. As a result of the Financial Reform Act, we have altered and will continue to alter the way in which we conduct certain businesses. Our costs and revenues could continue to be negatively impacted as additional final rules of the Financial Reform Act are adopted.

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. For instance, our broker-dealer subsidiaries are subject to both U.S. and international regulation, including supervision by the SEC, the New York Stock Exchange and the Financial Industry Regulatory Authority, among others; our commodities businesses in the U.S. are subject to regulation by and supervision of the U.S. Commodity Futures Trading Commission (CFTC); our U.S. derivatives activity is 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; our insurance activities are subject to licensing and regulation by state insurance regulatory agencies; and our consumer financial products and services are regulated by the Consumer Financial Protection Bureau (CFPB).

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. For example, our financial services operations in the U.K. are subject to regulation by and supervision of the Prudential Regulatory Authority for prudential matters, and the Financial Conduct Authority for the conduct of business matters.

Source of Strength

Under 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 the Federal Deposit Insurance Corporation Improvement Act of 1991 (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.

Transactions with Affiliates

Pursuant to Section 23A and 23B of the Federal Reserve Act, as implemented by the Federal Reserve's Regulation W, the Banks are subject to restrictions that limit certain types of transactions between the Banks and their nonbank 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 its nonbank affiliates. Additionally, transactions between U.S. banks and their nonbank affiliates are required to be on arm's length terms and must be consistent with standards of safety and soundness.

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 Deposit Insurance Fund (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 increased deposit insurance assessments. 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, Compliance and Legal Risk on page 11.

Capital, Liquidity and Operational Requirements

As a financial services holding company, we and our bank 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 rules are complex and are evolving as U.S. and international regulatory authorities propose and enact enhanced capital and liquidity rules. 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 rules are likely to influence our planning processes for, and may require additional, regulatory capital and liquidity, as well as impose additional operational and compliance costs on the Corporation. In addition, the Federal Reserve and the OCC have adopted guidelines that establish minimum standards for the design, implementation and board oversight of BHC's and national banks' risk governance frameworks. The Federal Reserve has also proposed rules which would require us to maintain minimum amounts of long-term debt meeting specified eligibility requirements.

For more information on regulatory capital rules, capital composition and pending or proposed regulatory capital changes, see Capital Management – Regulatory Capital in the MD&A on page 54, 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. For instance, Federal Reserve regulations require major U.S. BHCs to submit a capital plan as part of an annual Comprehensive Capital Analysis and Review (CCAR). The purpose of the CCAR is to assess the capital planning process of the BHC, including any planned capital actions, such as payment of dividends and common stock repurchases.

Our ability to pay dividends is also affected by the various minimum capital requirements and the capital and non-capital standards established under the 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.

If the Federal Reserve finds that any of our Banks are 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. Additionally, the applicable 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 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.

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.

Resolution Planning

As a BHC with greater than $50 billion of assets, the Corporation is required by the Federal Reserve and the FDIC to annually submit a plan for a rapid and orderly resolution in the event of material financial distress or failure.

Such resolution plan is intended to be a detailed roadmap for the orderly resolution of a 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 both the Federal Reserve and the FDIC determine that the Corporation's plan is not credible and the deficiencies are not cured in a timely manner, the Federal Reserve and the FDIC may jointly impose on us more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations. A description of our plan is available on the Federal Reserve and FDIC websites.

The FDIC also requires the annual submission of a resolution plan for Bank of America, N.A. (BANA), which must describe how the insured depository institution would be resolved under the bank resolution provisions of the Federal Deposit Insurance Act. A description of this plan is also available on the FDIC's website.

We continue to make substantial progress to enhance our resolvability, including simplifying our legal entity structure and business operations, and increasing our preparedness to implement our resolution plan, both from a financial and operational standpoint.

Similarly, in the U.K., rules have been issued 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 Bank of England to develop resolution plans. As a result of the Bank of England's review of the submitted information, we could be required to take certain actions over the next several years which could increase operating

costs and potentially result in the restructuring of certain businesses and subsidiaries.

For more information regarding our resolution, see Item 1A. Risk Factors – Regulatory, Compliance and Legal Risk on page 11.

Insolvency and the Orderly Liquidation Authority

Under the Federal Deposit Insurance Act, the FDIC may be appointed receiver of an insured depository institution if it is insolvent or in certain other circumstances. In addition, under the Financial Reform Act, when a systemically important financial institution (SIFI) 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 institution. In the event of such appointment, the FDIC could, among other things, invoke 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, as well as impairment or elimination of certain debt.

In 2013, the FDIC issued a notice describing its preferred "single point of entry" strategy for resolving SIFIs. Under this approach, the FDIC could 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.

Furthermore, the Federal Reserve Board has proposed regulations regarding the minimum levels of long-term debt required for BHCs to ensure there is adequate loss absorbing capacity in the event of a resolution.

For more information regarding our resolution, see Item 1A. Risk Factors – Regulatory, Compliance and Legal Risk on page 11.

Limitations on Acquisitions

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 permits a BHC to acquire banks located in states other than its 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. At December 31, 2015, we held approximately 11 percent of the total amount of deposits of insured depository institutions in the U.S.

In addition, the Financial Reform Act restricts acquisitions by a financial institution if, as a result of the acquisition, the total liabilities of the financial institution would exceed 10 percent of the total liabilities of all financial institutions in the U.S. At December 31, 2015, our liabilities did not exceed 10 percent of the total liabilities of all financial institutions in the U.S.

The Volcker Rule

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 and private equity funds, although the Federal Reserve extended the conformance period for certain existing covered investments and relationships to July 2016 (with indications that the conformance period may be further extended to July 2017). 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 and 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, is required to establish a detailed compliance program to comply with the restrictions of the Volcker Rule.

Derivatives

Our derivatives operations are subject to extensive regulation globally. Various regulations have been promulgated since the financial crisis, including those under the U.S. Financial Reform Act, the European Union (EU) Markets in Financial Instruments Directive II/Regulation and the European Market Infrastructure Regulation, that regulate or will regulate the derivatives market 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. In response to global prudential regulator concerns that the closeout of derivatives transactions during the resolution of a SIFI could impede resolution efforts and potentially destabilize markets, SIFIs, including the Corporation, together with the International Swaps and Derivatives Association, Inc. (ISDA) developed a protocol amending ISDA Master Agreements to provide for contractual recognition of stays of termination rights under various statutory resolution regimes and a contractual stay on certain cross-default rights. The original protocol was superseded by the ISDA 2015 Universal Resolution Stay Protocol (2015 Protocol), which took effect January 1, 2016, and expanded the financial contracts covered by the original protocol to also include industry forms of repurchase agreements and securities lending agreements. Dealers representing 23 SIFIs have adhered to the 2015 Protocol. Global prudential regulators are beginning

to promulgate regulations requiring regulated firms, including the Corporation and many of its subsidiaries, to amend financial contracts to impose the terms of the 2015 Protocol. The adoption of many of these regulations is ongoing and their ultimate impact remains uncertain.

Consumer Regulations

Our consumer businesses are subject to extensive regulation and oversight by federal and state regulators. Certain federal consumer finance laws to which we are subject, including, but not limited to, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Electronic Fund Transfer Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act, the Truth in Lending Act and Truth in Savings Act, are enforced by the CFPB. Other federal consumer finance laws, such as the Servicemembers Civil Relief Act, are enforced by the OCC.

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 and employees. 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 the international, 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. The October 6, 2015 ruling by the European Court of Justice that the U.S. EU Safe Harbor is invalid has impacted the ability of certain vendors who relied upon the Safe Harbor to provide services to us. While an EU-U.S. Privacy Shield agreement to replace the EU-U.S. Safe Harbor has been announced, the timing of adoption and implementation is uncertain. We also expect the EU to adopt a Data Protection Regulation, which will replace the existing EU Data Protection Directive. The impacts of the anticipated EU Data Protection Regulation are uncertain at this time.

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 currently 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 21. 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, competitive position, business, reputation, results of operations, capital position 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, market, political and social 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 and currencies, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, political risks, 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. Continued economic challenges include under-employment, declines in energy prices, the ongoing low interest rate environment, restrained growth in consumer demand, the strengthening of the U.S. Dollar versus other currencies, and continued risk in the consumer and commercial real estate markets. Deterioration of any of these conditions could adversely affect our consumer and commercial businesses, our securities and derivatives 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. For instance, the recent sharp drop in oil prices, while likely a net positive for the U.S. economy, may also add stress to select regional markets that are energy industry dependent and may negatively impact certain commercial and consumer loan portfolios.

Our businesses and results of operations are also affected by domestic and international fiscal and monetary policy. For example, the recent rate increase by the Federal Reserve in the U.S. and continued easing at many central banks internationally impact our cost of funds for lending, investing and capital raising activities and the return we earn on loans and investments. Central bank actions can also affect the value of financial instruments

and other assets, such as debt securities and mortgage servicing rights (MSRs), and their policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. 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 – 2015 Economic and Business Environment in the MD&A on page 22.

Liquidity Risk

Liquidity Risk is the Potential Inability to Meet Expected or Unexpected Liquidity Needs While Continuing to Support our Business and Customer Needs Under a Range of Economic Conditions.

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 government-sponsored enterprises (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; increased regulatory liquidity requirements for our U.S. or international banks and their nonbank subsidiaries; 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 Liquidity Risk in the MD&A on page 60.
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 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 such as the likelihood of the U.S. government providing meaningful support to the Corporation or its subsidiaries in a crisis.

The rating agencies could make adjustments to our credit ratings at any time, and 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.

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 information about the amount of additional collateral required and derivative liabilities that would be subject to unilateral termination at December 31, 2015 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by each of two incremental notches, see Credit-related Contingent Features and Collateral in Note 2 – Derivatives to the Consolidated Financial Statements.

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 63 and Note 2 – Derivatives to the Consolidated Financial Statements.

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.

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 for the Corporation or its subsidiaries could be directly or indirectly impacted by a downgrade of the U.S. government's sovereign rating. In addition, the Corporation presently delivers a 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.

Bank of America Corporation is a holding company and we depend upon our subsidiaries for liquidity, including our ability to pay dividends to shareholders and to fund payments on our other obligations. Applicable laws and regulations, including capital and liquidity requirements, and actions taken pursuant to our resolution plan could 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 nonbank 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 nonbank 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. 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. In addition, we have arrangements with our key operating subsidiaries regarding the implementation of our preferred single point of entry resolution strategy, which restrict the ability of these subsidiaries to provide funds to us through distributions and advances upon the occurrence of certain severely adverse capital and liquidity conditions.

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. Also, additional liquidity may be required at each subsidiary entity.

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 Capital Management in the MD&A on page 53 and Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

Credit Risk

Credit Risk is the Risk of Loss Arising from the Inability or Failure of a Borrower or Counterparty to Meet its Obligations.

Economic or market disruptions, insufficient credit loss reserves or concentration of credit risk may result in an increase in the provision for credit losses, which could have an adverse effect on our financial condition and results of operations.

A number of our products expose us to credit risk, including loans, letters of credit, derivatives, debt securities, trading account assets and assets held-for-sale. The financial condition of our consumer and commercial borrowers and counterparties could adversely affect 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 the risk that borrowers or counterparties would default or become delinquent on their obligations to us. Increases in delinquencies and default rates could adversely affect our consumer credit card, home equity, residential mortgage and purchased credit-impaired portfolios through increased charge-offs and provision for credit losses. Additionally, increased credit risk could also adversely affect our commercial loan portfolios with weakened customer and collateral positions.

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 credit losses included within our loan portfolios. The process for determining the amount of the allowance requires difficult and complex judgments, including loss forecasts on how borrowers will react to current economic conditions. The ability of our borrowers or counterparties to repay their obligations will likely be impacted by changes in economic conditions, which in turn could impact the accuracy of our loss forecasts and allowance estimate. There is also the chance that we will fail to accurately identify the appropriate economic indicators or that we will fail to accurately estimate their impacts.

We may suffer unexpected losses if the models and assumptions we use to establish reserves and make judgments in extending credit to our borrowers or 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, 2015, there is no guarantee that it will be sufficient to address credit losses, particularly if economic conditions deteriorate. In such an event, we may 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. 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 the financial stability of one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity disruptions, losses and defaults. Many of these transactions expose us to credit risk in the event of default of a counterparty. In addition, our credit risk may be heightened by market risk 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 to 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 oil 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, including home equity lines of credit (HELOCs), consumer credit card and commercial real estate portfolios, which represent a large percentage of our overall credit portfolio. In addition, our commercial portfolios include exposures to certain industries, including the energy sector, which may result in higher credit losses for the company due to adverse business conditions, market disruptions or greater volatility in those industries as the result of low energy prices or other factors. Economic downturns have adversely affected these portfolios. 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 65 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 (which has generally had equal or higher credit ratings than the Corporation’s) as counterparty for certain derivative contracts and other trading agreements. The Corporation’s 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 Changes in Market Conditions May Adversely Impact the Value of Assets or Liabilities or Otherwise Negatively Impact Earnings. 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, 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, or central banks internationally, change or signal a change in monetary policy, market interest rates could be affected, which could adversely impact the value of such assets. In addition, the ongoing prolonged low interest rate environment could negatively impact our liquidity, financial condition or results of operations, including future revenue and earnings growth.

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 92.

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, derivative assets and liabilities, available-for-sale (AFS) debt and equity securities, other debt securities, 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, funding impact on certain derivatives 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 and other factors such as reductions in mortgage insurance premiums and origination costs, could adversely impact the value of our MSR asset, cause a significant acceleration of purchase premium amortization on our mortgage portfolio, because a decline in long-term interest rates shortens the expected lives of the securities, 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 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 GWIM in the MD&A on page 36. For more information about interest rate risk management, see Interest Rate Risk Management for Non-trading Activities in the MD&A on page 97.

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 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 (collectively, repurchases). At December 31, 2015, we had approximately $18.4 billion of unresolved repurchase claims, net of duplicate claims. These repurchase claims primarily related to private-label securitizations and exclude claims in the amount of $7.4 billion at December 31, 2015 where the statute of limitations has expired without litigation being commenced. We have also

received notifications pertaining to loans for which we have not received a repurchase request from sponsors of third-party securitizations with whom the Corporation engaged in whole-loan transactions and for which we may owe indemnity obligations.

We have recorded a liability of $11.3 billion for obligations under representations and warranties exposures. We also have an estimated range of possible loss of up to $2 billion over our recorded liability. 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. Investors and other residential mortgage-backed securities (RMBS) counterparties have been engaged in judicial efforts to attempt to avoid or circumvent the impact of recent court rulings concerning the statute of limitations applicable to representations and warranties claims against RMBS sponsors, as well as pursuing other parties to such transaction. Future representations and warranties losses may occur in excess of our recorded liability and estimated range of possible loss and such losses could have an adverse effect on our liquidity, financial condition and results of operations. For example, future representations and warranties losses could exceed our recorded liability and estimated range of possible loss if future settlement rates exceed our historical experience, or if investors and other RMBS counterparties are successful in their judicial efforts to avoid or circumvent the impact of recent court rulings concerning the statute of limitations applicable to representation and warranties claims against RMBS sponsors or pursue other parties to the RMBS transactions.

Additionally, our recorded liability for representations and warranties exposures and the corresponding estimated range of possible loss do not consider losses related to servicing foreclosure and related costs, fraud, indemnity, or claims (including for RMBS) related to securities law or monoline litigations. Losses with respect to one or more of these matters could be material to the Corporation’s results of operations or liquidity for any particular reporting period.

For more information about our representations and warranties exposure, including the estimated range of possible loss, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties in the MD&A on page 46, Consumer Portfolio Credit Risk Management in the MD&A on page 66 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Failure to satisfy our obligations as servicer for residential mortgage securitizations, along with other losses we could incur in our capacity as servicer, and continued foreclosure delays and/or investigations into our residential mortgage foreclosure practices 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. 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 could cause us to lose servicing income. In addition, for loans principally held in private-label securitization trusts, 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 such breach were found to have occurred, it may harm our reputation, increase our servicing costs or adversely impact our results of operations. Additionally, with respect to foreclosures, we may incur costs or losses due to irregularities in the underlying documentation, or 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. We may also incur costs or losses relating to delays or alleged deficiencies in processing documents necessary to comply with state law governing foreclosures.

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 2015, the declines in prior years have negatively impacted the demand for many of our products. 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, 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 and could have an adverse effect on our financial condition and results of operations.

In addition, our home equity 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 is largely comprised of HELOCs that have not yet entered their amortization period. 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. Loans in our HELOC portfolio generally have an initial draw period of 10 years and 44 percent of these loans will enter the amortization period in 2016 and 2017. As a result, delinquencies and defaults may increase in future periods. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A on page 46 and Consumer Portfolio Credit Risk Management on page 66.

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.

During 2015, we sold approximately $36.1 billion 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.

Regulatory, Compliance and Legal Risk

U.S. federal banking 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 U.S. regulators' risk-based capital and liquidity rules. These rules, among other things, establish minimum requirements 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.

The current regulatory environment is fluid, with requirements frequently being introduced and amended. It is possible that increases in regulatory capital requirements, changes in how regulatory capital is calculated or increases to liquidity requirements could cause us to increase our capital levels by issuing additional common stock, thus diluting our existing shareholders, or by taking other actions, such as selling company assets. For example, we have been designated as a global systemically important bank (G-SIB) and as such, are subject to a risk-based capital surcharge (G-SIB surcharge) which could increase our capital ratio requirements higher than our estimated G-SIB of 3.0 percent. Further, the G-SIB surcharge applicable to us may change from time to time. Under the final U.S. rules, the G-SIB surcharge is being phased in beginning on January 1, 2016, becoming fully effective on January 1, 2019. Compliance with the regulatory capital and liquidity requirements may impact our ability to return capital to shareholders and 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. Additionally, we are required to submit a capital plan to the Federal Reserve on an annual basis. We may be prohibited from taking capital actions such as paying or increasing dividends, or repurchasing securities if the Federal Reserve objects to our capital plan. For additional information, see Capital Management – Regulatory Capital in the MD&A on page 54.

The ultimate impact of the Federal Reserve Board’s recently proposed rules requiring U.S. G-SIBs to maintain minimum amounts of long-term debt meeting specified eligibility requirements is uncertain.
On October 30, 2015, the Federal Reserve released for comment proposed rules (the Total Loss-Absorbing Capacity, or TLAC, Rules) that would require the eight U.S. G-SIBs, including Bank of America, to, among other things, maintain minimum amounts of long-term debt satisfying certain eligibility criteria commencing January 1, 2019. As proposed, the TLAC Rules would disqualify from TLAC eligible long-term debt, among other instruments, debt securities that permit acceleration for reasons other than insolvency or payment default, as well as debt securities defined as structured notes in the TLAC Rules and debt securities not governed by U.S. law. Our currently outstanding senior long-term debt typically permits acceleration for reasons other than insolvency or payment default and, as a result, neither such outstanding senior long-term debt nor any subsequently issued senior long-term debt with similar terms would qualify as TLAC eligible long-term debt under the proposed rules. We may need to take action to comply with the final TLAC Rules depending in substantial part on the ultimate eligibility requirements for senior long-term debt and any grandfathering provisions, including actions to conform or replace our existing debt securities.
In the event of our resolution under our preferred single point of entry resolution strategy, such resolution could materially adversely affect our liquidity and financial condition and our ability to pay dividends to shareholders and to pay our obligations.
We are required to annually submit a plan to the Federal Reserve and the FDIC describing our resolution strategy under the U.S. Bankruptcy Code in the event of material financial distress or failure. In our current plan, our preferred resolution strategy is a single point of entry strategy. Under the strategy, upon certain severely adverse capital and liquidity conditions, before filing for resolution with the U.S. Bankruptcy court, we would recapitalize certain key operating subsidiaries by contributing substantially all of our assets (other than the stock of our direct subsidiaries and a reserve for expenses in resolution) with the goal of enabling these subsidiaries to continue operating. Following this recapitalization, only Bank of America Corporation would be resolved under the U.S. Bankruptcy Code. We have arrangements with these key subsidiaries that govern these recapitalizations, which restrict the ability of these subsidiaries to provide funds to us through distributions and advances upon the occurrence of such capital and liquidity conditions. Our obligations under these arrangements are secured by certain of our assets. Any such recapitalizations under our resolution plan and/or these arrangements, or restrictions on the ability of our subsidiaries to provide funds to us, could (i) adversely affect our liquidity and our ability to pay dividends to our shareholders and to pay our obligations, and (ii) result in holders of our securities being in a worse position as a result thereof and suffering greater losses than would have been the case under bankruptcy, FDIC receivership or a different resolution plan.
Further, if the FDIC and Federal Reserve jointly determine that our resolution plan is not credible and we fail to cure the deficiencies, they could impose more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations, and 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.

In addition, under the Financial Reform Act, when a G-SIB 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 institution. In the event of such appointment, the FDIC could, among other things, invoke 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. In 2013, the FDIC issued a notice describing its preferred “single point of entry” strategy for resolving a G-SIB. Under this approach, the FDIC could replace the Corporation 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 our creditors. The FDIC’s single point of entry strategy may result in our security holders suffering greater losses than would have been the case under a different resolution plan than the losses that may have resulted from the application of a bankruptcy proceeding or a different resolution strategy.
We are subject to comprehensive government legislation and regulations, both domestically and internationally, which impact our operating costs, and could require us to make changes to our operations and result in an adverse impact on our results of operations. Additionally, these regulations and uncertainty surrounding the scope and requirements of the final rules implementing recently enacted and proposed legislation, as well as certain settlements and consent

orders we have entered into, have increased and will continue to increase our compliance and operational risks and costs.

We are subject to comprehensive regulation under federal and state laws in the U.S. and the laws of the various jurisdictions in which we operate. These laws and regulations significantly affect our business, and have the potential to restrict the scope of our existing businesses, limit our ability to pursue certain business opportunities or make our products and services more expensive for clients and customers.

Significant new legislation and regulations affecting the financial services industry have been enacted or proposed in recent years, both in the U.S. and globally. 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 U.S. Department of the Treasury, the Federal Reserve, the OCC, the CFPB, Financial Stability Oversight Council, the FDIC, the SEC and CFTC. Under the provisions of the Financial Reform Act known as the "Volcker Rule," we are prohibited from proprietary trading and limited in our sponsorship of, and investment in, hedge funds, private equity funds and certain other covered private funds. Non-U.S. regulators, such as the U.K. financial regulators and the European Parliament and Commission, have adopted or proposed laws and regulations regarding financial institutions located in their jurisdictions. Recent EU legislative and regulatory initiatives, including those relating to the resolution of financial institutions, the proposed separation of trading activities from core banking services, mandatory on-exchange trading, position limits and reporting rules for derivatives, governance and conduct of business requirements, interchange, and restrictions on compensation, could require us to make significant modifications to our non-U.S. businesses, operations and legal entity structure in order to comply with these requirements.

We continue to make adjustments to our business and operations, legal entity structure and capital and liquidity management policies, procedures and controls to comply with these new and proposed laws and regulations. However, a number of provisions still require final rulemaking, guidance and interpretation by regulatory authorities. Further, we could become subject to regulatory requirements beyond those currently proposed, adopted or contemplated. Accordingly, the cumulative effect of all of the new and proposed legislation and regulations on our business, operations and profitability remains uncertain. This uncertainty necessitates that in our business planning we make certain assumptions with respect to the scope and requirements of the proposed rules. If these assumptions prove incorrect, we could be subject to increased regulatory and compliance risks and costs as well as potential reputational harm. In addition, U.S. and international regulatory initiatives may overlap, and non-U.S. regulations and initiatives may be inconsistent or may conflict with current or proposed regulations in the U.S., which could lead to compliance risks and increased costs.

Our regulators' prudential and supervisory authority gives them broad power and discretion to direct our actions, and they have assumed an increasingly active oversight, inspection and investigatory role across the financial services industry. Regulatory focus is not limited to laws and regulations applicable to the financial services industry specifically, but also extends to other significant regulations such as Office of Foreign Assets Control, Foreign Corrupt Practices Act and U.S. and international anti-money laundering regulations. The number of investigations and proceedings brought by regulators against the financial services industry generally has increased. As part of their enforcement authority, our regulators have the authority to, among other things, assess significant civil or criminal monetary penalties, fines or restitution, issue cease and desist or removal orders and initiate injunctive actions. Recently, the amounts paid by us and other financial institutions to settle proceedings or investigations have been increasing and are likely to continue to increase. In some cases, governmental authorities have required criminal pleas or other extraordinary terms as part of such settlements, which could have significant consequences for a financial institution, including reputational harm, loss of customers, restrictions on the ability to access capital markets, and the inability to operate certain businesses or offer certain products for a period of time.

The complexity of the federal and state regulatory and enforcement regimes in the U.S., coupled with the global scope of our operations and the increasing aggressiveness of the regulatory environment worldwide, also means that a single event or practice or a series of related events or practices may give rise to a large number of overlapping investigations and regulatory proceedings, either by multiple federal and state agencies in the U.S. or by multiple regulators and other governmental entities in different jurisdictions. Responding to inquiries, investigations, lawsuits and proceedings, regardless of the ultimate outcome of the matter, is time-consuming and expensive and can divert the attention of our senior management from our business. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last a number of years.

We are currently subject to the terms of settlements and consent orders that we have entered into with government agencies and may become subject to additional settlements or orders in the future. Such settlements and consent orders impose significant operational and compliance costs on us as they typically require us to enhance our procedures and controls, expand our risk and control functions within our lines of business, invest in technology and hire significant numbers of additional risk, control and compliance personnel. Moreover, if we fail to meet the requirements of the regulatory settlements and orders to which

we are subject, or more generally, to maintain risk and control procedures and processes that meet the heightened standards established by our regulators and other government agencies, we could be required to enter into further settlements and orders, pay additional fines, penalties or judgments, or accept material regulatory restrictions on our businesses.

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. We also rely upon third parties who may expose us to compliance and legal risk. Future legislative or regulatory actions, and any required changes to our business or operations, or those of third parties upon whom we rely, resulting from such developments and actions, could result in a significant loss of revenue, impose additional compliance and other costs or otherwise reduce our profitability, limit the products and services that we offer or our ability to pursue certain business opportunities, require us to dispose of or curtail certain businesses, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, or otherwise adversely affect our businesses. 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.

We are subject to significant financial and reputational risks from potential liability arising from lawsuits, and regulatory and 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 remains high. Greater than expected 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 results and prospects. We continue to experience a significant volume of 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. Among other things, financial institutions, including the Corporation, increasingly have been the subject of claims alleging anti-competitive conduct with respect to various products and markets, including U.S. antitrust class actions claiming joint and several liability for treble damages. Our experience with certain regulatory authorities suggests an increasing supervisory focus on enforcement, including in connection with alleged violations of law and customer harm. 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, as well as claims under the antitrust laws. 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 False Claims Act and antitrust claims. The ongoing environment of additional regulation, increased regulatory compliance burdens, and enhanced regulatory and governmental 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 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. 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.

The Corporation has $7.3 billion of U.K. net deferred tax assets which consist primarily of net operating losses that are expected to be realized by certain subsidiaries over an extended number of years. Adjusted pretax income for these subsidiaries for 2015, 2014 and 2013 on a cumulative basis totaled $2.1 billion, excluding the impact of debit valuation adjustments and the adoption impact of a funding valuation adjustment. Adverse developments with respect to tax laws or to other material factors, such as a prolonged worsening of Europe's capital markets, could lead management to reassess and/or change its current conclusion that no valuation allowance is necessary with respect to our U.K. net deferred tax assets.

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 applies 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 and will continue to experience intense competition from local and global financial institutions as well as new entrants, in both domestic and foreign markets. Additionally, the changing regulatory environment may create competitive disadvantages for certain financial institutions given geography-driven capital and liquidity requirements. For example, U.S. regulators have in certain instances adopted stricter capital and liquidity requirements than those applicable to non-U.S. institutions. 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 easier 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 including electronic securities trading, marketplace lending, and payment processing. Increased competition may negatively affect our earnings by creating pressure to lower prices or credit standards on our products and services requiring additional investment to improve the quality and delivery of our technology and/or reducing our 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 as well as alleged irregularities in servicing, foreclosure, consumer collections, mortgage loan modifications and other practices, compensation practices, 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, security breaches, unethical behavior, litigation or regulatory outcomes, failing to deliver standards of service and quality expected by our customers and clients, compliance failures, inadequacy of responsiveness to internal controls, unintended disclosure of confidential information, and the activities of our clients, customers and counterparties, including vendors. In addition, adverse publicity or negative information posted on social media websites, whether or not factually correct, may adversely impact our business prospects or financial results. 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. 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.

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.

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. For instance, recent EU rules limit and subject to clawback certain forms of variable compensation for senior employees. Current and potential 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.

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 and this may impact our ability to grow revenue and/or effectively compete, in part, due to legislative and regulatory developments that affect the competitive landscape. Additionally, the competitive landscape may be impacted by the growth of non-depository institutions that offer products that were traditionally banking products as well as new innovative products. 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 and payment systems, could require substantial expenditures to modify or adapt our existing products and services as we grow and develop our internet banking and mobile banking channel strategies in addition to remote connectivity solutions. We might not be successful in developing or introducing new products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and/or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices 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. For instance, we use various models to assess and control risk, but those are subject to inherent limitations.

Additionally, we are reliant on our ability to manage data and our ability to aggregate data in an accurate and timely manner to ensure effective risk reporting and management. Our ability to manage data and aggregate data may be limited by the effectiveness of our policies, programs, processes and practices that govern how data is acquired, validated, stored, protected and processed. While we continuously update our policies, programs, processes and practices, many of our data management and aggregation processes are manual and subject to human error or system failure. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit our

ability to manage current and emerging risk, as well as to manage changing business needs.
Our risk management framework is also dependent on ensuring that a sound risk culture exists throughout the Corporation, as well as ensuring that we manage risks associated with third parties and vendors. Recent economic conditions, heightened legislative and regulatory scrutiny of the financial services industry and 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 risks.
For more information about our risk management policies and procedures, see Managing Risk in the MD&A on page 49.
A failure in or breach of our operational or security systems or infrastructure, or those of third parties, could disrupt our businesses, and adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.
The potential for operational risk exposure exists throughout our organization and as a result of our interactions with third parties, and is not limited to our operational functions. Our operational and security systems, infrastructure, including our computer systems, data management, and internal processes, as well as those of third parties, are integral to our performance. In addition, we rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct or malfeasance or failure or breach of third-party systems or infrastructure, expose us to risk. We have taken measures to implement backup systems and other safeguards to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. Our financial, accounting, data processing, backup or other operating or security systems and infrastructure 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 which could adversely affect our ability to process these transactions or provide these services. There could be sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters such as earthquakes, tornadoes, hurricanes and floods; disease pandemics; and events arising from local or larger scale political or social matters, including terrorist acts. 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. Operational risk exposures could adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

A cyber attack, information or security breach, or a technology failure of ours or of a third party could adversely affect our ability to conduct our business, manage our exposure to risk or expand our businesses, result in the disclosure or misuse of confidential or proprietary information, increase our costs to maintain and update our operational and security systems and infrastructure, and adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

Our businesses are highly dependent on the security and efficacy of our infrastructure, computer and data management systems, as well as those of third parties with whom we interact. Cyber security risks for financial institutions 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 businesses rely on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. We rely on digital technologies, computer, database and email systems, software, and networks to conduct our operations. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment. We, our customers, regulators and other third parties have been subject to, and are likely to continue to be the target of, cyber attacks. These cyber attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information or other 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, our customers or of third parties, or otherwise materially disrupt our or our customers' or other third parties' network access or business operations. For example, in recent years, we have been subject to malicious activity, including distributed denial of service attacks. Additionally, several large retailers have disclosed substantial cyber security breaches affecting debit and credit card accounts of their customers, some of whom were our cardholders. Although these incidents have not, to date, had a material impact on us, we believe that such incidents will continue, and we are unable to predict the severity of such future attacks on us. Our counterparties, regulators, customers and clients, and other third parties with whom we or our customers and clients interact are exposed to similar incidents, and incidents affecting those third parties could impact us.

Although to date we have not experienced any material losses or other material consequences relating to technology failure, cyber attacks or other information or other security breaches, there can be no assurance that we will not suffer such losses or other consequences 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 and the broader economy, 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 continuous transmission of sensitive information to, and storage of such information by, third parties, including our vendors and regulators, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, the continued uncertain global economic environment, threats of cyber terrorism, external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends, and system and customer account updates and conversions. As a result, cyber security 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 or incidents. We also face indirect technology, cyber security and operational risks relating to the third parties with whom we do business or upon whom we rely to facilitate or enable our business activities. In addition to customers and clients, the third parties with whom we interact and upon whom we rely include financial counterparties; financial intermediaries such as clearing agents, exchanges and clearing houses; vendors; regulators; providers of critical infrastructure such as internet access and electrical power, and retailers for whom we process transactions. Each of these third parties faces the risk of cyber attack, information breach or loss, or technology failure. Any such cyber attack, information breach or loss, or technology failure of a third party could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses. As a result of financial entities and technology systems becoming more interdependent and complex, a cyber incident, information breach or loss, or technology failure that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Corporation. For example, 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 cyber attack, information breach or loss, failure, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses.
Any of the matters discussed above could result in our loss of customers and business opportunities, significant business disruption to our operations and business, misappropriation or

destruction of our confidential information and/or that of our customers, or damage to our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, and additional compliance costs. In addition, any of the matters described above could adversely impact our results of operations, liquidity and financial condition.

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, financial, 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, oil price fluctuation and changes in legislation. These risks are especially elevated 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. The eurozone economy grew modestly in 2015 but faces continuing challenges, including uncertainty regarding economic performance in emerging markets, some weakened appreciably by the severe decline in oil prices. The influx of refugees, related to the war in Syria, and continued political uncertainty relating to various nations' fiscal plans have the potential to negatively impact consumer and business confidence and credit factors, affecting our business and operation results. Notably, sovereign debt purchases by the European Central Bank have supported Southern European financial markets but risks remain. The economy in China continues to gradually slow while facing longer term readjustment challenge. Russia and Brazil remain nations in the midst of severe downturns. Additionally, the U.K. government has announced the possibility of a referendum regarding the U.K.'s continued membership in the EU. The referendum is expected to occur before the end of 2017. An exit of the U.K. from the EU could significantly affect the fiscal, monetary and regulatory landscape in the U.K. We conduct business in Europe primarily through our U.K. subsidiaries. An exit from the EU could impact our operations in the EU and may result in moving some of our operations in the U.K. to our EU based entities, which could impose costs on us and could have an impact on our business, finance condition and results of operations.

Potential risks of default on sovereign debt in some non-U.S. jurisdictions remain and could expose us to substantial losses. Risks in one nation can limit our opportunities for portfolio growth and negatively affect our operations in another nation or nations, including our U.S. operations. 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. 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 in general.

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 86.

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 possibly needing to revise and republish prior-period financial statements.

The FASB issued in 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 has indicated a tentative effective date of January 1, 2019, and final guidance is expected to be issued in the second quarter of 2016. The final standard may materially reduce retained earnings in the period of adoption.

For more information on some of our critical accounting policies and recent accounting changes, see Complex Accounting Estimates in the MD&A on page 100 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, 2015, 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)
Bank of America Corporate Center	Charlotte, NC	60 Story Building	Principal Executive Offices	Owned	1,200,392
Bank of America Tower at One Bryant Park	New York, NY	55 Story Building	GWIM, Global Banking and Global Markets	Leased (2)	1,798,373
Bank of America Merrill Lynch Financial Centre	London, UK	4 Building Campus	Global Banking and Global Markets	Leased	565,931
Cheung Kong Center	Hong Kong	62 Story Building	Global Banking and Global Markets	Leased	149,790

(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 84.3 million square feet in 22,512 facility and ATM locations globally, including approximately 78.4 million square feet in the U.S. (all 50 states and the District of Columbia, the U.S. Virgin Islands and Puerto Rico) and approximately 5.9 million square feet in more than 35 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 the Tokyo Stock Exchange. As of February 23, 2016, there were 193,422 registered shareholders of common stock. 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 during 2014 and 2015, as well as the dividends we paid on a quarterly basis:

	Quarter	High	Low	Dividend
2014	First	$17.92	$16.10	$0.01
	Second	17.34	14.51	0.01
	Third	17.18	14.98	0.05
	Fourth	18.13	15.76	0.05
2015	First	17.90	15.15	0.05
	Second	17.67	15.41	0.05
	Third	18.45	15.26	0.05
	Fourth	17.95	15.38	0.05

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 254 of this report, which are incorporated herein by reference.

The table below presents share repurchase activity for the three months ended December 31, 2015. The primary source of funds for cash distributions by the Corporation to its shareholders is dividends received from its banking subsidiaries. Each of the banking subsidiaries is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. All of the Corporation's preferred stock outstanding has preference over the Corporation's common stock with respect to payment of dividends.

(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, 2015	16,051	$ 16.20	16,051	$2,166
November 1 - 30, 2015	31,129	17.37	31,060	1,626
December 1 - 31, 2015	2	17.47	—	1,626
Three months ended December 31, 2015	47,182	16.97		

(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 11, 2015, the Board of Directors authorized the repurchase of up to $4.0 billion of the Corporation's common stock through open market purchases or privately negotiated transactions, including Rule 10b5-1 plans, during the period from April 1, 2015 through June 30, 2016. For additional information, see Capital Management -- CCAR and Capital Planning on page 53 and Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

The Corporation did not have any unregistered sales of its equity securities in 2015.

Item 6. Selected Financial Data

See Table 8 in the MD&A on page 29 and Statistical Table X in the MD&A on page 118, 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
This report, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “anticipates,” “targets,” “expects,” “hopes,” “estimates,” “intends,” “plans,” “goals,” “believes,” “continue,” "suggests" and otl expressions or future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.” Forward-looking statements represent the Corporation’s current expectations, plans or forecasts of its future results and revenues, and future business and economic conditions more generally, and other future matters. These statements are not guarantees of future results or performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation’s control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.
You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including under Item 1A. Risk Factors of this Annual Report on Form 10-K and in any of the Corporation’s subsequent Securities and Exchange Commission filings: the Corporation’s ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to distinguish certain aspects of the ACE Securities Corp. v. DB Structured Products, Inc. (ACE) decision or to assert other claims seeking to avoid the impact of the ACE decision; the possibility that the Corporation could face servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, other parties involved in securitizations, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation’s recorded liability and estimated range of possible loss for its representations and warranties exposures; the possibility that the Corporation may not collect mortgage insurance claims; potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation and regulatory

proceedings, including the possibility that amounts may be in excess of the Corporation’s recorded liability and estimated range of possible losses for litigation exposures; the possible outcome of LIBOR, other reference rate and foreign exchange inquiries and investigations; uncertainties about the financial stability and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation’s exposures to such risks, including direct, indirect and operational; the impact of U.S. and global interest rates, currency exchange rates and economic conditions; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior and other uncertainties; the impact on the Corporation’s business, financial condition and results of operations of a potential higher interest rate environment; the impact on the Corporation’s business, financial condition and results of operations from a protracted period of lower oil prices; adverse changes to the Corporation’s credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation’s assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including the potential adoption of total loss-absorbing capacity requirements; the potential for payment protection insurance exposure to increase as a result of Financial Conduct Authority actions; the possible impact of Federal Reserve actions on the Corporation’s capital plans; the impact of implementation and compliance with new and evolving U.S. and international regulations, including, but not limited to, recovery and resolution planning requirements, the Volcker Rule, and derivatives regulations; a failure in or breach of the Corporation’s operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks and other similar matters.
Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior-year amounts have been reclassified to conform to current-year 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 nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through five business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking, Global Markets and Legacy Assets & Servicing (LAS), with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At December 31, 2015, the Corporation had approximately $2.1 trillion in assets and approximately 213,000 full-time equivalent employees.

As of December 31, 2015, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,700 retail financial centers, approximately 16,000 ATMs, nationwide call centers, and leading online and mobile banking platforms (www.bankofamerica.com). We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of nearly $2.5 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

2015 Economic and Business Environment

In the U.S., the economy grew in 2015 for the seventh consecutive year. Following a soft start to the year partly reflecting severe winter weather and other temporary factors, economic growth picked up mid-year before a mild deceleration near year end. While economic growth struggled to reach two percent in the year, the labor market continued to improve. Payroll gains were solid, while the unemployment rate fell to five percent late in the year. With steady employment gains and continued low oil prices, consumer spending increased at a strong pace for most of the year and residential construction gained momentum. Core inflation (which excludes certain items which may be subject to frequent volatile price changes, like food and energy) remained relatively unchanged in 2015, more than half a percentage point below the Board of Governors of the Federal Reserve System's (Federal Reserve) longer-term target of two percent. Inflation was suppressed by falling energy costs.

U.S. household net worth rose for a seventh consecutive year, but at a slower pace in 2015. After a modest first half of the year, home prices rebounded in the second half of 2015 and rose more than five percent in 2015, while equity markets registered little net change. With energy costs continuing to decline in 2015, the

consumer spending outlook remained positive, although the negative impacts on energy-related investments hurt the manufacturing economy and continued to impact financial markets. With the sharp U.S. Dollar appreciation in late 2014 and 2015, export gains slowed, further weakening manufacturing, while import growth was steady, resulting in a decline in net exports and a negative impact on 2015 gross domestic product growth.

U.S. Treasury yields were unstable, but rose modestly over the course of the year, as a rate hike from the Federal Reserve neared. At its final meeting of the year, the Federal Open Market Committee (FOMC) raised its target range for the Federal funds rate by 25 basis points (bps), its first rate increase in over nine years. At the same time, the Federal Reserve repeated its expectation that policy would be normalized gradually, and would remain accommodative for the foreseeable future. Amid the contrast between U.S. tightening of monetary policy versus the easing of monetary policy in much of the world, the U.S. Dollar appreciated significantly over the year, especially against emerging market and commodity-oriented currencies.

Internationally, the eurozone continued to grow modestly in 2015, as the European Central Bank (ECB) began a program of significant purchases of sovereign debt, helping to keep bond yields low and to maintain stability in southern European markets. Core inflation in the eurozone stabilized early and then edged higher over the year. The Euro/U.S. Dollar exchange rate continued to decline early in the year driven by the differing directions of U.S. and

eurozone monetary policies, further boosting European competitiveness. However, the eurozone remains vulnerable to economic slowing in emerging markets. Late in the year, the ECB extended its horizon for bond purchases, but failed to increase their size.
Economic growth was slow and uncertain in Japan, while the 2014 gains in core inflation were reversed. Declining energy costs continued to hurt Russia's economy, which remained in recession for 2015. Brazil's recession also continued, aggravated by extreme policy uncertainty. Amid continued gradual economic moderation, China eased monetary policy during the year, but continued its focus on longer-run issues including increasing its focus on rebalancing the economy and encouraging consumer spending.

Recent Events

Settlement with Bank of New York Mellon

The final conditions of the settlement with the Bank of New York Mellon (BNY Mellon) have been satisfied and, accordingly, the Corporation made the settlement payment of $8.5 billion in February 2016. The settlement payment was previously fully reserved. Pursuant to the settlement agreement, allocation and distribution of the $8.5 billion settlement payment is the responsibility of the residential mortgage-backed securities (RMBS) trustee, BNY Mellon. On February 5, 2016, BNY Mellon filed an Article 77 proceeding in the New York County Supreme Court asking the court for instruction with respect to certain issues concerning the distribution of each trust's allocable share of the settlement payment and asking that the settlement payment be ordered to be held in escrow pending the outcome of this Article 77 proceeding. The Corporation is not a party to this proceeding. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations on page 46.

Capital Management

During 2015, we repurchased approximately $2.4 billion of common stock, with an average price of $16.92 per share, in connection with our 2015 Comprehensive Capital Analysis and Review (CCAR) capital plan, which included a request to repurchase $4.0 billion of common stock over five quarters beginning in the second quarter of 2015, and to maintain the quarterly common stock dividend at the current rate of $0.05 per share.

Based on the conditional non-objection we received from the Federal Reserve on our 2015 CCAR submission, we were required to resubmit our CCAR capital plan by September 30, 2015 and address certain weaknesses the Federal Reserve identified in our capital planning process. We have established plans and taken actions which addressed the identified weaknesses, and we resubmitted our CCAR capital plan on September 30, 2015. The Federal Reserve announced that it did not object to our resubmitted CCAR capital plan on December 10, 2015.

As an Advanced approaches institution, under Basel 3, we were required to complete a qualification period (parallel run) to demonstrate compliance with the Basel 3 Advanced approaches capital framework to the satisfaction of U.S. banking regulators. We received approval to begin using the Advanced approaches capital framework to determine risk-based capital requirements beginning in the fourth quarter of 2015. As previously disclosed, with the approval to exit parallel run, U.S. banking regulators requested modifications to certain internal analytical models including the wholesale (e.g., commercial) credit models. All requested modifications were incorporated, which increased our risk-weighted assets, and are reflected in the risk-based ratios in the fourth quarter of 2015. Having exited parallel run on October 1, 2015, we are required to report regulatory risk-based capital ratios and risk-weighted assets under both the Standardized and Advanced approaches. The approach that yields the lower ratio is used to assess capital adequacy including under the Prompt Corrective Action (PCA) framework and was the Advanced approaches in the fourth quarter of 2015. For additional information, see Capital Management on page 53.

Trust Preferred Securities

On December 29, 2015, the Corporation provided notice of the redemption on January 29, 2016 of all trust preferred securities of Merrill Lynch Preferred Capital Trust III, Merrill Lynch Preferred Capital Trust IV and Merrill Lynch Preferred Capital Trust V (the Trust Preferred Securities). In connection with the Corporation's acquisition of Merrill Lynch & Co., Inc. in 2009, the Corporation recorded a discount to par value as purchase accounting adjustments associated with the Trust Preferred Securities. The Corporation recorded a $612 million charge to net interest income related to the discount on these securities.

New Accounting Guidance on Recognition and Measurement of Financial Instruments

In January 2016, the Financial Accounting Standards Board (FASB) issued new accounting guidance on recognition and measurement of financial instruments. The Corporation has early adopted, retrospective to January 1, 2015, the provision that requires the Corporation to present unrealized gains and losses resulting from changes in the Corporation's own credit spreads on liabilities accounted for under the fair value option (referred to as debit valuation adjustments, or DVA) in accumulated other comprehensive income (OCI). The impact of the adoption was to reclassify, as of January 1, 2015, unrealized DVA losses of $2.0 billion pretax ($1.2 billion after tax) from retained earnings to accumulated OCI. Further, pretax unrealized DVA gains of $301 million, $301 million and $420 million were reclassified from other income to accumulated OCI for the third, second and first quarters of 2015, respectively. This had the effect of reducing net income as previously reported for the aforementioned quarters by $187 million, $186 million and $260 million, or approximately $0.02 per share in each quarter. This change is reflected in consolidated results and the Global Markets segment results. Results for 2014 were not subject to restatement under the provisions of the new accounting guidance.

Selected Financial Data

Table 1 provides selected consolidated financial data for 2015 and 2014.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2015	2014

Income statement		
Revenue, net of interest expense (FTE basis) [1]	$83,416	$85,116
Net income	15,888	4,833
Diluted earnings per common share	1.31	0.36
Dividends paid per common share	0.20	0.12
Performance ratios		
Return on average assets	0.74 %	0.23 %
Return on average tangible common shareholders' equity[1]	9.11	2.52
Efficiency ratio (FTE basis) [1]	68.56	88.25
Balance sheet at year end		
Total loans and leases	$903,001	$881,391
Total assets	2,144,316	2,104,534
Total deposits	1,197,259	1,118,936
Total common shareholders' equity	233,932	224,162
Total shareholders' equity	256,205	243,471

(1) Fully taxable-equivalent (FTE) basis, return on average tangible common shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information, see Supplemental Financial Data on page 30, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XIII.

Financial Highlights

Net income was $15.9 billion, or $1.31 per diluted share in 2015 compared to $4.8 billion, or $0.36 per diluted share in 2014. The results for 2015 compared to 2014 were primarily driven by a decrease of $15.2 billion in litigation expense, as well as decreases in all other noninterest expense categories, partially offset by a decline in net interest income on a fully taxable-equivalent (FTE) basis, higher provision for credit losses and lower revenue. Included in net interest income on an FTE basis was a charge related to the discount on certain trust preferred securities of $612 million in 2015, as well as a negative market-related adjustment on debt securities of $296 million compared to a negative market-related adjustment of $1.1 billion in 2014.

Total assets increased $39.8 billion from December 31, 2014 to $2.1 trillion at December 31, 2015 primarily driven by an increase in debt securities due to the deployment of deposit inflows, an increase in loans driven by strong demand for commercial loans outpacing consumer loan sales and run-off, and higher cash and cash equivalents from strong deposit inflows. Total liabilities increased $27.0 billion from December 31, 2014 to $1.9 trillion at December 31, 2015 primarily driven by an increase in deposits, partially offset by declines in securities loaned or sold under agreements to repurchase, trading account liabilities and long-term debt. During 2015, we returned $5.9 billion in capital to shareholders through common and preferred stock dividends and share repurchases. For more information on the balance sheet, see Executive Summary – Balance Sheet Overview on page 27.

From a capital management perspective, during 2015, we maintained our strong capital position with Common equity tier 1 capital of $163.0 billion, risk-weighted assets of $1,602 billion and a Common equity tier 1 capital ratio of 10.2 percent at December 31, 2015 as measured under the Basel 3 Advanced – Transition. On September 3, 2015, we received approval to exit parallel run and begin using the Basel 3 Advanced approaches capital framework to determine risk-based capital requirements in the fourth quarter of 2015. The Corporation's transitional supplementary leverage ratio (SLR) was 6.6 percent and 6.2 percent at December 31, 2015 and 2014, both above the 5.0 percent required minimum. Our Global Excess Liquidity Sources were $504 billion with time-to-required funding at 39 months at December 31, 2015 compared to $439 billion and 39 months at December 31, 2014. For additional information, see Capital Management on page 53 and Liquidity Risk on page 60.

Table 2 Summary Income Statement

(Dollars in millions)	2015	2014
Net interest income (FTE basis) [(1)]	$40,160	$40,821
Noninterest income	43,256	44,295
Total revenue, net of interest expense (FTE basis) [(1)]	83,416	85,116
Provision for credit losses	3,161	2,275
Noninterest expense	57,192	75,117
Income before income taxes (FTE basis) [(1)]	23,063	7,724
Income tax expense (FTE basis) [(1)]	7,175	2,891
Net income	15,888	4,833
Preferred stock dividends	1,483	1,044
Net income applicable to common shareholders	$14,405	$3,789
Per common share information		
Earnings	$1.38	$0.36
Diluted earnings	1.31	0.36

(1) FTE basis is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 30, and for a corresponding reconciliation to GAAP financial measures, see Statistical Table XIII.

Net Interest Income

Net interest income on an FTE basis decreased $661 million to $40.2 billion in 2015 compared to 2014. The net interest yield on an FTE basis decreased five bps to 2.20 percent for 2015. These declines were primarily driven by lower loan yields and consumer loan balances, as well as a charge of $612 million in 2015 related to the discount on certain trust preferred securities, partially offset by a $785 million improvement in market-related adjustments on debt securities, lower funding costs, higher trading-related net interest income, lower rates paid on deposits and commercial loan growth. Market-related adjustments on debt securities resulted in an expense of $296 million in 2015 compared to an expense of $1.1 billion in 2014. Negative market-related adjustments on debt securities were primarily due to the acceleration of premium amortization on debt securities as the decline in long-term interest rates shortened the estimated lives of mortgage-related debt securities. Also included in market-related adjustments is hedge ineffectiveness that impacted net interest income. For additional information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	2015	2014
Card income	$5,959	$5,944
Service charges	7,381	7,443
Investment and brokerage services	13,337	13,284
Investment banking income	5,572	6,065
Equity investment income	261	1,130
Trading account profits	6,473	6,309
Mortgage banking income	2,364	1,563
Gains on sales of debt securities	1,091	1,354
Other income	818	1,203
Total noninterest income	$43,256	$44,295

Noninterest income decreased $1.0 billion to $43.3 billion for 2015 compared to 2014. The following highlights the significant changes.

Investment banking income decreased $493 million driven by lower debt and equity issuance fees, partially offset by higher advisory fees.

Equity investment income decreased $869 million as 2014 included a gain on the sale of a portion of an equity investment and gains from an initial public offering (IPO) of an equity investment in Global Markets.

Trading account profits increased $164 million. Excluding DVA, trading account profits decreased $330 million driven by declines in credit-related products reflecting lower client activity, partially offset by strong performance in equity derivatives, increased client activity in equities in the Asia-Pacific region, improvement in currencies on higher client flows and increased volatility. For more information on trading account profits, see Global Markets on page 40.

Mortgage banking income increased $801 million primarily due to lower provision for representations and warranties in 2015 compared to 2014, and to a lesser extent, improved mortgage servicing rights (MSR) net-of-hedge performance and an increase in core production revenue, partially offset by a decline in servicing fees.

Other income decreased $385 million primarily due to DVA gains of $407 million in 2014 compared to DVA losses of $633 million in 2015, partially offset by higher gains on asset sales and lower U.K. consumer payment protection insurance (PPI) costs in 2015. For more information on the accounting change related to DVA, see Executive Summary – Recent Events on page 22.

Provision for Credit Losses

Table 4 Credit Quality Data

(Dollars in millions)	2015		2014	
Provision for credit losses				
Consumer	$2,208		$1,482	
Commercial	953		793	
Total provision for credit losses	$3,161		$2,275	
Net charge-offs [1]	$4,338		$4,383	
Net charge-off ratio [2]	0.50	%	0.49	%

[1] Net charge-offs exclude write-offs in the purchased credit-impaired loan portfolio.

[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.

The provision for credit losses increased $886 million to $3.2 billion for 2015 compared to 2014. The provision for credit losses was $1.2 billion lower than net charge-offs for 2015, resulting in a reduction in the allowance for credit losses. The provision for credit losses in 2014 included $400 million of additional costs associated with the consumer relief portion of the settlement with the U.S. Department of Justice (DoJ). Excluding these additional costs, the provision for credit losses in the consumer portfolio increased $1.1 billion compared to 2014 due to a slower pace of portfolio improvement than in 2014, and also due to a lower level of recoveries on nonperforming loan sales and other recoveries in 2015. The provision for credit losses for the commercial portfolio increased $160 million in 2015 compared to 2014 driven by energy sector exposure and higher unfunded balances. The decrease in net charge-offs was primarily due to credit quality improvement in the consumer portfolio, partially offset by higher net charge-offs in the commercial portfolio primarily due to lower net recoveries in commercial real estate and higher energy-related net charge-offs.

As we look at 2016, reserve releases are expected to decrease from 2015 levels. All else equal, this would result in increased provision expense, assuming sustained stability in underlying asset quality. For more information on the provision for credit losses, see Provision for Credit Losses on page 88.

Noninterest Expense

Table 5 Noninterest Expense

(Dollars in millions)	2015	2014
Personnel	$32,868	$33,787
Occupancy	4,093	4,260
Equipment	2,039	2,125
Marketing	1,811	1,829
Professional fees	2,264	2,472
Amortization of intangibles	834	936
Data processing	3,115	3,144
Telecommunications	823	1,259
Other general operating	9,345	25,305
Total noninterest expense	$57,192	$75,117

Noninterest expense decreased $17.9 billion to $57.2 billion for 2015 compared to 2014. The following highlights the significant changes.

Personnel expense decreased $919 million as we continue to streamline processes, reduce headcount and achieve cost savings.

Occupancy decreased $167 million primarily due to our focus on reducing our rental footprint.

Professional fees decreased $208 million due to lower default-related servicing expenses and legal fees.

Telecommunications expense decreased $436 million due to efficiencies gained as we have simplified our operating model, including in-sourcing certain functions.

Other general operating expense decreased $16.0 billion primarily due to a decrease of $15.2 billion in litigation expense which was primarily related to previously disclosed legacy mortgage-related matters and other litigation charges in 2014.

Income Tax Expense

Table 6 Income Tax Expense

(Dollars in millions)	2015	2014
Income before income taxes	$22,154	$6,855
Income tax expense	6,266	2,022
Effective tax rate	28.3 %	29.5 %

The effective tax rate for 2015 was driven by our recurring tax preference benefits and tax benefits related to certain non-U.S. restructurings, partially offset by a charge for the impact of the U.K. tax law changes discussed below. The effective tax rate for 2014 was driven by our recurring tax preference benefits, the resolution of several tax examinations and tax benefits from non-U.S. restructurings, partially offset by the non-deductible treatment of certain litigation charges. We expect an effective tax rate in the low 30 percent range, absent unusual items, for 2016.

On November 18, 2015, the U.K. Finance (No. 2) Act 2015 (the Act) was enacted, reducing the U.K. corporate income tax rate by two percent to 18 percent. The first one percent reduction will be effective on April 1, 2017 and the second on April 1, 2020. The Act also included a tax surcharge on banking companies of eight percent, effective on January 1, 2016, and provided that existing net operating loss carryforwards may not reduce the additional eight percent income tax liability. Lastly, the Act provided that expenses for certain compensation payments, such as PPI, are not deductible to the extent attributable to July 8, 2015 or later. These provisions resulted in a charge of approximately $290 million in 2015, primarily from remeasuring our U.K. deferred tax assets.

Balance Sheet Overview

Table 7 Selected Balance Sheet Data

	December 31		
(Dollars in millions)	2015	2014	% Change
Assets			
Cash and cash equivalents	$159,353	$138,589	15 %
Federal funds sold and securities borrowed or purchased under agreements to resell	192,482	191,823	—
Trading account assets	176,527	191,785	(8)
Debt securities	407,005	380,461	7
Loans and leases	903,001	881,391	2
Allowance for loan and lease losses	(12,234)	(14,419)	(15)
All other assets	318,182	334,904	(5)
Total assets	$2,144,316	$2,104,534	2
Liabilities			
Deposits	$1,197,259	$1,118,936	7
Federal funds purchased and securities loaned or sold under agreements to repurchase	174,291	201,277	(13)
Trading account liabilities	66,963	74,192	(10)
Short-term borrowings	28,098	31,172	(10)
Long-term debt	236,764	243,139	(3)
All other liabilities	184,736	192,347	(4)
Total liabilities	1,888,111	1,861,063	1
Shareholders’ equity	256,205	243,471	5
Total liabilities and shareholders’ equity	$2,144,316	$2,104,534	2

Assets

At December 31, 2015, total assets were approximately $2.1 trillion, up $39.8 billion from December 31, 2014. The increase in assets was primarily driven by an increase in debt securities due to the deployment of deposit inflows, an increase in loans and leases driven by strong demand for commercial loans outpacing consumer loan sales and run-off, and higher cash and cash equivalents from strong deposit inflows. These increases were partially offset by a decrease in trading account assets due to repositioning activity on the balance sheet, and a decrease in all other assets.

The Corporation took certain actions in 2015 to further strengthen liquidity in response to the Basel 3 Liquidity Coverage Ratio (LCR) requirements. Most notably, we exchanged residential mortgage loans supported by long-term standby agreements with Fannie Mae (FNMA) and Freddie Mac (FHLMC) into debt securities guaranteed by FNMA and FHLMC, which further improved liquidity in the asset and liability management (ALM) portfolio.

Cash and Cash Equivalents

Cash and cash equivalents increased $20.8 billion primarily due to strong deposit inflows driven by growth in customer and client activity, partially offset by commercial loan growth.

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. Federal funds sold and securities borrowed or purchased under agreements to resell remained relatively unchanged compared to December 31, 2014, as an increase in securities borrowed of $3.3 billion was offset by a decrease in reverse repurchase agreements of $2.6 billion.

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. Trading account assets decreased $15.3 billion primarily due to balance sheet repositioning activity driven by client demand within Global Markets.

Debt Securities

Debt securities primarily include U.S. Treasury and agency securities, mortgage-backed securities (MBS), principally agency MBS, non-U.S. 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 economically attractive returns on these investments. Debt securities increased $26.5 billion primarily driven by the deployment of deposit inflows and the exchange of certain loans into debt securities. For more information on debt securities, see Note 3 – Securities to the Consolidated Financial Statements.

Loans and Leases

Loans and leases increased $21.6 billion driven by strong demand for commercial loans, outpacing consumer loan sales and run-off. For more information on the loan portfolio, see Credit Risk Management on page 65.

Allowance for Loan and Lease Losses

Allowance for loan and lease losses decreased $2.2 billion primarily due to the impact of improvements in credit quality from the improving economy. For additional information, see Allowance for Credit Losses on page 88.

All Other Assets

All other assets decreased $16.7 billion driven by a decrease in other noninterest receivables, loans held-for-sale (LHFS) and derivative assets.

Liabilities

At December 31, 2015, total liabilities were approximately $1.9 trillion, up $27.0 billion from December 31, 2014, primarily driven by an increase in deposits, partially offset by declines in securities loaned or sold under agreements to repurchase, trading account liabilities and long-term debt.

Deposits

Deposits increased $78.3 billion due to an increase in retail deposits.

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. Federal funds purchased and securities loaned or sold under agreements to repurchase decreased $27.0 billion due to a decrease in repurchase agreements.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in equity and fixed-income securities including U.S. Treasury and agency securities, corporate securities, and non-U.S. sovereign debt. Trading account liabilities decreased $7.2 billion primarily due to lower levels of short U.S. Treasury positions due to balance sheet repositioning activity driven by client demand within Global Markets.

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. Short-term

borrowings decreased $3.1 billion due to planned reductions in FHLB borrowings. 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

Long-term debt decreased $6.4 billion primarily due to the impact of revaluation of non-U.S. Dollar debt and changes in fair value for debt accounted for under the fair value option. These impacts were substantially offset through derivative hedge transactions. Excluding these two factors, total long-term debt remained relatively unchanged in 2015. For more information on long-term debt, see Note 11 – Long-term Debt to the Consolidated Financial Statements.

All Other Liabilities

All other liabilities decreased $7.6 billion due to a decrease in derivative liabilities.

Shareholders’ Equity

Shareholders’ equity increased $12.7 billion driven by earnings and preferred stock issuances, partially offset by returns of capital to shareholders of $5.9 billion through common and preferred stock dividends and share repurchases, as well as a decrease in accumulated OCI due primarily to an increase in unrealized losses on available-for-sale (AFS) debt securities as a result of the increase in interest rates.

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 loans and leases. Our financing activities reflect cash flows primarily related to customer deposits, securities financing agreements and long-term debt. For additional information on liquidity, see Liquidity Risk on page 60.

Table 8 Five-year Summary of Selected Financial Data [1]

(In millions, except per share information)	2015	2014	2013	2012	2011
Income statement					
Net interest income	$39,251	$39,952	$42,265	$40,656	$44,616
Noninterest income	43,256	44,295	46,677	42,678	48,838
Total revenue, net of interest expense	82,507	84,247	88,942	83,334	93,454
Provision for credit losses	3,161	2,275	3,556	8,169	13,410
Goodwill impairment	—	—	—	—	3,184
Merger and restructuring charges	—	—	—	—	638
All other noninterest expense	57,192	75,117	69,214	72,093	76,452
Income (loss) before income taxes	22,154	6,855	16,172	3,072	(230)
Income tax expense (benefit)	6,266	2,022	4,741	(1,116)	(1,676)
Net income	15,888	4,833	11,431	4,188	1,446
Net income applicable to common shareholders	14,405	3,789	10,082	2,760	85
Average common shares issued and outstanding	10,462	10,528	10,731	10,746	10,143
Average diluted common shares issued and outstanding	11,214	10,585	11,491	10,841	10,255
Performance ratios					
Return on average assets	0.74 %	0.23 %	0.53 %	0.19 %	0.06 %
Return on average common shareholders' equity	6.26	1.70	4.62	1.27	0.04
Return on average tangible common shareholders' equity [2]	9.11	2.52	6.97	1.94	0.06
Return on average tangible shareholders' equity[2]	8.83	2.92	7.13	2.60	0.96
Total ending equity to total ending assets	11.95	11.57	11.07	10.72	10.81
Total average equity to total average assets	11.67	11.11	10.81	10.75	9.98
Dividend payout	14.51	33.31	4.25	15.86	n/m
Per common share data					
Earnings	$1.38	$0.36	$0.94	$0.26	$0.01
Diluted earnings	1.31	0.36	0.90	0.25	0.01
Dividends paid	0.20	0.12	0.04	0.04	0.04
Book value	22.54	21.32	20.71	20.24	20.09
Tangible book value [2]	15.62	14.43	13.79	13.36	12.95
Market price per share of common stock					
Closing	$16.83	$17.89	$15.57	$11.61	$5.56
High closing	18.45	18.13	15.88	11.61	15.25
Low closing	15.15	14.51	11.03	5.80	4.99
Market capitalization	$174,700	$188,141	$164,914	$125,136	$58,580

(1) The results for 2015 were impacted by the early adoption of new accounting guidance on recognition and measurement of financial instruments. For additional information, see Executive Summary – Recent Events on page 22.

(2) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios, see Supplemental Financial Data on page 30, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XIII on page 123.

(3) For more information on the impact of the purchased credit-impaired (PCI) loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 66.

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

(5) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 75 and corresponding Table 35, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 82 and corresponding Table 44.

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

(7) Net charge-offs exclude $808 million, $810 million and $2.3 billion of write-offs in the PCI loan portfolio for 2015, 2014 and 2013, respectively. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73.

(8) There were no write-offs of PCI loans in 2011.

(9) Capital ratios reported under Advanced approaches at December 31, 2015. Prior to 2015, we were required to report regulatory capital ratios under the Standardized approach only. For additional information, see Capital Management on page 53.

n/a = not applicable

n/m = not meaningful

Table 8 Five-year Summary of Selected Financial Data [1] (continued)

(Dollars in millions)	2015	2014	2013	2012	2011
Average balance sheet					
Total loans and leases	$882,183	$903,901	$918,641	$898,768	$938,096
Total assets	2,160,141	2,145,590	2,163,513	2,191,356	2,296,322
Total deposits	1,155,860	1,124,207	1,089,735	1,047,782	1,035,802
Long-term debt	240,059	253,607	263,417	316,393	421,229
Common shareholders’ equity	230,182	223,072	218,468	216,996	211,709
Total shareholders’ equity	251,990	238,482	233,951	235,677	229,095
Asset quality [3]					
Allowance for credit losses [4]	$12,880	$14,947	$17,912	$24,692	$34,497
Nonperforming loans, leases and foreclosed properties [5]	9,836	12,629	17,772	23,555	27,708
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [5]	1.37 %	1.65 %	1.90 %	2.69 %	3.68 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [5]	130	121	102	107	135
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [5]	122	107	87	82	101
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [6]	$4,518	$5,944	$7,680	$12,021	$17,490
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases [5, 6]	82 %	71 %	57 %	54 %	65 %
Net charge-offs [7]	$4,338	$4,383	$7,897	$14,908	$20,833
Net charge-offs as a percentage of average loans and leases outstanding [5, 7]	0.50 %	0.49 %	0.87 %	1.67 %	2.24 %
Net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [5]	0.51	0.50	0.90	1.73	2.32
Net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [5, 8]	0.59	0.58	1.13	1.99	2.24
Nonperforming loans and leases as a percentage of total loans and leases outstanding [5]	1.05	1.37	1.87	2.52	2.74
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [5]	1.10	1.45	1.93	2.62	3.01
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [7]	2.82	3.29	2.21	1.62	1.62
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the PCI loan portfolio	2.64	2.91	1.89	1.25	1.22
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and PCI write-offs [8]	2.38	2.78	1.70	1.36	1.62

Capital ratios at year end [9]										
Risk-based capital:										
Common equity tier 1 capital	10.2	%	12.3	%	n/a		n/a		n/a	
Tier 1 common capital	n/a		n/a		10.9	%	10.8	%	9.7	%
Tier 1 capital	11.3		13.4		12.2		12.7		12.2	
Total capital	13.2		16.5		15.1		16.1		16.6	
Tier 1 leverage	8.6		8.2		7.7		7.2		7.4	
Tangible equity [2]	8.9		8.4		7.9		7.6		7.5	
Tangible common equity [2]	7.8		7.5		7.2		6.7		6.6	

For footnotes see page 29.

Supplemental Financial Data

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

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

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

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

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

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

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

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

Statistical Tables XIII, XIV and XV on pages 123, 124 and 125 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 9 Five-year Supplemental Financial Data

(Dollars in millions, except per share information)	2015	2014	2013	2012	2011
Fully taxable-equivalent basis data					
Net interest income	$40,160	$40,821	$43,124	$41,557	$45,588
Total revenue, net of interest expense [1]	83,416	85,116	89,801	84,235	94,426
Net interest yield	2.20 %	2.25 %	2.37 %	2.24 %	2.38 %
Efficiency ratio [1]	68.56	88.25	77.07	85.59	85.01

(1) The results for 2015 were impacted by the early adoption of new accounting guidance on recognition and measurement of financial instruments. For additional information, see Executive Summary – Recent Events on page 22.

Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on an FTE basis and excluding the impact of trading-related activities. We evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on an FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 10 provides additional clarity in assessing our results.

Table 10 Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	2015	2014
Net interest income (FTE basis)		
As reported	$40,160	$40,821
Impact of trading-related net interest income	(3,928)	(3,610)
Net interest income excluding trading-related net interest income (FTE basis) [1]	$36,232	$37,211
Average earning assets		

As reported	$1,830,342	$1,814,930
Impact of trading-related earning assets	(415,658)	(445,760)
Average earning assets excluding trading-related earning assets [(1)]	$1,414,684	$1,369,170
Net interest yield contribution (FTE basis)		
As reported	2.20 %	2.25 %
Impact of trading-related activities	0.36	0.47
Net interest yield on earning assets excluding trading-related activities (FTE basis) [(1)]	2.56 %	2.72 %

(1) Represents a non-GAAP financial measure.

Net interest income excluding trading-related net interest income decreased $979 million to $36.2 billion for 2015 compared to 2014. The decline was primarily driven by lower loan yields and consumer loan balances, as well as a charge of $612 million in 2015 related to the discount on certain trust preferred securities. This was partially offset by a $785 million improvement in market-related adjustments on debt securities, lower funding costs, lower rates paid on deposits and commercial loan growth. Market-related adjustments on debt securities resulted in an expense of $296 million in 2015 compared to an expense of $1.1 billion in 2014. For more information on market-related and other adjustments, see Executive Summary – Financial Highlights on page 24. For more information on the impact of interest rates, see Interest Rate Risk Management for Non-trading Activities on page 97.

Average earning assets excluding trading-related earning assets increased $45.5 billion to $1,414.7 billion for 2015 compared to 2014. The increase was primarily in debt securities, commercial loans and cash held at central banks, partially offset by a decline in consumer loans.

Net interest yield on earning assets excluding trading-related activities decreased 16 bps to 2.56 percent for 2015 compared to 2014 due to the same factors as described above.

Business Segment Operations

Segment Description and Basis of Presentation

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

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-based capital models. The Corporation's internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see Managing Risk on page 49. The capital allocated to the business segments is referred to as allocated capital, which represents a non-GAAP financial measure. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit. For additional information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

During 2015, we made refinements to the amount of capital allocated to each of our businesses based on multiple considerations that included, but were not limited to, risk-weighted assets measured under Basel 3 Standardized and Advanced approaches, business segment exposures and risk profile, and strategic plans. As a result of this process, effective January 1, 2015, we adjusted the amount of capital being allocated to our business segments, primarily LAS. For more information on Basel 3 risk-weighted assets measured under the Standardized and Advanced approaches, see Capital Management on page 53.

For more information on the basis of presentation for business segments, including the allocation of market-related adjustments to net interest income, and reconciliations to consolidated total revenue, net income and year-end total assets, see Note 24 – Business Segment Information to the Consolidated Financial Statements.

Consumer Banking

(Dollars in millions)	Deposits 2015	Deposits 2014	Consumer Lending 2015	Consumer Lending 2014	Total Consumer Banking 2015	Total Consumer Banking 2014	% Change
Net interest income (FTE basis)	$9,624	$9,436	$10,220	$10,741	$19,844	$20,177	(2)%
Noninterest income:							
Card income	11	10	4,923	4,834	4,934	4,844	2
Service charges	4,100	4,159	1	1	4,101	4,160	(1)
Mortgage banking income	—	—	883	813	883	813	9
All other income	482	418	374	397	856	815	5
Total noninterest income	4,593	4,587	6,181	6,045	10,774	10,632	1
Total revenue, net of interest expense (FTE basis)	14,217	14,023	16,401	16,786	30,618	30,809	(1)
Provision for credit losses	199	268	2,325	2,412	2,524	2,680	(6)
Noninterest expense	9,792	9,905	7,693	7,960	17,485	17,865	(2)
Income before income taxes (FTE basis)	4,226	3,850	6,383	6,414	10,609	10,264	3
Income tax expense (FTE basis)	1,541	1,435	2,329	2,393	3,870	3,828	1
Net income	$2,685	$2,415	$4,054	$4,021	$6,739	$6,436	5
Net interest yield (FTE basis)	1.75%	1.83%	5.08%	5.54%	3.46%	3.73%	
Return on average allocated capital	22	22	24	21	23	21	
Efficiency ratio (FTE basis)	68.87	70.63	46.91	47.42	57.11	57.99	
Balance Sheet							
Average							
Total loans and leases	$5,829	$6,059	$198,894	$191,056	$204,723	$197,115	4
Total earning assets [(1)]	549,686	516,014	201,190	193,923	573,072	541,097	6
Total assets [(1)]	576,653	542,748	210,461	203,330	609,310	577,238	6
Total deposits	544,685	511,925	n/m	n/m	545,839	512,820	6
Allocated capital	12,000	11,000	17,000	19,000	29,000	30,000	(3)
Year end							
Total loans and leases	$5,927	$5,951	$208,478	$196,049	$214,405	$202,000	6
Total earning assets [(1)]	576,241	526,849	210,208	199,097	599,631	551,922	9
Total assets [(1)]	603,580	554,173	219,702	208,729	636,464	588,878	8
Total deposits	571,467	523,350	n/m	n/m	572,739	524,415	9

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

n/m = not meaningful

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

Consumer Banking Results

Net income for Consumer Banking increased $303 million to $6.7 billion in 2015 compared to 2014 primarily driven by lower noninterest expense, lower provision for credit losses and higher noninterest income, partially offset by lower net interest income. Net interest income decreased $333 million to $19.8 billion as the beneficial impact of an increase in investable assets as a result of higher deposits, and higher residential mortgage balances

were more than offset by the impact of the allocation of ALM activities, higher funding costs, lower card yields and lower average card loan balances. Noninterest income increased $142 million to $10.8 billion driven by higher card income and higher mortgage banking income from improved production margins, partially offset by lower service charges.

The provision for credit losses decreased $156 million to $2.5 billion in 2015 driven by continued improvement in credit quality primarily related to our small business and credit card portfolios. Noninterest expense decreased $380 million to $17.5 billion primarily driven by lower personnel and operating expenses, partially offset by higher fraud costs in advance of Europay, MasterCard and Visa (EMV) chip implementation.

The return on average allocated capital was 23 percent, up from 21 percent, reflecting higher net income and a decrease in allocated capital. For more information on capital allocations, see Business Segment Operations on page 32.

Deposits

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

Deposits includes the net impact of migrating customers and their related deposit and brokerage asset balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 36.

Net income for Deposits increased $270 million to $2.7 billion in 2015 driven by higher net interest income, and lower noninterest expense and provision for credit losses. Net interest income increased $188 million to $9.6 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, partially offset by the impact of the allocation of ALM activities. Noninterest income of $4.6 billion remained relatively unchanged. The provision for credit losses decreased $69 million to $199 million driven by continued improvement in credit quality. Noninterest expense decreased $113 million to $9.8 billion due to lower operating expenses.

Average deposits increased $32.8 billion to $544.7 billion in 2015 driven by a continuing customer shift to more liquid products in the low rate environment. Growth in checking, traditional savings and money market savings of $43.5 billion was partially offset by a decline in time deposits of $10.7 billion. As a result of our continued pricing discipline and the shift in the mix of deposits, the rate paid on average deposits declined by one bp to five bps.

Key Statistics – Deposits

	2015		2014	
Total deposit spreads (excludes noninterest costs)	1.63	%	1.60	%
Year end				
Client brokerage assets (in millions)	$122,721		$113,763	
Online banking active accounts (units in thousands)	31,674		30,904	
Mobile banking active users (units in thousands)	18,705		16,539	
Financial centers	4,726		4,855	
ATMs	16,038		15,834	

Client brokerage assets increased $9.0 billion in 2015 driven by strong account flows, partially offset by lower market valuations. Mobile banking active users increased 2.2 million reflecting

continuing changes in our customers' banking preferences. The number of financial centers declined 129 driven by changes in customer preferences to self-service options and as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending offers products to consumers and small businesses across the U.S. The products offered include credit and debit cards, residential mortgages and home equity loans, and direct and indirect loans such as automotive, 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, late fees, cash advance fees, annual credit card fees, mortgage banking fee income and other miscellaneous fees. Consumer Lending products are available to our customers through our retail network, direct telephone, and online and mobile channels.

Consumer Lending includes the net impact of migrating customers and their related loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM on page 36.

Net income for Consumer Lending remained relatively unchanged at $4.1 billion in 2015 as lower noninterest expense, higher noninterest income and lower provision for credit losses largely offset the decline in net interest income. Net interest income decreased $521 million to $10.2 billion driven by higher funding costs, lower card yields and average card loan balances, and the impact of the allocation of ALM activities, partially offset by higher residential mortgage balances. Noninterest income increased $136 million to $6.2 billion due to higher card income as well as mortgage banking income from improved production margins.

The provision for credit losses decreased $87 million to $2.3 billion in 2015 driven by continued credit quality improvement within the small business and credit card portfolios. Noninterest expense decreased $267 million to $7.7 billion primarily driven by lower personnel expense, partially offset by higher fraud costs in advance of EMV chip implementation.

Average loans increased $7.8 billion to $198.9 billion in 2015 primarily driven by increases in residential mortgages and consumer vehicle loans, partially offset by lower home equity loans and continued run-off of non-core portfolios. Beginning with new originations in 2014, we retain certain residential mortgages in Consumer Banking, consistent with where the overall relationship is managed; previously such mortgages were in All Other.

Key Statistics – Consumer Lending

(Dollars in millions)	2015		2014	
Total U.S. credit card [(1)]				
Gross interest yield	9.16	%	9.34	%
Risk-adjusted margin	9.33		9.44	
New accounts (in thousands)	4,973		4,541	
Purchase volumes	$221,378		$212,088	
Debit card purchase volumes	$277,695		$272,576	

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

During 2015, the total U.S. credit card risk-adjusted margin decreased 11 bps due to a decrease in net interest margin and the net impact of gains on asset sales, partially offset by an improvement in credit quality in the U.S. Card portfolio. Total U.S. credit card purchase volumes increased $9.3 billion to $221.4 billion and debit card purchase volumes increased $5.1 billion to $277.7 billion, reflecting higher levels of consumer spending.

Mortgage Banking Income

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

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	2015	2014
Consumer Lending:		
Core production revenue	$942	$875
Representations and warranties provision	11	10
Other consumer mortgage banking income [1]	(70)	(72)
Total Consumer Lending mortgage banking income	883	813
LAS mortgage banking income [2]	1,658	1,045
Eliminations [3]	(177)	(295)
Total consolidated mortgage banking income	$2,364	$1,563

(1) Primarily intercompany charges for loan servicing activities provided by LAS.

(2) Amounts for LAS are included in this Consumer Banking table to show the components of consolidated mortgage banking income.

(3) Includes the effect of transfers of mortgage loans from Consumer Banking to the ALM portfolio included in All Other, intercompany charges for loan servicing and net gains or losses on intercompany trades related to mortgage servicing rights risk management.

Core production revenue increased $67 million to $942 million in 2015 primarily due to an increase in margins.

Key Statistics

(Dollars in millions)	2015	2014
Loan production [1]:		
Total [2]:		
First mortgage	$56,930	$43,290
Home equity	13,060	11,233
Consumer Banking:		
First mortgage	$40,878	$32,339
Home equity	11,988	10,286

(1) The above loan production amounts represent the unpaid principal balance of loans and in the case of home equity, the principal amount of the total line of credit.

(2) In addition to loan production in Consumer Banking, there is also first mortgage and home equity loan production in GWIM.

First mortgage loan originations in Consumer Banking and for the total Corporation increased in 2015 compared to 2014 reflecting growth in the overall mortgage market as lower interest rates beginning in late 2014 drove an increase in refinances.

During 2015, 63 percent of the total Corporation first mortgage production volume was for refinance originations and 37 percent was for purchase originations compared to 60 percent and 40 percent in 2014. Home Affordable Refinance Program (HARP) originations were two percent of all refinance originations compared to six percent in 2014. Making Home Affordable non-HARP originations were eight percent of all refinance originations compared to 17 percent in 2014. The remaining 90 percent of refinance originations were conventional refinances compared to 77 percent in 2014.

Home equity production for the total Corporation was $13.1 billion for 2015 compared to $11.2 billion for 2014, with the increase due to a higher demand in the market based on improving housing trends, and increased market share driven by improved financial center engagement with customers and more competitive pricing.

Global Wealth & Investment Management

(Dollars in millions)	2015	2014	% Change
Net interest income (FTE basis)	$5,499	$5,836	(6)%
Noninterest income:			
Investment and brokerage services	10,792	10,722	1
All other income	1,710	1,846	(7)
Total noninterest income	12,502	12,568	(1)
Total revenue, net of interest expense (FTE basis)	18,001	18,404	(2)
Provision for credit losses	51	14	n/m
Noninterest expense	13,843	13,654	1
Income before income taxes (FTE basis)	4,107	4,736	(13)
Income tax expense (FTE basis)	1,498	1,767	(15)
Net income	$2,609	$2,969	(12)
Net interest yield (FTE basis)	2.12 %	2.34 %	
Return on average allocated capital	22	25	
Efficiency ratio (FTE basis)	76.90	74.19	
Balance Sheet			
Average			
Total loans and leases	$131,383	$119,775	10
Total earning assets	258,935	248,979	4
Total assets	275,866	267,511	3
Total deposits	244,725	240,242	2
Allocated capital	12,000	12,000	—
Year end			
Total loans and leases	$137,847	$125,431	10
Total earning assets	279,465	256,519	9
Total assets	296,139	274,887	8
Total deposits	260,893	245,391	6

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 investment management, brokerage, banking and retirement products.

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

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

The net client long-term AUM flows represent the net change in clients' long-term AUM balances over a specified period of time,

excluding market appreciation/depreciation and other adjustments.

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

Net income for GWIM decreased $360 million to $2.6 billion in 2015 compared to 2014 driven by a decrease in revenue and increases in noninterest expense and the provision for credit losses.

Net interest income decreased $337 million to $5.5 billion due to the impact of the allocation of ALM activities, partially offset by the impact of loan and deposit growth. Noninterest income, which primarily includes investment and brokerage services income, decreased $66 million to $12.5 billion driven by lower transactional revenue, partially offset by increased asset management fees due to the impact of long-term AUM flows and higher average market levels. Noninterest expense increased $189 million to $13.8 billion primarily due to higher amortization of previously issued stock awards and investments in client-facing professionals, partially offset by lower revenue-related incentives.

Return on average allocated capital was 22 percent, down from 25 percent due to a decrease in net income.

Key Indicators and Metrics

(Dollars in millions, except as noted)	2015	2014
Revenue by Business		
Merrill Lynch Global Wealth Management	$14,898	$15,256
U.S. Trust	3,027	3,084
Other [1]	76	64
Total revenue, net of interest expense (FTE basis)	$18,001	$18,404
Client Balances by Business, at year end		
Merrill Lynch Global Wealth Management	$1,985,309	$2,033,801
U.S. Trust	388,604	387,491
Other [1]	82,929	76,705
Total client balances	$2,456,842	$2,497,997
Client Balances by Type, at year end		
Long-term assets under management	$817,938	$826,171
Liquidity assets under management	82,925	76,701
Assets under management	900,863	902,872
Brokerage assets	1,040,937	1,081,434
Assets in custody	113,239	139,555
Deposits	260,893	245,391
Loans and leases [2]	140,910	128,745
Total client balances	$2,456,842	$2,497,997
Assets Under Management Rollforward		
Assets under management, beginning of year	$902,872	$821,449
Net long-term client flows	34,441	49,800
Net liquidity client flows	6,133	3,361
Market valuation/other	(42,583)	28,262
Total assets under management, end of year	$900,863	$902,872
Associates, at year end [3]		
Number of financial advisors	16,724	16,035
Total wealth advisors	18,167	17,231
Total client-facing professionals	20,632	19,750
Merrill Lynch Global Wealth Management Metric		
Financial advisor productivity [4] (in thousands)	$1,019	$1,065
U.S. Trust Metric, at year end		
Client-facing professionals	2,181	2,155

(1) Includes the results of BofA Global Capital Management, the cash management division of Bank of America, and certain administrative items.

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

(3) Includes financial advisors in the Consumer Banking segment of 2,191 and 1,950 at December 31, 2015 and 2014.

(4) Financial advisor productivity is defined as Merrill Lynch Global Wealth Management total revenue, excluding the allocation of certain ALM activities, divided by the total number of financial advisors (excluding financial advisors

in the Consumer Banking segment).

Client balances decreased $41.2 billion, or two percent, to nearly $2.5 trillion driven by market declines, partially offset by client balance flows.

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

In 2015, revenue from MLGWM of $14.9 billion and U.S. Trust of $3.0 billion were each down two percent primarily driven by lower net interest income due to the impact of the allocation of ALM activities. Additionally, noninterest income was down in MLGWM driven by lower transactional revenue, partially offset by the impact of long-term AUM flows.

Net Migration Summary

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

Net Migration Summary [1]

(Dollars in millions)	2015	2014
Total deposits, net – to (from) GWIM	$(218)	$1,350
Total loans, net – to (from) GWIM	(97)	(61)
Total brokerage, net – to (from) GWIM	(2,416)	(2,710)

(1) Migration occurs primarily between GWIM and Consumer Banking.

Global Banking

(Dollars in millions)	2015	2014	% Change
Net interest income (FTE basis)	$9,254	$9,810	(6)%
Noninterest income:			
Service charges	2,914	2,901	—
Investment banking fees	3,110	3,213	(3)
All other income	1,641	1,683	(2)
Total noninterest income	7,665	7,797	(2)
Total revenue, net of interest expense (FTE basis)	16,919	17,607	(4)
Provision for credit losses	685	322	113
Noninterest expense	7,888	8,170	(3)
Income before income taxes (FTE basis)	8,346	9,115	(8)
Income tax expense (FTE basis)	3,073	3,346	(8)
Net income	$5,273	$5,769	(9)
Net interest yield (FTE basis)	2.85 %	3.10 %	
Return on average allocated capital	15	17	
Efficiency ratio (FTE basis)	46.62	46.40	
Balance Sheet			
Average			
Total loans and leases	$305,220	$286,484	7
Total earning assets	324,402	316,880	2
Total assets	369,001	362,273	2
Total deposits	294,733	288,010	2
Allocated capital	35,000	33,500	4
Year end			
Total loans and leases	$325,677	$288,905	13
Total earning assets	336,755	308,419	9
Total assets	382,043	353,637	8
Total deposits	296,162	279,792	6

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

Net income for Global Banking decreased $496 million to $5.3 billion in 2015 compared to 2014 primarily driven by lower revenue and higher provision for credit losses, partially offset by lower noninterest expense.

Revenue decreased $688 million to $16.9 billion in 2015 primarily due to lower net interest income. The decline in net interest income reflects the impact of the allocation of ALM activities, including liquidity costs as well as loan spread compression, partially offset by loan growth. Noninterest income of $7.7 billion remained relatively unchanged in 2015.

The provision for credit losses increased $363 million to $685 million in 2015 primarily driven by energy exposure and loan growth. For additional information, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83. Noninterest expense decreased $282 million to $7.9 billion in 2015 primarily due to lower litigation expense and technology initiative costs.

The return on average allocated capital was 15 percent in 2015, down from 17 percent in 2014, due to increased capital allocations and lower net income. For more information on capital allocated to the business segments, see Business Segment Operations on page 32.

Global Corporate, Global Commercial and Business Banking
Global Corporate, Global Commercial and Business Banking each include Business Lending and Global Transaction Services activities. Business Lending includes various lending-related products and services, and related hedging activities, including

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

Global Corporate, Global Commercial and Business Banking

	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
(Dollars in millions)	2015	2014	2015	2014	2015	2014	2015	2014
Revenue								
Business Lending	$3,291	$3,420	$3,974	$3,942	$342	$363	$7,607	$7,725
Global Transaction Services	2,802	2,992	2,633	2,854	702	715	6,137	6,561
Total revenue, net of interest expense	$6,093	$6,412	$6,607	$6,796	$1,044	$1,078	$13,744	$14,286
Balance Sheet								
Average								
Total loans and leases	$139,337	$129,601	$149,217	$140,539	$16,589	$16,329	$305,143	$286,469
Total deposits	139,042	141,386	122,149	116,570	33,545	30,055	294,736	288,011
Year end								
Total loans and leases	$148,714	$131,019	$160,302	$141,555	$16,662	$16,333	$325,678	$288,907
Total deposits	134,714	128,730	127,731	119,215	33,722	31,847	296,167	279,792

Business Lending revenue of $7.6 billion remained relatively unchanged in 2015 compared to 2014 as loan spread compression was offset by the benefit of loan growth.
Global Transaction Services revenue decreased $424 million in 2015 primarily due to lower net interest income as a result of the impact of the allocation of ALM activities, including liquidity costs.
Average loans and leases increased seven percent in 2015 compared to 2014 due to strong origination volumes and increased revolver utilization. Average deposits remained relatively unchanged in 2015.
Global Investment Banking
Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of most investment banking and underwriting activities are shared primarily between Global Banking and Global Markets based on the activities performed by each segment. To provide a complete discussion of our consolidated investment banking fees, the following table presents total Corporation investment banking fees and the portion attributable to Global Banking.

Investment Banking Fees

	Global Banking		Total Corporation	
(Dollars in millions)	2015	2014	2015	2014

Products				
Advisory	$1,354	$1,098	$1,503	$1,205
Debt issuance	1,296	1,532	3,033	3,583
Equity issuance	460	583	1,236	1,490
Gross investment banking fees	3,110	3,213	5,772	6,278
Self-led deals	(57)	(91)	(200)	(213)
Total investment banking fees	$3,053	$3,122	$5,572	$6,065

Total Corporation investment banking fees of $5.6 billion, excluding self-led deals, included within Global Banking and Global Markets, decreased eight percent in 2015 compared to 2014 driven by lower debt and equity issuance fees, partially offset by higher advisory fees. Underwriting fees for debt products declined primarily as a result of lower debt issuance volumes mainly in leveraged finance transactions.

Global Markets

(Dollars in millions)	2015	2014	% Change
Net interest income (FTE basis)	$4,338	$4,004	8 %
Noninterest income:			
Investment and brokerage services	2,221	2,205	1
Investment banking fees	2,401	2,743	(12)
Trading account profits	6,070	5,997	1
All other income	37	1,239	(97)
Total noninterest income	10,729	12,184	(12)
Total revenue, net of interest expense (FTE basis)	15,067	16,188	(7)
Provision for credit losses	99	110	(10)
Noninterest expense	11,310	11,862	(5)
Income before income taxes (FTE basis)	3,658	4,216	(13)
Income tax expense (FTE basis)	1,162	1,511	(23)
Net income	$2,496	$2,705	(8)
Return on average allocated capital	7 %	8 %	
Efficiency ratio (FTE basis)	75.06	73.28	
Balance Sheet			
Average			
Trading-related assets:			
Trading account securities	$195,731	$201,956	(3)
Reverse repurchases	103,690	116,085	(11)
Securities borrowed	79,494	85,098	(7)
Derivative assets	54,520	46,676	17
Total trading-related assets (1)	433,435	449,815	(4)
Total loans and leases	63,572	62,073	2
Total earning assets (1)	433,372	461,189	(6)
Total assets	596,849	607,623	(2)
Total deposits	38,470	40,813	(6)
Allocated capital	35,000	34,000	3
Year end			
Total trading-related assets (1)	$374,081	$418,860	(11)
Total loans and leases	73,208	59,388	23
Total earning assets (1)	386,857	421,799	(8)
Total assets	551,587	579,594	(5)
Total deposits	37,276	40,746	(9)

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

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). 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 information on investment banking fees on a consolidated basis, see page 39.

Retrospective to January 1, 2015, we early adopted new accounting guidance that requires the Corporation to present unrealized DVA gains and losses on certain liabilities accounted for under the fair value option in accumulated OCI. This change, which is reflected entirely in Global Markets, resulted in a reclassification of pretax unrealized DVA gains of $1.0 billion from other income to accumulated OCI for 2015. Results for 2014 were not subject to restatement under the provisions of the new accounting guidance. Net DVA on derivatives is still reported in Global Markets segment results. For additional information, see Executive Summary – Recent Events on page 22. In 2014, we implemented a funding valuation adjustment (FVA) into our valuation estimates primarily to include funding costs on uncollateralized derivatives and derivatives where we are not permitted to use the collateral we receive. This change in estimate resulted in a net FVA pretax charge of $497 million in 2014, which is included in net DVA.

Net income for Global Markets decreased $209 million to $2.5 billion in 2015 compared to 2014. Excluding net DVA, net income increased $128 million to $3.0 billion in 2015 compared to 2014, primarily driven by lower noninterest expense and lower tax expense, partially offset by lower revenue. Revenue, excluding net DVA, decreased due to lower trading account profits due to declines in credit-related businesses, lower investment banking fees and lower equity investment gains (not included in sales and trading revenue) as 2014 included gains related to the IPO of an equity investment, partially offset by an increase in net interest income. Net DVA losses were $786 million compared to losses of $240 million in 2014. Sales and trading revenue, excluding net DVA, decreased $142 million due to lower fixed-income, currencies and commodities (FICC) revenue, partially offset by increased Equities revenue. Noninterest expense decreased $552 million to $11.3 billion largely due to lower litigation expense and, to a lesser extent, lower revenue-related incentive compensation and support costs. The effective tax rate for 2014 reflected the impact of non-deductible litigation expense.

Average earning assets decreased $27.8 billion to $433.4 billion in 2015 largely driven by a decrease in reverse repurchases, securities borrowed and trading securities primarily due to a reduction in client financing activity and continuing balance sheet optimization efforts across Global Markets.

Year-end loans and leases increased $13.8 billion in 2015 primarily due to growth in mortgage and securitization finance.

The return on average allocated capital was seven percent, down from eight percent, reflecting a decrease in net income and an increase in allocated capital.

Sales and Trading Revenue

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

Sales and Trading Revenue [1, 2]

(Dollars in millions)	2015	2014
Sales and trading revenue		
Fixed-income, currencies and commodities	$7,923	$8,752
Equities	4,335	4,194
Total sales and trading revenue	$12,258	$12,946
Sales and trading revenue, excluding net DVA [3]		
Fixed-income, currencies and commodities	$8,686	$9,060
Equities	4,358	4,126
Total sales and trading revenue, excluding net DVA	$13,044	$13,186

(1) Includes FTE adjustments of $182 million and $181 million for 2015 and 2014. 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 $422 million and $382 million for 2015 and 2014.

(3) FICC and Equities sales and trading revenue, excluding the impact of net DVA, is a non-GAAP financial measure. FICC net DVA losses were $763 million for 2015 compared to net DVA losses of $308 million in 2014. Equities net DVA losses were $23 million for 2015 compared to net DVA gains of $68 million in 2014.

FICC revenue, excluding net DVA, decreased $374 million to $8.7 billion primarily driven by declines in credit-related businesses due to lower client activity, partially offset by stronger results in rates, currencies and commodities products. Equities revenue, excluding net DVA, increased $232 million to $4.4 billion primarily driven by strong performance in derivatives and increased client activity in the Asia-Pacific region.

Legacy Assets & Servicing

(Dollars in millions)	2015	2014	% Change
Net interest income (FTE basis)	$1,573	$1,520	3 %
Noninterest income:			
Mortgage banking income	1,658	1,045	59
All other income	199	111	79
Total noninterest income	1,857	1,156	61
Total revenue, net of interest expense (FTE basis)	3,430	2,676	28
Provision for credit losses	144	127	13
Noninterest expense	4,451	20,633	(78)
Loss before income taxes (FTE basis)	(1,165)	(18,084)	(94)
Income tax benefit (FTE basis)	(425)	(4,974)	(91)
Net loss	$(740)	$(13,110)	(94)
Net interest yield (FTE basis)	3.82 %	4.04 %	
Balance Sheet			
Average			
Total loans and leases	$29,885	$35,941	(17)
Total earning assets	41,160	37,593	9
Total assets	51,222	52,133	(2)
Allocated capital	24,000	17,000	41
Year end			
Total loans and leases	$26,521	$33,055	(20)
Total earning assets	37,783	33,923	11
Total assets	47,292	45,957	3

LAS is responsible for our mortgage servicing activities related to residential first mortgage and home equity loans serviced for others and loans held by the Corporation, including loans that have been designated as the LAS Portfolios. The LAS 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 43. In addition, LAS is responsible for managing certain legacy exposures related to mortgage origination, sales and servicing activities (e.g., litigation, representations and warranties). LAS also includes the financial results of the home equity portfolio selected as part of the Legacy Owned Portfolio and the results of MSR activities, including net hedge results.

LAS includes certain revenues and expenses on loans serviced for others, including owned loans serviced for Consumer Banking, GWIM and All Other.

The net loss for LAS decreased $12.4 billion to $740 million for 2015 compared to 2014 primarily driven by significantly lower litigation expense, which is included in noninterest expense. Also contributing to the decrease in the net loss was higher revenue, primarily mortgage banking income, partially offset by higher provision for credit losses. Mortgage banking income increased $613 million primarily due to a lower representations and warranties provision compared to 2014 and improved MSR net-of-hedge performance, partially offset by lower servicing fees due to a smaller servicing portfolio. The provision for credit losses increased $17 million as the portfolio begins to stabilize. Also, the provision for credit losses in 2014 included $400 million of additional costs associated with the consumer relief portion of the settlement with the DoJ. Noninterest expense decreased $16.2 billion primarily due to a $14.4 billion decrease in litigation expense. Excluding litigation, noninterest expense decreased $1.8 billion to $3.6 billion due to lower default-related staffing and other default-related servicing expenses.

The increase in allocated capital for LAS reflects higher Basel 3 Advanced approaches operational risk capital than in 2014. For more information on capital allocated to the business segments, see Business Segment Operations on page 32.

Servicing

LAS is responsible for all of our in-house 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 25 percent, 26 percent and 30 percent of the total mortgage serviced portfolio, as measured by unpaid principal balance, at December 31, 2015, 2014 and 2013, respectively. In addition, LAS is responsible for contracting with and overseeing subservicing vendors who service loans on our behalf.

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

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) loan portfolio, 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. Home equity loans in this portfolio are held on the balance sheet of LAS, and residential mortgage loans in this portfolio are included as part 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 $18.3 billion in 2015 to $71.6 billion at December 31, 2015, of which $26.5 billion was held on the LAS balance sheet and the remainder was included in All Other. The decrease was largely due to payoffs and paydowns, as well as loan sales.

Legacy Serviced Portfolio

The Legacy Serviced Portfolio includes loans serviced by LAS in both 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 24 percent, 24 percent and 28 percent of the total residential mortgage serviced portfolio of $491 billion, $609 billion and $719 billion, as measured by unpaid principal balance, at December 31, 2015, 2014 and 2013, respectively. The decline in the Legacy Residential Mortgage Serviced Portfolio was due to paydowns and payoffs, and MSR and loan sales.

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

	December 31		
(Dollars in billions)	2015	2014	2013
Unpaid principal balance			
Residential mortgage loans			
Total	$116	$148	$203
60 days or more past due	13	25	49
Number of loans serviced (in thousands)			
Residential mortgage loans			
Total	632	794	1,083
60 days or more past due	72	135	258

(1) Excludes $28 billion, $34 billion and $39 billion of home equity loans and HELOCs at December 31, 2015, 2014 and 2013, respectively.

Non-Legacy Portfolio

As previously discussed, LAS 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 76 percent, 76 percent and 72 percent of the total residential mortgage serviced portfolio, as measured by unpaid principal balance, at December 31, 2015, 2014 and 2013, respectively. The decline in the Non-Legacy Residential Mortgage Serviced Portfolio was primarily due to paydowns and payoffs, partially offset by new originations.

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

December 31

(Dollars in billions)	2015	2014	2013
Unpaid principal balance			
Residential mortgage loans			
Total	$375	$461	$516
60 days or more past due	5	9	12
Number of loans serviced (in thousands)			
Residential mortgage loans			
Total	2,376	2,951	3,267
60 days or more past due	31	54	67

(1) Excludes $46 billion, $50 billion and $52 billion of home equity loans and HELOCs at December 31, 2015, 2014 and 2013, respectively.

LAS Mortgage Banking Income

LAS mortgage banking income includes income earned in connection with servicing activities and MSR valuation adjustments, net of results from risk management activities used to hedge certain market risks of the MSRs. The costs associated with our servicing activities are included in noninterest expense. LAS mortgage banking income also includes the cost of legacy representations and warranties exposures and revenue from the sales of loans that had returned to performing status. The table below summarizes LAS mortgage banking income.

LAS Mortgage Banking Income

(Dollars in millions)	2015	2014
Servicing income:		
Servicing fees	$1,520	$1,957
Amortization of expected cash flows [1]	(738)	(818)
Fair value changes of MSRs, net of risk management activities used to hedge certain market risks [2]	516	294
Total net servicing income	1,298	1,433
Representations and warranties (provision) benefit	28	(693)
Other mortgage banking income [3]	332	305
Total LAS mortgage banking income	$1,658	$1,045

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

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

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

In 2015, LAS mortgage banking income increased $613 million to $1.7 billion primarily driven by a lower representations and warranties provision and improved MSR net-of-hedge performance, partially offset by lower servicing fees due to a smaller servicing portfolio. Servicing fees declined 22 percent to $1.5 billion in 2015 as the size of the servicing portfolio continued to decline driven by loan prepayment activity, which exceeded new originations, as well as strategic sales of MSRs in 2014. The $28 million benefit in the provision for representations and warranties for 2015 compared to a provision of $693 million in 2014 was primarily driven by the impact of the ACE Securities Corp. v. DB Structured Products, Inc. (ACE) decision, as time-barred claims are now treated as resolved. For more information on the ACE decision, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 46.

Key Statistics

	December 31	
(Dollars in millions, except as noted)	2015	2014
Mortgage serviced portfolio (in billions) [1, 2]	$565	$693
Mortgage loans serviced for investors (in billions) [1]	378	474
Mortgage servicing rights:		
Balance [3]	2,680	3,271
Capitalized mortgage servicing rights (% of loans serviced for investors)	71 bps	69 bps

The servicing portfolio and mortgage loans serviced for investors represent the unpaid principal balance of loans.

(1) At both December 31, 2015 and 2014, the balance excludes $16 billion of non-U.S. consumer mortgage loans serviced for investors.

(2) Servicing of residential mortgage loans, HELOCs and home equity loans by LAS.

(3) At December 31, 2015 and 2014, excludes $407 million and $259 million of certain non-U.S. residential mortgage MSR balances that are recorded in Global Markets.

Mortgage Servicing Rights

At December 31, 2015, the balance of consumer MSRs managed within LAS, which excludes $407 million of certain non-U.S. residential mortgage MSRs recorded in Global Markets, was $2.7 billion compared to $3.3 billion at December 31, 2014. The decrease was primarily driven by the recognition of modeled cash flows and sales of MSRs, partially offset by new loan originations. For more information on MSRs, see Note 23 – Mortgage Servicing Rights to the Consolidated Financial Statements.

All Other

(Dollars in millions)	2015	2014	% Change
Net interest income (FTE basis)	$(348)	$(526)	(34)%
Noninterest income:			
Card income	263	356	(26)
Equity investment income	—	727	(100)
Gains on sales of debt securities	1,079	1,310	(18)
All other loss	(1,613)	(2,435)	(34)
Total noninterest income	(271)	(42)	n/m
Total revenue, net of interest expense (FTE basis)	(619)	(568)	9
Provision for credit losses	(342)	(978)	(65)
Noninterest expense	2,215	2,933	(24)
Loss before income taxes (FTE basis)	(2,492)	(2,523)	(1)
Income tax benefit (FTE basis)	(2,003)	(2,587)	(23)
Net income (loss)	$(489)	$64	n/m
Balance Sheet			
Average			
Loans and leases:			
Residential mortgage	$130,893	$180,249	(27)
Non-U.S. credit card	10,104	11,511	(12)
Other	6,403	10,753	(40)
Total loans and leases	147,400	202,513	(27)
Total assets (1)	257,893	278,812	(8)
Total deposits	21,862	30,834	(29)
Year end			
Loans and leases:			
Residential mortgage	$109,030	$155,595	(30)
Non-U.S. credit card	9,975	10,465	(5)
Other	6,338	6,552	(3)
Total loans and leases	125,343	172,612	(27)
Total equity investments	4,297	4,871	(12)
Total assets (1)	230,791	261,581	(12)
Total deposits	22,898	19,240	19

(1) In segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated shareholders' equity. Such allocated assets were $499.4 billion and $480.3 billion for 2015 and 2014, and $518.8 billion and $474.6 billion at December 31, 2015 and 2014.

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 certain residential mortgages, debt securities, interest rate and foreign currency risk management activities including the residual net interest income allocation, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to our business segments. Beginning with new originations in 2014, we retain certain residential mortgages in Consumer Banking, consistent with where the overall relationship is managed; previously such mortgages were in All Other. Additionally, certain residential mortgage loans that are managed by LAS are held in All Other. For more information on our ALM activities, see Interest Rate Risk Management for Non-trading Activities on page 97 and Note 24 – Business Segment Information to the Consolidated Financial Statements. Equity investments include our merchant services joint venture as well as Global Principal Investments (GPI) which is comprised of a portfolio of equity, real estate and other alternative investments. For more information on our merchant services joint venture, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Net income for All Other decreased $553 million to a loss of $489 million in 2015 primarily due to a decrease in equity investment income, a decrease in the benefit in the provision for credit losses and lower gains on sales of debt securities, partially offset by higher net interest income, an increase in gains on sales of consumer real estate loans, lower U.K. PPI costs and a decrease in noninterest expense.
Net interest income increased $178 million primarily driven by a lower impact from negative market-related adjustments on debt securities, partially offset by a $612 million charge in 2015 related to the discount on certain trust preferred securities. Negative market-related adjustments on debt securities were $296 million compared to $1.1 billion in 2014. Equity investment income decreased $727 million as the prior year included a gain on the sale of a portion of an equity investment. Gains on the sales of loans, including nonperforming and other delinquent loans, net of hedges, were $1.0 billion compared to gains of $672 million in 2014. Also included in all other loss were U.K. PPI costs of $319 million compared to $621 million, and negative FTE adjustments of $1.6 billion compared to $1.3 billion to eliminate the FTE treatment of certain tax credits recorded in Global Banking.

The benefit in the provision for credit losses decreased $636 million to a benefit of $342 million in 2015 primarily driven by lower recoveries, including those recorded in connection with residential mortgage loan sales.
Noninterest expense decreased $718 million to $2.2 billion reflecting a decrease in litigation expense and lower personnel, infrastructure and support costs, partially offset by higher professional fees related in part to our CCAR resubmission.
The income tax benefit was $2.0 billion on a pretax loss of $2.5 billion in 2015 compared to a benefit of $2.6 billion on a pretax loss of $2.5 billion in 2014, as 2014 included tax benefits attributable to the resolution of several tax examinations, and 2015 included the charge of approximately $290 million related to the U.K tax law change. In addition, both periods include income tax benefit adjustments to eliminate the FTE treatment of certain tax credits recorded in Global Banking.
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. Purchase obligations are defined as 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. Included in purchase obligations are vendor contracts, the most significant of which 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 2015 and 2014, we contributed $234 million each year to the Plans, and we expect to make $261 million of contributions during 2016. The Plans are more fully discussed in Note 17 – Employee Benefit Plans to the Consolidated Financial Statements.
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.
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, 2015 and 2014.

Table 11 Contractual Obligations

	December 31, 2015					December 31 2014
(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	Total
Long-term debt	$43,334	$75,377	$36,513	$81,540	$236,764	$ 243,139
Operating lease obligations	2,456	3,846	2,798	4,581	13,681	14,406
Purchase obligations	2,007	1,905	629	809	5,350	5,544
Time deposits	65,567	5,207	2,517	683	73,974	84,843
Other long-term liabilities	1,663	870	668	1,110	4,311	4,232
Estimated interest expense on long-term debt and time deposits (1)	4,753	7,124	5,064	26,957	43,898	45,462
Total contractual obligations	$119,780	$94,329	$48,189	$115,680	$377,978	$ 397,626

(1) Represents forecasted net interest expense on long-term debt and time deposits based on interest rates at December 31, 2015. Forecasts are based on the contractual maturity dates of each liability, and are net of derivative hedges, where applicable.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of RMBS guaranteed by the government-sponsored enterprises (GSEs), which include FHLMC and FNMA, 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, and sell pools of first-lien residential mortgage loans in the form of whole loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monoline insurers or other 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 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 with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors as applicable (collectively, repurchases). In all such cases, subsequent to repurchasing the loan, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guarantee payments that we may receive.

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

For more information on accounting for 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 of this Annual Report on Form 10-K.

Settlement with the Bank of New York Mellon, as Trustee

On April 22, 2015, the New York County Supreme Court entered final judgment approving the BNY Mellon Settlement. In October 2015, BNY Mellon obtained certain state tax opinions and an IRS private letter ruling confirming that the settlement will not impact the real estate mortgage investment conduit tax status of the trusts. The final conditions of the settlement have been satisfied and, accordingly, the Corporation made the settlement payment to BNY Mellon of $8.5 billion in February 2016. Pursuant to the settlement agreement, allocation and distribution of the $8.5 billion settlement payment is the responsibility of the RMBS trustee, BNY Mellon. On February 5, 2016, BNY Mellon filed an Article 77 proceeding in the New York County Supreme Court asking the court for instruction with respect to certain issues concerning the distribution of each trust's allocable share of the settlement payment and asking that the settlement payment be ordered to be held in escrow pending the outcome of this Article 77 proceeding. The Corporation is not a party to this proceeding.

New York Court Decision on Statute of Limitations

On June 11, 2015, the New York Court of Appeals, New York's highest appellate court, issued its opinion on the statute of limitations applicable to representations and warranties claims in ACE Securities Corp. v. DB Structured Products, Inc. (ACE). The Court of Appeals held that, under New York law, a claim for breach of contractual representations and warranties begins to run at the time the representations and warranties are made, and rejected the argument that the six-year statute of limitations does not begin to run until the time repurchase is refused. The Court of Appeals also held that compliance with the contractual notice and cure period was a pre-condition to filing suit, and claims that did not comply with such contractual requirements prior to the expiration of the statute of limitations period were invalid. While no entity affiliated with the Corporation was a party to this litigation, the vast majority of the private-label RMBS trusts into which entities affiliated with the Corporation sold loans and made representations and warranties are governed by New York law. While the Corporation treats claims where the statute of limitations has expired, as determined in accordance with the ACE decision, as time-barred and therefore resolved and no longer outstanding, investors or trustees have sought to distinguish certain aspects of the ACE decision or to assert other claims against RMBS counterparties seeking to avoid or circumvent the impact of the ACE decision. For example, a recent ruling by a New York intermediate appellate court allowed a counterparty to pursue litigation on loans in the entire trust even though only some of the loans complied with the condition precedent of timely pre-suit notice and opportunity to cure or repurchase. The potential impact on the Corporation, if any, of judicial limitations on the ACE decision,

or claims seeking to distinguish or avoid the ACE decision is unclear at this time. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Unresolved Repurchase Claims

Unresolved representations and warranties repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, MI or mortgage guarantee payments. Claims received from a counterparty remain outstanding until the underlying loan is repurchased, the claim is rescinded by the counterparty, we determine that the applicable statute of limitations has expired, or representations and warranties claims with respect to the applicable trust are settled, and fully and finally released. 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 in one of the ways described above.

At December 31, 2015, we had $18.4 billion of unresolved repurchase claims, net of duplicate claims, compared to $22.8 billion at December 31, 2014. These repurchase claims primarily relate to private-label securitizations and exclude claims in the amount of $7.4 billion at December 31, 2015 where the statute of limitations has expired without litigation being commenced. At December 31, 2014, time-barred claims of $5.2 billion were included in unresolved repurchase claims. The notional amount of unresolved repurchase claims at both December 31, 2015 and 2014 includes $3.5 billion of claims related to loans in specific private-label securitization groups or tranches where we own substantially all of the outstanding securities. For additional information, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

The overall decrease in the notional amount of outstanding unresolved repurchase claims in 2015 is primarily due to the impact of time-barred claims under the ACE decision, partially offset by new claims from private-label securitization trustees. Outstanding repurchase claims remain unresolved primarily due to (1) the level of detail, support and analysis accompanying such claims, which impact overall claim quality and, therefore, claims resolution and (2) the lack of an established process to resolve disputes related to these claims.

As a result of various bulk 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 Financial Corporation (Countrywide) to FNMA and FHLMC through June 30, 2012 and December 31, 2009, respectively. At December 31, 2015, the notional amount of unresolved repurchase claims submitted by the GSEs was $14 million for loans originated prior to 2009. For more information on the monolines and experience with the GSEs, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

During 2015 and 2014, we had limited loan-level representations and warranties repurchase claims experience with the monoline insurers due to bulk settlements in prior years and ongoing litigation with a single monoline insurer. For additional information, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

In addition to unresolved repurchase claims, we have received notifications from sponsors of third-party securitizations with whom we engaged in whole-loan transactions indicating that we may have indemnity obligations with respect to loans for which we have not received a repurchase request. These outstanding notifications totaled $1.4 billion and $2.0 billion at December 31, 2015 and 2014.

We also from time to time receive correspondence purporting to raise representations and warranties breach issues from entities that do not have contractual standing or ability to bring such claims. We believe such communications to be procedurally and/or substantively invalid, and generally do not respond.

The presence of repurchase claims on a given trust, receipt of notices of indemnification obligations and receipt of other communications, as discussed above, are all factors that inform our liability for representations and warranties and the corresponding estimated range of possible loss.

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 in the Consolidated Statement of Income. For more information on 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 49 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

At December 31, 2015 and 2014, the liability for representations and warranties was $11.3 billion and $12.1 billion, which included $8.5 billion related to the BNY Mellon Settlement. The representations and warranties benefit was $39 million for 2015 compared to a provision of $683 million for 2014. The benefit in the provision for representations and warranties for 2015 compared to a provision in 2014 was primarily driven by the impact of the ACE decision.

Our liability for representations and warranties is necessarily dependent on, and limited by, a number of factors including for private-label securitizations the implied repurchase experience based on the BNY Mellon Settlement, as well as certain other assumptions and judgmental factors. Where relevant, we also consider more recent experience, such as claim activity, notification of potential indemnification obligations, our experience with various counterparties, the ACE decision, other recent court decisions related to the statute of limitations, and other facts and circumstances, such as bulk settlements, as we believe appropriate. Accordingly, future provisions associated with obligations under representations and warranties may be materially impacted if future experiences are different from historical experience or our understandings, interpretations or assumptions.

Experience with Investors Other than Government-sponsored Enterprises

Prior to 2009, 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 to investors other than the GSEs (although the GSEs are investors in certain private-label securitizations). 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. Such loans originated from 2004 through 2008 had an original principal balance of $970 billion, including $786 billion sold to private-label and whole-loan investors without monoline insurance. Taking into account settlements and the application of the statute of limitations for repurchase claims for these trusts, we believe the remaining open exposure for repurchase claims exists on loans with an original principal balance of $102 billion. Of the $102 billion, $45 billion has been paid in full and $42 billion has defaulted or was severely delinquent at December 31, 2015. At least 25 payments have been made on approximately 62 percent of these defaulted and severely delinquent loans. These remaining loans with open exposure predominantly relate to legacy Countrywide and First Franklin Financial Corporation originations of pay option and subprime first mortgages.

As it relates to private-label securitizations, a contractual liability to repurchase mortgage loans generally arises if 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 have received approximately $32.7 billion of representations and warranties repurchase claims related to loans originated between 2004 and 2008 including $23.7 billion from private-label securitization trustees and a financial guarantee provider, $8.2 billion from whole-loan investors and $816 million from one private-label securitization counterparty. New private-label claims are primarily related to repurchase requests received from trustees for private-label securitization transactions not included in the BNY Mellon Settlement. Of the $32.7 billion in claims, we have resolved $16.0 billion of these claims with losses of $1.9 billion. Approximately $3.6 billion of these claims were resolved through repurchase or indemnification, $4.7 billion were rescinded by the investor, $325 million were resolved through settlements and $7.4 billion are time-barred under the applicable statute of limitations and are therefore considered resolved.

At December 31, 2015, for these vintages, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and others was $16.7 billion. We have performed an initial review with respect to substantially all of these claims and although we do not believe a valid basis for repurchase has been established by the claimant, we consider such claims activity in the computation of our liability for representations and warranties. Until we receive a repurchase claim, we generally do not review loan files related to private-label securitizations and believe we are not required by the governing documents to do so, unless particular facts suggest we should review an individual loan file.

Estimated Range of Possible Loss

We currently estimate that the range of possible loss for representations and warranties exposures could be up to $2 billion over existing accruals at December 31, 2015. We treat claims that are time-barred as resolved and do not consider such claims in the estimated range of possible loss. The estimated range of possible loss reflects principally exposures related to loans in private-label securitization trusts. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

For more information on the methodology used to estimate the representations and warranties liability, the corresponding estimated range of possible loss and the types of losses not considered in such estimates, see Item 1A. Risk Factors of this Annual Report on Form 10-K 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 representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability on page 104.

Department of Justice Settlement

On August 20, 2014, we reached a comprehensive settlement with the DoJ and certain federal and state agencies (DoJ Settlement). As part of the DoJ Settlement, we paid civil monetary penalties and compensatory remediation payments in 2014. In 2014 and 2015, we provided creditable consumer relief activities primarily in the form of mortgage modifications, including first-lien principal forgiveness and forbearance modifications and second- and junior-lien extinguishments, low- to moderate-income mortgage originations, and community reinvestment and neighborhood stabilization efforts, with initiatives focused on communities experiencing, or at risk of, blight. Also, we have provided support for the expansion of available affordable rental housing. Our actions are well ahead of the DoJ agreement calling for us to complete delivery of the consumer relief by no later than August 31, 2018. The consumer relief requirements are subject to oversight by an independent monitor.

Other Mortgage-related Matters

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny and investigations related to our past and current origination, servicing, transfer of servicing and servicing rights, servicing compliance obligations, foreclosure activities, and MI and captive reinsurance practices with mortgage insurers. The ongoing environment of additional regulation, increased regulatory compliance obligations, and enhanced regulatory enforcement, combined with ongoing uncertainty related to the continuing evolution of the regulatory environment, has resulted in increased operational and compliance costs and may limit our ability to continue providing certain products and services. For more information on management's estimate of the aggregate range of possible loss and on regulatory investigations, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Managing Risk

Overview

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

The seven types of risk faced by the Corporation are strategic, credit, market, liquidity, compliance, operational and reputational risks.

- Strategic risk is the risk resulting from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments.
- Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations.

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings.

Liquidity risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our business and customer needs under a range of economic conditions.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Corporation arising from the failure of the Corporation to comply with the requirements of applicable laws, rules, regulations and related self-regulatory organizations' standards and codes of conduct.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Reputational risk is the risk that negative perceptions of the Corporation's conduct or business practices will adversely affect its profitability or operations through an inability to establish or maintain existing customer/client relationships.

The following sections address in more detail the specific procedures, measures and analyses of the major categories of risk. This discussion of managing risk focuses on the 2016 Risk Framework (Risk Framework) that, as part of its annual review process, was approved by the ERC and the Board in December 2015. The key enhancements from the 2015 Risk Framework include further increasing the focus on our strong risk culture and emphasizing our risk identification practices and the involvement and input of Front Line Units (FLUs) and control functions. It continues to recognize the same seven key risk types as discussed above and our risk management approach as outlined below.

A strong risk culture is fundamental to our values and operating principles. It requires us to focus on risk in all activities and encourages the necessary mindset and behavior to enable effective risk management, and promotes sound risk-taking within our risk appetite. Sustaining a strong risk culture throughout the organization is critical to the success of the Corporation and is a clear expectation of our executive management team and the Board.

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

Executive management assesses, with Board oversight, the risk-adjusted returns of each business. Management reviews and approves the strategic and financial operating plans, as well as the capital plan and risk appetite statement, and recommends them annually to the Board for approval. 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. For more information regarding capital allocations, see Business Segment Operations on page 32.

Our Risk Appetite Statement is intended to ensure that the Corporation maintains an acceptable risk profile by providing a common framework and a comparable set of measures for senior management and the Board to clearly indicate the level of risk the Corporation is willing to accept. Risk appetite is set at least annually in conjunction with the strategic, capital and financial operating plans to align risk appetite with the Corporation’s strategy and financial resources. Our line of business strategies and risk appetite are also similarly aligned. For a more detailed discussion of our risk management activities, see the discussion below and pages 53 through 100

Our overall capacity to take risk is limited; therefore, we prioritize the risks we take in order to maintain a strong and flexible financial position so we can withstand challenging economic conditions and take advantage of organic growth opportunities. Therefore, we set objectives and targets for capital and liquidity that are intended to permit the Corporation to continue to operate in a safe and sound manner at all times, including during periods of stress.

Our lines of business operate with risk limits (which may include credit, market and/or operational limits, as applicable) that are based on the amount of capital, earnings or liquidity we are willing to put at risk to achieve our strategic objectives and business plans. 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, oversees financial performance, execution of the strategic and financial operating plans, adherence to risk appetite limits and the adequacy of internal controls.

Risk Management Governance

The Risk Framework describes delegations of authority whereby the Board and its committees may delegate authority to management-level committees or executive officers. Such delegations may authorize certain decision-making and approval functions, which may be evidenced in, for example, committee charters, job descriptions, meeting minutes and resolutions.

The chart below illustrates the inter-relationship among the Board, Board committees and management committees that have the majority of risk oversight responsibilities for the Corporation. This chart reflects the current Risk Framework as approved by the Board in December 2015.

(1) This presentation does not include committees for other legal entities.

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

Board of Directors and Board Committees

The Board, which consists of a substantial majority of independent directors, authorizes management to maintain an effective Risk Framework, and oversees compliance with safe and sound banking practices. In addition, the Board or its committees conduct appropriate inquiries of, and receive reports from management on risk-related matters to determine whether there are scope or resource limitations that impede the ability of independent risk management and/or Corporate Audit to execute its

responsibilities. The following Board committees have the principal responsibility for enterprise-wide oversight of our risk management activities. These committees and other Board committees, as applicable, regularly report to the Board on risk-related matters. Through these activities, the Board and applicable committees are provided with thorough information on the Corporation's risk profile, and challenge executive management to appropriately address key risks facing the Corporation. Other Board committees as described below provide additional oversight of specific risks.

Each of the committees shown on the above chart regularly reports to the Board on risk-related matters within the committee's responsibilities, which is intended to collectively provide the Board with integrated, thorough insight about our management of enterprise-wide risks.

Enterprise Risk Committee

The Enterprise Risk Committee (ERC) has primary responsibility for oversight of the Risk Framework and material risks facing the Corporation. It approves the Risk Framework and the Risk Appetite Statement and further recommends these documents to the Board for approval. The ERC oversees senior management's responsibilities for the identification, measurement, monitoring and control of all key risks facing the Corporation. The ERC may consult with other Board committees on risk-related matters.

Audit Committee

The Audit Committee oversees the qualifications, performance and independence of the Independent Registered Public Accounting Firm, the performance of the Corporation's corporate audit function, the integrity of the Corporation's consolidated financial statements, compliance by the Corporation with legal and regulatory requirements, and makes inquiries of management or the Corporate General Auditor (CGA) to determine whether there are scope or resource limitations that impede the ability of Corporate Audit to execute its responsibilities. The Audit Committee is also responsible for overseeing compliance risk pursuant to the New York Stock Exchange listing standards.

Credit Committee

The Credit Committee provides additional oversight of senior management's responsibilities for the identification and management of Corporation-wide credit 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.

Other Board Committees

Our Corporate Governance Committee oversees our Board's governance processes, identifies and reviews the qualifications of potential Board members, recommends nominees for election to our Board, recommends committee appointments for Board approval and reviews our stockholder engagement activities.

Our Compensation and Benefits Committee oversees establishing, maintaining and administering our compensation programs and employee benefit plans, including approving and recommending our Chief Executive Officer's (CEO) compensation to our Board for further approval by all independent directors, and reviewing and approving all of our executive officers' compensation.

Management Committees

Management committees may receive their authority from the Board, a Board committee, another management committee or from one or more executive officers. The primary management-level risk committee for the Corporation is the Management Risk Committee (MRC). Subject to Board oversight, the MRC is responsible for management oversight of all key risks facing the Corporation. The MRC provides management oversight of the

Corporation's compliance and operational risk programs, balance sheet and capital management, funding activities and other liquidity activities, stress testing, trading activities, recovery and resolution planning, model risk, subsidiary governance and activities between member banks and their nonbank affiliates pursuant to Federal Reserve rules and regulations. The MRC is responsible for holistic risk management, including an integrated evaluation of risk, earnings, capital and liquidity, and it reports on these matters to the Board or Board committees.

Lines of Defense

In addition to the role of Executive Officers in managing risk, we have clear ownership and accountability across the three lines of defense: FLUs, independent risk management and Corporate Audit. The Corporation also has control functions outside of FLUs and independent risk management (e.g., Legal and Global Human Resources). The three lines of defense are integrated into our management-level governance structure. Each of these is described in more detail below.

Executive Officers

Executive officers lead various functions representing the functional roles. Authority for functional roles may be delegated to executive officers from the Board, Board committees or management-level committees. Executive officers, in turn, may further delegate responsibilities, as appropriate, to management-level committees, management routines or individuals. Executive officers review the Corporation's activities for consistency with our Risk Framework, Risk Appetite Statement, and applicable strategic, capital and financial operating plans, as well as applicable policies, standards, procedures and processes. Executive officers and other employees make decisions individually on a day-to-day basis, consistent with the authority they have been delegated. Executive officers and other employees may also serve on committees and participate in committee decisions.

Front Line Units

FLUs include the lines of business and an organizational unit, the Global Technology and Operations Group. FLUs are held accountable by the CEO and the Board for appropriately assessing and effectively managing all of the risks associated with their activities.

Three organizational units that include FLU and control function activities, but are not part of independent risk management are the Chief Financial Officer (CFO) Group, Global Marketing and Corporate Affairs (GM&CA) and the Chief Administrative Officer (CAO) Group.

Independent Risk Management

Independent risk management (IRM) is part of our control functions and includes Global Risk Management and Global Compliance. We have other control functions that are not part of IRM (other control functions may also provide oversight to FLU activities), including Legal, Global Human Resources and certain activities within the CFO Group, GM&CA and the CAO Group. IRM, led by the Chief Risk Officer (CRO), is responsible for independently assessing and overseeing risks within FLUs and other control functions. IRM establishes written enterprise policies and procedures that include concentration risk limits where appropriate. Such policies and procedures outline how aggregate risks are identified, measured, monitored and controlled.

The CRO has the authority and independence to develop and implement a meaningful risk management framework. The CRO has unrestricted access to the Board and reports directly to both the ERC and to the CEO. Global Risk Management is organized into enterprise risk teams and FLU risk teams that work collaboratively in executing their respective duties.

Within IRM, Global Compliance independently assesses compliance risk, and evaluates adherence to applicable laws, rules and regulations, including identifying compliance issues and risks, performing monitoring and testing, and reporting on the state of compliance activities across the Corporation. Additionally, Global Compliance works with FLUs and control functions so that day-to-day activities operate in a compliant manner.

Corporate Audit

Corporate Audit and the CGA maintain their independence from the FLUs, IRM and other control functions by reporting directly to the Audit Committee or the Board. The CGA administratively reports to the CEO. Corporate Audit provides independent assessment and validation through testing of key processes and controls across the Corporation. Corporate Audit includes Credit Review which periodically tests and examines credit portfolios and processes.

Risk Management Processes

The Risk Framework requires that strong risk management practices are integrated in key strategic, capital and financial planning processes and day-to-day business processes across the Corporation, with a goal of ensuring risks are appropriately considered, evaluated and responded to in a timely manner.

We employ a risk management process, referred to as Identify, Measure, Monitor and Control (IMMC) as part of our daily activities.

Identify – To be effectively managed, risks must be clearly defined and proactively identified. Proper risk identification focuses on recognizing and understanding all key risks inherent in our business activities or key risks that may arise from external factors. Each employee is expected to identify and escalate risks promptly. Risk identification is an ongoing process, incorporating input from FLUs and control functions, designed to be forward looking and capture relevant risk factors across all of our lines of business.

Measure – Once a risk is identified, it must be prioritized and accurately measured through a systematic risk quantification process including quantitative and qualitative components. Risk is measured at various levels including, but not limited to, risk type, FLU, legal entity and on an aggregate basis. This risk quantification process helps to capture changes in our risk profile due to changes in strategic direction, concentrations, portfolio quality and the overall economic environment. Senior management considers how risk exposures might evolve under a variety of stress scenarios.

Monitor – We monitor risk levels regularly to track adherence to risk appetite, policies, standards, procedures and processes. We also regularly update risk assessments and review risk exposures. Through our monitoring, we can determine our level of risk relative to limits and can take action in a timely manner. We also can determine when risk limits are breached and have processes to appropriately report and escalate exceptions. This includes immediate requests for approval to managers and alerts to executive management, management-level committees or the Board (directly or through an appropriate committee).

Control – We establish and communicate risk limits and controls through policies, standards, procedures and processes that define the responsibilities and authority for risk-taking. The limits and controls can be adjusted by the Board or management when conditions or risk tolerances warrant. These limits may be absolute (e.g., loan amount, trading volume) or relative (e.g., percentage of loan book in higher-risk categories). Our lines of business are held accountable to perform within the established limits.

Among the key tools in the risk management process are the Risk and Control Self Assessments (RCSAs). The RCSA process, consistent with IMMC, is one of our primary methods for capturing the identification and assessment of operational risk exposures, including inherent and residual operational risk ratings, and control effectiveness ratings. 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. This results in a comprehensive risk management view that enables understanding of and action on operational risks and controls for 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.

Corporation-wide Stress Testing

Integral to the Corporation's Capital Planning, Financial Planning and Strategic Planning processes is stress testing, which the Corporation conducts 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 stress tests provide an understanding of the potential impacts from the Corporation's risk profile on the balance sheet, earnings, capital and liquidity, and serve as a key component of the Corporation's capital and risk management. The intent of stress testing is to develop a comprehensive understanding of potential impacts of on- and off-balance sheet risks at the Corporation and how they impact financial resiliency.

Contingency Planning Routines

We have developed and maintain contingency plans that are designed to 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 include asset sales, business sales, capital or debt issuances, and other de-risking strategies. We also maintain contingency plans as part of our resolution plan to limit adverse systemic impacts that could be associated with a potential resolution.

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 incorrect assumptions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments, in the geographic locations in which we operate, such as competitor actions, changing customer preferences, product obsolescence and technology developments. Our strategic plan is consistent with our risk appetite and specifically addresses strategic risks.

The strategic plan is reviewed and approved annually by the Board, as is the capital plan, financial operating plan and risk appetite statement. With oversight by the Board, executive management ensures that consistency is applied while executing the Corporation's strategic plan, core operating principles and risk appetite. The executive management team continuously monitors business performance throughout the year to assess strategic risk and find early warning signals so that risks can be proactively managed. Executive management regularly reviews performance versus the plan, updates the Board via quarterly reporting routines (and more frequently as relevant) and implements changes as deemed appropriate. The following are assessed in the regular 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.

Significant strategic actions, such as capital actions, material acquisitions or divestitures, and recovery and resolution plans are reviewed and approved by the Board as required. At the business level, as we introduce new products, we monitor their performance relative to expectations (e.g., for earnings and returns on capital). With oversight by the Board and the ERC, 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 30.

Capital Management

The Corporation manages its capital position to maintain sufficient capital to support its business activities and to maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain safety and soundness at all times, even under adverse scenarios, take advantage of organic growth opportunities, maintain ready access to financial markets, continue to serve as a credit intermediary, remain a source of strength for our subsidiaries, and satisfy current and future regulatory capital requirements. Capital management is integrated into our risk and governance processes, as capital is a key consideration in the development of our strategic plan, risk appetite and risk limits.

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

The Corporation periodically reviews capital allocated to its businesses and allocates capital annually during the strategic and capital planning processes. For additional information, see Business Segment Operations on page 32.

CCAR and Capital Planning

The Federal Reserve requires BHCs to submit a capital plan and requests for capital actions on an annual basis, consistent with the rules governing the CCAR capital plan.

In January 2015, we submitted our 2015 CCAR capital plan and related supervisory stress tests. The requested capital actions included a request to repurchase $4.0 billion of common stock over five quarters beginning in the second quarter of 2015, and to maintain the quarterly common stock dividend at the current rate of $0.05 per share. On March 11, 2015, the Federal Reserve advised that it did not object to our 2015 capital plan but gave a conditional non-objection under which we were required to resubmit our CCAR capital plan and address certain weaknesses the Federal Reserve identified in our capital planning process. We have established plans and taken actions which addressed the identified weaknesses, and we resubmitted our CCAR capital plan on September 30, 2015. The Federal Reserve announced on December 10, 2015 that it did not object to our resubmitted CCAR capital plan.

As of December 31, 2015, in connection with our 2015 CCAR capital plan, we have repurchased approximately $2.4 billion of common stock. The timing and amount of additional common stock repurchases and common stock dividends will continue to be consistent with our 2015 CCAR capital plan. In addition, the timing and amount of common stock repurchases will be subject to various factors, including the Corporation’s capital position, liquidity, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The common stock repurchases may be effected through open market purchases or privately negotiated transactions, including repurchase plans that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934.

Regulatory Capital

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

Basel 3 Overview

Basel 3 updated the composition of capital and established a Common equity tier 1 capital ratio. Common equity tier 1 capital primarily includes common stock, retained earnings and accumulated OCI. Basel 3 revised minimum capital ratios and buffer requirements, added a SLR, and addressed the adequately capitalized minimum requirements under the PCA framework. Finally, Basel 3 established two methods of calculating risk-weighted assets, the Standardized approach and the Advanced approaches. For additional information, see Capital Management – Standardized Approach and Capital Management – Advanced Approaches on page 55.

As an Advanced approaches institution, under Basel 3, we were required to complete a qualification period (parallel run) to demonstrate compliance with the Basel 3 Advanced approaches to the satisfaction of U.S. banking regulators. We received approval to begin using the Advanced approaches capital framework to determine risk-based capital requirements in the fourth quarter of 2015. As previously disclosed, with the approval to exit parallel run, U.S. banking regulators requested modifications to certain

internal analytical models including the wholesale (e.g., commercial) credit models. All requested modifications were incorporated, which increased our risk-weighted assets, and are reflected in the risk-based ratios in the fourth quarter of 2015. Having exited parallel run on October 1, 2015, we are required to report regulatory risk-based capital ratios and risk-weighted assets under both the Standardized and Advanced approaches. The approach that yields the lower ratio is used to assess capital adequacy including under the PCA framework, and was the Advanced approaches in the fourth quarter of 2015. Prior to the fourth quarter of 2015, we were required to report our capital adequacy under the Standardized approach only.

Regulatory Capital Composition

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

Table 12 summarizes how certain regulatory capital deductions and adjustments have been or will be transitioned from 2014 through 2018 for Common equity tier 1 and Tier 1 capital.

Table 12 Summary of Certain Basel 3 Regulatory Capital Transition Provisions

Beginning on January 1 of each year	2014	2015	2016	2017	2018
Common equity tier 1 capital					
Percent of total amount deducted from Common equity tier 1 capital includes:	20%	40%	60%	80%	100%

Deferred tax assets arising from net operating loss and tax credit carryforwards; intangibles, other than mortgage servicing rights and goodwill; defined benefit pension fund net assets; net unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value; direct and indirect

investments in our own Common equity tier 1 capital instruments; certain amounts exceeding the threshold by 10 percent individually and 15 percent in aggregate					
Percent of total amount used to adjust Common equity tier 1 capital includes [(1)]:	80%	60%	40%	20%	0%
Net unrealized gains (losses) on 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 unrealized cumulative gains (losses) related to changes in own credit risk on liabilities, including derivatives, measured at fair value					

(1) Represents the phase-out percentage of the exclusion by year (e.g., 40 percent of net unrealized gains (losses) on AFS debt and certain marketable equity securities recorded in accumulated OCI was included in 2015).

Additionally, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and transitioned from Tier 2 capital beginning in 2016 with the full exclusion in 2022. As of December 31, 2015, our qualifying Trust Securities were $1.4 billion, approximately nine bps of the Tier 1 capital ratio.

Minimum Capital Requirements

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

December 31, 2015. Also effective January 1, 2015, Common equity tier 1 capital is included in the measurement of "well-capitalized" for depository institutions.

Beginning January 1, 2016, we are subject to a capital conservation buffer, a countercyclical capital buffer and a global systemically important bank (G-SIB) surcharge which will be phased in over a three-year period ending January 1, 2019. Once fully phased in, the Corporation's risk-based capital ratio requirements will include a capital conservation buffer greater than 2.5 percent, plus any applicable countercyclical capital buffer and G-SIB surcharge in order to avoid certain restrictions on capital distributions and discretionary bonus payments. The buffers and surcharge must be composed solely of Common equity tier 1 capital. The countercyclical capital buffer is currently set at zero. U.S. banking regulators must jointly decide on any increase in the countercyclical buffer, after which time institutions will have up to one year for implementation. Based on the Federal Reserve final rule published in July 2015, we estimate that our G-SIB surcharge will increase our risk-based capital ratio requirements by 3.0 percent once fully phased in. The G-SIB surcharge is calculated annually and may differ from this estimate over time. For more information on our G-SIB surcharge, see Capital Management – Regulatory Developments on page 59.

Standardized Approach

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

Advanced Approaches

In addition to the credit risk and market risk measures, Basel 3 Advanced approaches include measures of operational risk and risks related to the credit valuation adjustment (CVA) for over-the-counter (OTC) derivative exposures. The Advanced approaches rely on internal analytical models to measure risk weights for credit risk exposures and allow the use of models to estimate the exposure at default (EAD) for certain exposure types. Market risk

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

Supplementary Leverage Ratio

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

Capital Composition and Ratios

Table 13 presents Bank of America Corporation’s transition and fully phased-in capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at December 31, 2015 and 2014. As of December 31, 2015 and 2014, the Corporation meets the definition of “well capitalized” under current regulatory requirements.

Table 13 Bank of America Corporation Regulatory Capital under Basel 3 [1]

(Dollars in millions)	December 31, 2015 Transition Standardized Approach	Advanced Approaches	Regulatory Minimum [2]	Well-capitalized	Fully Phased-in Standardized Approach	Advanced Approaches [3]	Regulatory Minimum [4]
Risk-based capital metrics:							
Common equity tier 1 capital	$163,026	$163,026			$154,084	$154,084	
Tier 1 capital	180,778	180,778			175,814	175,814	
Total capital [5]	220,676	210,912			211,167	201,403	
Risk-weighted assets (in billions)	1,403	1,602			1,427	1,575	
Common equity tier 1 capital ratio	11.6%	10.2%	4.5%	n/a	10.8%	9.8%	10.0%
Tier 1 capital ratio	12.9	11.3	6.0	6.0%	12.3	11.2	11.5
Total capital ratio	15.7	13.2	8.0	10.0	14.8	12.8	13.5
Leverage-based metrics:							
Adjusted quarterly average assets (in billions) [6]	$2,103	$2,103			$2,102	$2,102	
Tier 1 leverage ratio	8.6%	8.6%	4.0	n/a	8.4%	8.4%	4.0
SLR leverage exposure (in billions)	$2,728	$2,728			$2,727	$2,727	
SLR	6.6%	6.6%	5.0	n/a	6.4%	6.4%	5.0
	December 31, 2014						
Risk-based capital metrics:							
Common equity tier 1 capital	$155,361	n/a			$141,217	$141,217	
Tier 1 capital	168,973	n/a			160,480	160,480	
Total capital [5]	208,670	n/a			196,115	185,986	
Risk-weighted assets (in billions) [7]	1,262	n/a			1,415	1,465	
Common equity tier 1 capital ratio	12.3%	n/a	4.0%	n/a	10.0%	9.6%	10.0%
Tier 1 capital ratio	13.4	n/a	5.5	6.0%	11.3	11.0	11.5
Total capital ratio	16.5	n/a	8.0	10.0	13.9	12.7	13.5
Leverage-based metrics:							
Adjusted quarterly average assets (in billions) [6]	$2,060	$2,060			$2,057	$2,057	
Tier 1 leverage ratio	8.2%	8.2%	4.0	n/a	7.8%	7.8%	4.0
SLR leverage exposure (in billions)	$2,732	$2,732			$2,728	$2,728	
SLR	6.2%	6.2%	5.0	n/a	5.9%	5.9%	5.0

(1)

We received approval to begin using the Advanced approaches capital framework to determine risk-based capital requirements in the fourth quarter of 2015. With the approval to exit parallel run, we are required to report regulatory capital risk-weighted assets and ratios under both the Standardized and Advanced approaches. The approach that yields the lower ratio is to be used to assess capital adequacy and was the Advanced approaches at December 31, 2015. Prior to exiting parallel run, we were required to report regulatory capital risk-weighted assets and ratios under the Standardized approach only. As previously disclosed, with the approval to exit parallel run, U.S. banking regulators requested modifications to certain internal analytical models including the wholesale (e.g., commercial) credit models which increased our risk-weighted assets in the fourth quarter of 2015.

(2) To be "well capitalized" under the current U.S. banking regulatory agency definitions, a bank holding company must maintain these or higher ratios and not be subject to a Federal Reserve order or directive to maintain higher capital levels.

(3) Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the internal models methodology (IMM). As of December 31, 2015, we had not received IMM approval.

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

(5) Total capital under the Advanced approaches differs from the Standardized approach due to differences in the amount permitted in Tier 2 capital related to the qualifying allowance for credit losses.

(6) Reflects adjusted average total assets for the three months ended December 31, 2015 and 2014.

(7) On a pro-forma basis, under Basel 3 Standardized – Transition as measured at January 1, 2015, the December 31, 2014 risk-weighted assets would have been $1,392 billion.

n/a = not applicable

Common equity tier 1 capital under Basel 3 Advanced – Transition was $163.0 billion at December 31, 2015, an increase of $7.7 billion compared to December 31, 2014 driven by earnings, partially offset by dividends, common stock repurchases and the impact of certain transition provisions under Basel 3 rules. For more information on Basel 3 transition provisions, see Table 12. During 2015, Total capital increased $2.2 billion primarily driven by the same factors that drove the increase in Common equity tier 1 capital as well as issuances of preferred stock and subordinated debt, partially offset by lower eligible credit reserves included in additional Tier 2 capital. The decrease in eligible credit

reserves included in additional Tier 2 capital is due to the change in the calculation of eligible credit reserves under the Advanced approaches. The Corporation began using the Advanced approaches capital framework to determine risk-based capital requirements in the fourth quarter of 2015. For additional information, see Table 14.

Risk-weighted assets increased $341 billion during 2015 to $1,602 billion primarily due to the change in the calculation of risk-weighted assets from the general risk-based approach at December 31, 2014 to the Basel 3 Advanced approaches.

Table 14 presents the capital composition as measured under Basel 3 – Transition at December 31, 2015 and 2014.

Table 14 Capital Composition under Basel 3 – Transition[1]

(Dollars in millions)	December 31 2015	2014
Total common shareholders' equity	$233,932	$224,162
Goodwill	(69,215)	(69,234)
Deferred tax assets arising from net operating loss and tax credit carryforwards	(3,434)	(2,226)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,774	2,680
Net unrealized (gains) losses on AFS debt and equity securities and net (gains) losses on derivatives recorded in accumulated OCI, net-of-tax	1,220	573
Intangibles, other than mortgage servicing rights and goodwill	(1,039)	(639)
DVA related to liabilities and derivatives	204	231
Other	(416)	(186)
Common equity tier 1 capital	163,026	155,361
Qualifying preferred stock, net of issuance cost	22,273	19,308
Deferred tax assets arising from net operating loss and tax credit carryforwards	(5,151)	(8,905)
Trust preferred securities	1,430	2,893
Defined benefit pension fund assets	(568)	(599)
DVA related to liabilities and derivatives under transition	307	925
Other	(539)	(10)
Total Tier 1 capital	180,778	168,973
Long-term debt qualifying as Tier 2 capital	22,579	21,186
Allowance for loan and lease losses included in Tier 2 capital	n/a	14,634
Eligible credit reserves included in Tier 2 capital	3,116	n/a
Nonqualifying capital instruments subject to phase out from Tier 2 capital	4,448	3,881
Other	(9)	(4)
Total Basel 3 Capital	$210,912	$208,670

[1] See Table 13, footnote 1.

n/a = not applicable

Table 15 presents the components of our risk-weighted assets as measured under Basel 3 – Transition at December 31, 2015 and 2014.

Table 15 Risk-weighted assets under Basel 3 – Transition

(Dollars in billions)	December 31 2015 Standardized Approach	2015 Advanced Approaches	2014 Standardized Approach	2014 Advanced Approaches
Credit risk	$1,314	$ 940	$1,169	n/a
Market risk	89	86	93	n/a
Operational risk	n/a	500	n/a	n/a
Risks related to CVA	n/a	76	n/a	n/a
Total risk-weighted assets	$1,403	$ 1,602	$1,262	n/a

n/a = not applicable

Table 16 presents a reconciliation of regulatory capital in accordance with Basel 3 Standardized – Transition to the Basel 3 Standardized approach fully phased-in estimates and Basel 3 Advanced approaches fully phased-in estimates at December 31, 2015 and 2014.

Table 16 Regulatory Capital Reconciliations between Basel 3 Transition to Fully Phased-in [1]

	December 31	
(Dollars in millions)	2015	2014
Common equity tier 1 capital (transition)	$163,026	$155,361
Deferred tax assets arising from net operating loss and tax credit carryforwards phased in during transition	(5,151)	(8,905)
Accumulated OCI phased in during transition	(1,917)	(1,592)
Intangibles phased in during transition	(1,559)	(2,556)
Defined benefit pension fund assets phased in during transition	(568)	(599)
DVA related to liabilities and derivatives phased in during transition	307	925
Other adjustments and deductions phased in during transition	(54)	(1,417)
Common equity tier 1 capital (fully phased-in)	154,084	141,217
Additional Tier 1 capital (transition)	17,752	13,612
Deferred tax assets arising from net operating loss and tax credit carryforwards phased out during transition	5,151	8,905
Trust preferred securities phased out during transition	(1,430)	(2,893)
Defined benefit pension fund assets phased out during transition	568	599
DVA related to liabilities and derivatives phased out during transition	(307)	(925)
Other transition adjustments to additional Tier 1 capital	(4)	(35)
Additional Tier 1 capital (fully phased-in)	21,730	19,263
Tier 1 capital (fully phased-in)	175,814	160,480
Tier 2 capital (transition)	30,134	39,697
Nonqualifying capital instruments phased out during transition	(4,448)	(3,881)
Changes in Tier 2 qualifying allowance for credit losses and others	9,667	(181)
Tier 2 capital (fully phased-in)	35,353	35,635
Basel 3 Standardized approach Total capital (fully phased-in)	211,167	196,115
Change in Tier 2 qualifying allowance for credit losses	(9,764)	(10,129)
Basel 3 Advanced approaches Total capital (fully phased-in)	$201,403	$185,986
Risk-weighted assets – As reported to Basel 3 (fully phased-in)		
Basel 3 Standardized approach risk-weighted assets as reported	$1,403,293	$1,261,544
Changes in risk-weighted assets from reported to fully phased-in	24,089	153,722
Basel 3 Standardized approach risk-weighted assets (fully phased-in)	$1,427,382	$1,415,266
Basel 3 Advanced approaches risk-weighted assets as reported	$1,602,373	n/a
Changes in risk-weighted assets from reported to fully phased-in	(27,690)	n/a
Basel 3 Advanced approaches risk-weighted assets (fully phased-in) [2]	$1,574,683	$1,465,479

(1) See Table 13, footnote 1.

(2) Basel 3 fully phased-in Advanced approaches estimates assume approval by U.S. banking regulators of our internal analytical models, including approval of the internal models methodology (IMM). As of December 31, 2015, we had not received IMM approval.

n/a = not applicable

Bank of America, N.A. Regulatory Capital

Table 17 presents transition regulatory information for BANA in accordance with Basel 3 Standardized and Advanced Approaches as measured at December 31, 2015 and 2014.

Table 17 Bank of America, N.A. Regulatory Capital under Basel 3

	December 31, 2015					
	Standardized Approach			Advanced Approaches		
(Dollars in millions)	Ratio	Amount	Minimum Required (1)	Ratio	Amount	Minimum Required (1)
Common equity tier 1 capital	12.2 %	$144,869	6.5 %	13.1 %	$144,869	6.5 %
Tier 1 capital	12.2	144,869	8.0	13.1	144,869	8.0
Total capital	13.5	159,871	10.0	13.6	150,624	10.0
Tier 1 leverage	9.2	144,869	5.0	9.2	144,869	5.0
	December 31, 2014					
Common equity tier 1 capital	13.1 %	$145,150	4.0 %	n/a	n/a	4.0 %
Tier 1 capital	13.1	145,150	6.0	n/a	n/a	6.0
Total capital	14.6	161,623	10.0	n/a	n/a	10.0
Tier 1 leverage	9.6	145,150	5.0	n/a	n/a	5.0

(1) Percent required to meet guidelines to be considered “well capitalized” under the Prompt Corrective Action framework, except for the December 31, 2014 Common equity tier 1 capital which reflects capital adequacy minimum requirements as an Advanced approaches bank under Basel 3 during a transition period that ended in 2014.

n/a = not applicable

Regulatory Developments

Global Systemically Important Bank Surcharge

We have been designated as a G-SIB and as such, are subject to a risk-based capital surcharge (G-SIB surcharge) that must be satisfied with Common equity tier 1 capital. The surcharge assessment methodology published by the Basel Committee on Banking Supervision (Basel Committee) relies on an indicator-based measurement approach (e.g., size, complexity, cross-jurisdictional activity, inter-connectedness and substitutability/financial institution infrastructure) to determine a score relative to the global banking industry. Institutions with the highest scores are designated as G-SIBs and are assigned to one of four loss absorbency buckets from 1.0 percent to 2.5 percent, in 0.5 percent increments based on each institution’s relative score and supervisory judgment. A fifth loss absorbency bucket of 3.5 percent serves to discourage banks from becoming more systemically important.

In July 2015, the Federal Reserve finalized a regulation that will implement G-SIB surcharge requirements for the largest U.S. BHCs. Under the final rule, assignment to loss absorbency buckets will be determined by the higher score as calculated according to two methods. Method 1 is consistent with the Basel Committee’s methodology, whereas method 2 replaces the substitutability/financial institution infrastructure indicator with a measure of short-term wholesale funding and then determines the overall score by applying a fixed multiplier for each of the other systemic indicators. Under the final U.S. rules, the G-SIB surcharge is being phased in beginning on January 1, 2016, becoming fully effective on January 1, 2019. Once fully phased in, we estimate that our G-SIB surcharge will increase our risk-based capital ratio requirements by 3.0 percent under method 2 and 1.5 percent under method 1.

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

Minimum Total Loss-Absorbing Capacity

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

Revisions to Approaches for Measuring Risk-Weighted Assets

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

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, 2015, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $11.4 billion and exceeded the minimum requirement of $1.5 billion by $9.9 billion. MLPCC's net capital of $3.3 billion exceeded the minimum requirement of $473 million by $2.8 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, 2015, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At December 31, 2015, MLI's capital resources were $34.4 billion which exceeded the minimum requirement of $16.6 billion.

Common Stock Dividends

For a summary of our declared quarterly cash dividends on common stock during 2015 and through February 24, 2016, see Note 13 – Shareholders' Equity to the Consolidated Financial Statements.

Liquidity Risk

Funding and Liquidity Risk Management

Liquidity risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our business and customer needs under a range of economic conditions. Our primary liquidity risk management objective is to meet all contractual and contingent financial obligations at all times, including during periods of stress. To achieve that objective, we analyze and monitor our liquidity risk under expected and stressed conditions, maintain excess liquidity and access to diverse funding sources, including our stable deposit base, and seek to align liquidity-related incentives and risks.

We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our contractual and contingent financial obligations as those obligations arise. We manage our liquidity position through line of business and ALM activities, as well as

through our legal entity funding strategy, on both a forward and current (including intraday) basis under both expected and stressed conditions. We believe that a centralized approach to funding and liquidity risk management within Corporate Treasury enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

The Board approves the Corporation's liquidity policy and the ERC approves the contingency funding plan, including establishing liquidity risk tolerance levels. The MRC monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. The MRC is responsible for overseeing liquidity risks and maintaining exposures within the established tolerance levels. MRC 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 on page 49. 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, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. Our liquidity buffer, or Global

Excess Liquidity Sources (GELS), is comprised of assets that are readily available to the parent company and selected subsidiaries, including bank and broker-dealer subsidiaries, even during stressed market conditions. Our cash is primarily on deposit with the Federal Reserve and, to a lesser extent, central banks outside of the U.S. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed conditions, through repurchase agreements or outright sales. We hold our GELS in legal entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities. Our GELS are substantially the same in composition to what qualifies as High Quality Liquid Assets (HQLA) under the final U.S. LCR rules. For more information on the final rules, see Liquidity Risk – Basel 3 Liquidity Standards on page 62.

Our GELS were $504 billion and $439 billion at December 31, 2015 and 2014, and were maintained as presented in Table 18.

Table 18 Global Excess Liquidity Sources

(Dollars in billions)	December 31 2015	December 31 2014	Average for Three Months Ended December 31 2015
Parent company	$96	$98	$96
Bank subsidiaries	361	306	369
Other regulated entities	47	35	45
Total Global Excess Liquidity Sources	$504	$439	$510

As shown in Table 18, parent company GELS totaled $96 billion and $98 billion at December 31, 2015 and 2014. The decrease in parent company liquidity was primarily due to derivative cash collateral outflows, common stock buy-backs and dividends, partially offset by net subsidiary inflows. Typically, parent company excess liquidity is in the form of cash deposited with BANA.

GELS available to our bank subsidiaries totaled $361 billion and $306 billion at December 31, 2015 and 2014. The increase in bank subsidiaries' liquidity was primarily due to deposit inflows, partially offset by loan growth. GELS at bank subsidiaries exclude the cash deposited by the parent company. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was $252 billion and $214 billion at December 31, 2015 and 2014. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Eligibility is defined in guidelines from the FHLBs and the Federal Reserve and is subject to change at their discretion. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can generally be used only to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

GELS available to our other regulated entities, comprised primarily of broker-dealer subsidiaries, totaled $47 billion and $35 billion at December 31, 2015 and 2014. The increase in liquidity in other regulated entities is largely driven by parent company liquidity contributions to the Corporation's primary U.S. broker-dealer. 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 19 presents the composition of GELS at December 31, 2015 and 2014.

Table 19 Global Excess Liquidity Sources Composition

(Dollars in billions)	December 31 2015	December 31 2014
Cash on deposit	$119	$97
U.S. Treasury securities	38	74
U.S. agency securities and mortgage-backed securities	327	252
Non-U.S. government and supranational securities	20	16
Total Global Excess Liquidity Sources	$504	$439

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, 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 the parent company's liquidity sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. Our time-to-required funding was 39 months at December 31, 2015. For purposes of calculating time-to-required funding, at December 31, 2015, we have included in the amount of unsecured contractual obligations $8.5 billion related to the BNY Mellon Settlement. The final conditions of the settlement have been satisfied and, accordingly, the Corporation made the settlement payment in February 2016. For more information on the BNY Mellon Settlement, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

We also utilize liquidity stress analysis to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company, our bank subsidiaries and other regulated entities. The liquidity stress testing process is an integral part of analyzing our potential contractual and contingent cash outflows beyond the outflows considered in the time-to-required funding analysis. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. The scenarios we consider and utilize incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries, and are based on historical experience, regulatory guidance, and both expected and unexpected future events.

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

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

Basel 3 Liquidity Standards

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

In 2014, U.S. banking regulators finalized 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. The LCR is calculated as the amount of a financial institution's unencumbered HQLA relative to the estimated net cash outflows the institution could encounter over a 30-day period of significant liquidity stress, expressed as a percentage. Under the final rule, an initial minimum LCR of 80 percent was required as of January 2015, increased to 90 percent as of January 2016 and will increase to 100 percent in January 2017. These minimum requirements are applicable to the Corporation on a consolidated basis and to our insured depository institutions. As of December 31, 2015, we estimate that the consolidated Corporation was above the 2017 LCR requirements. The Corporation's LCR may fluctuate from period to period due to normal business flows from customer activity.

In 2014, the Basel Committee issued a final standard for the NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. The final standard aligns the NSFR to the LCR and gives more credit to a wider range of funding. The final standard 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. Basel Committee standards generally do not apply directly to U.S. financial institutions, but require adoption by U.S. banking regulators. U.S. banking regulators are expected to propose a similar NSFR regulation applicable to U.S. financial institutions in the near future. We expect to meet the NSFR requirement within the regulatory timeline.

Diversified Funding Sources

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

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

We fund a substantial portion of our lending activities through our deposits, which were $1.20 trillion and $1.12 trillion at December 31, 2015 and 2014. Deposits are primarily generated by our Consumer Banking, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the Federal Deposit Insurance Corporation (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 FHLBs 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 long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

During 2015, we issued $43.7 billion of long-term debt, consisting of $26.4 billion for Bank of America Corporation, $10.0 billion for Bank of America, N.A. and $7.3 billion of other debt.

Table 20 presents our long-term debt by major currency at December 31, 2015 and 2014.

Table 20 Long-term Debt by Major Currency

	December 31	
(Dollars in millions)	2015	2014
U.S. Dollar	$190,381	$191,264
Euro	29,797	30,687
British Pound	7,080	7,881
Japanese Yen	3,099	6,058
Australian Dollar	2,534	2,135
Canadian Dollar	1,428	1,779
Swiss Franc	872	897
Other	1,573	2,438
Total long-term debt	$236,764	$243,139

Total long-term debt decreased $6.4 billion, or three percent, in 2015, primarily due to the impact of revaluation of non-U.S. Dollar debt and changes in fair value for debt accounted for under the fair value option. These impacts were substantially offset through derivative hedge transactions. Excluding these two factors, total long-term debt remained relatively unchanged in 2015. 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 Non-trading Activities on page 97.

We may also issue unsecured debt in the form of structured notes for client purposes. During 2015, we issued $7.2 billion of structured notes, a majority of which was issued by Bank of America Corporation. Structured notes are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivatives and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured 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 $32.6 billion and $38.8 billion at December 31, 2015 and 2014.

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 major rating agencies.

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

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

On December 8, 2015, Fitch Ratings (Fitch) completed its latest semi-annual review of 12 large, complex securities trading and universal banks, including Bank of America. The agency affirmed all of our ratings and maintained the outlooks it established upon completion of its prior review on May 19, 2015. Following that review, Fitch revised the support rating floors for the U.S. G-SIBs to No Floor from A, effectively removing the implied government support uplift from those institutions' ratings. The rating agency also upgraded Bank of America Corporation's stand-alone rating, or Viability Rating, to 'a' from 'a-', while affirming its long-term and short-term senior debt ratings at A and F1. Fitch concurrently upgraded Bank of America, N.A.'s long-term senior debt rating to A+ from A, and its long-term deposit rating to AA- from A+. Fitch set the outlook on those ratings at stable. Fitch also revised the

outlook to positive on the ratings of Bank of America’s material international operating subsidiaries, including MLI.
On December 2, 2015, Standard & Poor’s Ratings Services (S&P) concluded its review of the ratings of eight U.S. G-SIBs, including Bank of America. Consistent with prior guidance, S&P downgraded our holding company long-term senior debt rating to BBB+ from A- due to the removal of the remaining notch of uplift for U.S. government support and revised the outlook to Stable from CreditWatch Negative. The Corporation’s short-term ratings were not affected. This action reflected S&P’s view that extraordinary U.S. government support of the banking system is less likely under the current U.S. resolution framework. S&P concurrently left the long-term and short-term senior debt ratings of Bank of America’s core rated operating subsidiaries, including Bank of America, N.A., MLPF&S, MLI, and Bank of America Merrill Lynch International Limited, unchanged at A and A-1, respectively. S&P eliminated the remaining notch of uplift for potential government support from those entities’ senior long-term debt ratings, but the agency subsequently added a notch of uplift upon implementing its new framework for incorporating loss-absorbing

holding company debt and equity capital buffers into operating subsidiary credit ratings. Those ratings remain on CreditWatch positive pending further clarity on what debt instruments will count toward TLAC requirements. Additionally, S&P concluded its CreditWatch Developing on the subordinated debt rating of Bank of America, N.A., which the agency downgraded to BBB+ from A-.
On May 28, 2015, Moody’s Investors Service, Inc. (Moody’s) concluded its previously announced review of several global investment banking groups, including Bank of America, which followed the publication of the agency’s new bank rating methodology. Moody’s upgraded Bank of America Corporation’s long-term senior debt rating to Baa1 from Baa2, and the preferred stock rating to Ba2 from Ba3. Moody’s also upgraded the long-term senior debt and long-term deposit ratings of Bank of America, N.A. to A1 from A2. Moody’s affirmed the short-term ratings at P-2 for Bank of America Corporation and P-1 for Bank of America, N.A. Moody’s now has a stable outlook on all of our ratings.
Table 21 presents the Corporation’s current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies.

Table 21 Senior Debt Ratings

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

(1) S&P short-term ratings are not on CreditWatch.
NR = not rated

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

While certain potential impacts are contractual and quantifiable, the full scope of the consequences of a credit rating downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a company's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For more information on potential impacts of credit rating downgrades, see Liquidity Risk – Time-to-required Funding and Stress Modeling on page 61.
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.

Credit Risk Management

Credit quality remained stable during 2015 driven by lower U.S. unemployment and improving home prices as well as our proactive credit risk management activities positively impacting our credit portfolio as nonperforming loans and delinquencies continued to improve. For additional information, see Executive Summary – 2015 Economic and Business Environment on page 22.

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

We have non-U.S. exposure largely in Europe and Asia Pacific. For more information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 86 and Item 1A. Risk Factors of this Annual Report on Form 10-K.

Utilized energy exposure represents approximately two percent of total loans and leases. For more information on our exposures and related risks in the energy industry, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83 and Table 46.

For more information on our credit risk management activities, see Consumer Portfolio Credit Risk Management on page 66, Commercial Portfolio Credit Risk Management on page 77, Non-U.S. Portfolio on page 86, Provision for Credit Losses on page 88 and Allowance for Credit Losses on page 88, 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.

During 2015, we completed approximately 51,300 customer loan modifications with a total unpaid principal balance of $8.4 billion, including approximately 21,200 permanent modifications, under the U.S. government's Making Home Affordable Program. Of the loan modifications completed in 2015, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, more than half were in the Corporation's held-for-investment (HFI) portfolio. For modified loans on our balance sheet, these modification types are generally considered troubled debt restructurings (TDR). For more information on TDRs and portfolio impacts, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 75 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Consumer Credit Portfolio

Improvement in the U.S. unemployment rate and home prices continued during 2015 resulting in improved credit quality and lower credit losses across most major consumer portfolios compared to 2014. Nearly all consumer loan portfolios 30 and 90 days or more past due declined during 2015 as a result of improved delinquency trends. Improved credit quality, continued loan balance run-off and sales across the consumer portfolio drove a $2.6 billion decrease in the consumer allowance for loan and lease losses in 2015 to $7.4 billion at December 31, 2015. For additional information, see Allowance for Credit Losses on page 88.

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. For more information on representations and warranties related to our residential mortgage and home equity portfolios, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 46 and Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 22 presents our outstanding consumer loans and leases, and the PCI loan portfolio. In addition to being included in the "Outstandings" columns in Table 22, PCI loans are also shown separately in the "Purchased Credit-impaired Loan Portfolio" columns. The impact of the PCI loan portfolio on certain credit statistics is reported where appropriate. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 22 Consumer Loans and Leases

	December 31			
	Outstandings		Purchased Credit-impaired Loan Portfolio	
(Dollars in millions)	2015	2014	2015	2014
Residential mortgage [(1)]	$187,911	$216,197	$12,066	$15,152
Home equity	75,948	85,725	4,619	5,617
U.S. credit card	89,602	91,879	n/a	n/a
Non-U.S. credit card	9,975	10,465	n/a	n/a

Direct/Indirect consumer [2]	88,795	80,381	n/a	n/a
Other consumer [3]	2,067	1,846	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	454,298	486,493	16,685	20,769
Loans accounted for under the fair value option [4]	1,871	2,077	n/a	n/a
Total consumer loans and leases	$456,169	$488,570	$16,685	$20,769

(1) Outstandings include pay option loans of $2.3 billion and $3.2 billion at December 31, 2015 and 2014. We no longer originate pay option loans.

(2) Outstandings include auto and specialty lending loans of $42.6 billion and $37.7 billion, unsecured consumer lending loans of $886 million and $1.5 billion, U.S. securities-based lending loans of $39.8 billion and $35.8 billion, non-U.S. consumer loans of $3.9 billion and $4.0 billion, student loans of $564 million and $632 million and other consumer loans of $1.0 billion and $761 million at December 31, 2015 and 2014.

(3) Outstandings include consumer finance loans of $564 million and $676 million, consumer leases of $1.4 billion and $1.0 billion and consumer overdrafts of $146 million and $162 million at December 31, 2015 and 2014.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of $1.6 billion and $1.9 billion and home equity loans of $250 million and $196 million at December 31, 2015 and 2014. For more information on the fair value option, see Note 21 – Fair Value Option to the Consolidated Financial Statements.

n/a = not applicable

Table 23 presents consumer nonperforming loans and accruing consumer loans past due 90 days or more. Nonperforming loans do not include past due consumer credit card loans, other unsecured loans and in general, consumer non-real estate-secured loans (loans discharged in Chapter 7 bankruptcy are included) as these loans are typically charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the FHA or individually insured under long-term standby agreements with

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

Table 23 Consumer Credit Quality

	December 31			
	Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	2015	2014	2015	2014
Residential mortgage [1]	$4,803	$6,889	$7,150	$11,407
Home equity	3,337	3,901	—	—
U.S. credit card	n/a	n/a	789	866
Non-U.S. credit card	n/a	n/a	76	95
Direct/Indirect consumer	24	28	39	64
Other consumer	1	1	3	1
Total [2]	$8,165	$10,819	$8,057	$12,433
Consumer loans and leases as a percentage of outstanding consumer loans and leases [2]	1.80 %	2.22 %	1.77 %	2.56 %
Consumer loans and leases as a percentage of outstanding loans and leases, excluding PCI and fully-insured loan portfolios [2]	2.04	2.70	0.23	0.26

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At December 31, 2015 and 2014, residential mortgage included $4.3 billion and $7.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and $2.9 billion and $4.1 billion of loans on which interest was still accruing.

(2) Balances exclude consumer loans accounted for under the fair value option. At December 31, 2015 and 2014, $293 million and $392 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 24 presents net charge-offs and related ratios for consumer loans and leases.

Table 24 Consumer Net Charge-offs and Related Ratios

	Net Charge-offs [1]		Net Charge-off Ratios [1, 2]	
(Dollars in millions)	2015	2014	2015	2014
Residential mortgage	$473	$(114)	0.24 %	(0.05)%
Home equity	636	907	0.79	1.01
U.S. credit card	2,314	2,638	2.62	2.96
Non-U.S. credit card	188	242	1.86	2.10

Direct/Indirect consumer	112	169	0.13	0.20
Other consumer	193	229	9.96	11.27
Total	$3,916	$4,071	0.84	0.80

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73.

(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 0.35 percent and (0.08) percent for residential mortgage, 0.84 percent and 1.09 percent for home equity and 0.54 percent and 1.00 percent for the total consumer portfolio for 2015 and 2014, respectively. These are the only product classifications that include PCI and fully-insured loans.

Net charge-offs, as shown in Tables 24 and 25, exclude write-offs in the PCI loan portfolio of $634 million and $545 million in

residential mortgage and $174 million and $265 million in home equity for 2015 and 2014. Net charge-off ratios including the PCI write-offs were 0.56 percent and 0.18 percent for residential mortgage and 1.00 percent and 1.31 percent for home equity in 2015 and 2014. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73.

Table 25 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 consumer real estate portfolio. For more information on the Legacy Assets & Servicing portfolio, see LAS on page 42.

Table 25 Consumer Real Estate Portfolio [(1)]

	December 31					
	Outstandings		Nonperforming		Net Charge-offs [(2)]	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
Core portfolio						
Residential mortgage	$145,845	$162,220	$1,845	$2,398	$128	$140
Home equity	48,264	51,887	1,354	1,496	219	275
Total Core portfolio	194,109	214,107	3,199	3,894	347	415
Legacy Assets & Servicing portfolio						
Residential mortgage	42,066	53,977	2,958	4,491	345	(254)
Home equity	27,684	33,838	1,983	2,405	417	632
Total Legacy Assets & Servicing portfolio	69,750	87,815	4,941	6,896	762	378
Consumer real estate portfolio						
Residential mortgage	187,911	216,197	4,803	6,889	473	(114)
Home equity	75,948	85,725	3,337	3,901	636	907
Total consumer real estate portfolio	$263,859	$301,922	$8,140	$10,790	$1,109	$793

	December 31			
	Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses	
	2015	2014	2015	2014
Core portfolio				
Residential mortgage	$418	$593	$(47)	$(47)
Home equity	639	702	153	3
Total Core portfolio	1,057	1,295	106	(44)
Legacy Assets & Servicing portfolio				
Residential mortgage	1,082	2,307	(247)	(696)
Home equity	1,775	2,333	71	(236)
Total Legacy Assets & Servicing portfolio	2,857	4,640	(176)	(932)
Consumer real estate portfolio				
Residential mortgage	1,500	2,900	(294)	(743)
Home equity	2,414	3,035	224	(233)
Total consumer real estate portfolio	$3,914	$5,935	$(70)	$(976)

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $1.6 billion and $1.9 billion and home equity loans of $250 million and $196 million at December 31, 2015 and 2014. For more information on the fair value option, see Note 21 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73.

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 73.

Residential Mortgage

The residential mortgage portfolio makes up the largest percentage of our consumer loan portfolio at 41 percent of consumer loans and leases at December 31, 2015. Approximately 58 percent of the residential mortgage portfolio is in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as loans repurchased related to our representations and warranties. Approximately 30 percent of the residential mortgage portfolio is

in GWIM and represents residential mortgages originated for the home purchase and refinancing needs of our wealth management clients and the remaining portion of the portfolio is primarily in Consumer Banking.

Outstanding balances in the residential mortgage portfolio, excluding loans accounted for under the fair value option, decreased $28.3 billion during 2015 due to loan sales of $24.2 billion and runoff outpacing the retention of new originations. Loan sales primarily included $16.4 billion of loans with standby insurance agreements, $3.1 billion of nonperforming and other delinquent loans and $4.5 billion of loans in consolidated agency residential mortgage securitization vehicles.

At December 31, 2015 and 2014, the residential mortgage portfolio included $37.1 billion and $65.0 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term standby agreements that provide for the transfer of credit risk to FNMA and FHLMC. At December 31, 2015 and 2014, $33.4 billion and $47.8 billion had FHA insurance with the remainder protected by long-term standby agreements. At December 31, 2015 and 2014, $11.2 billion and

$15.9 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.
Table 26 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 73.

Table 26 Residential Mortgage – Key Credit Statistics

	December 31			
	Reported Basis [1]		Excluding Purchased Credit-impaired and Fully-insured Loans	
(Dollars in millions)	2015	2014	2015	2014
Outstandings	$187,911	$216,197	$138,768	$136,075
Accruing past due 30 days or more	11,423	16,485	1,568	1,868
Accruing past due 90 days or more	7,150	11,407	—	—
Nonperforming loans	4,803	6,889	4,803	6,889
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	7 %	9 %	5 %	6 %
Refreshed LTV greater than 100	8	12	4	7
Refreshed FICO below 620	13	16	6	8
2006 and 2007 vintages [2]	17	19	17	22
Net charge-off ratio [3]	0.24	(0.05)	0.35	(0.08)

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option.

(2) These vintages of loans account for $1.6 billion, or 34 percent, and $2.8 billion, or 41 percent, of nonperforming residential mortgage loans at December 31, 2015 and 2014. Additionally, these vintages accounted for net charge-offs of $136 million to residential mortgage net charge-offs in 2015 and net recoveries of $233 million to residential mortgage net recoveries in 2014.

(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 $2.1 billion in 2015 including sales of $1.5 billion, partially offset by a $261 million net increase related to the DoJ Settlement for those loans that are no longer fully insured. Excluding these items, nonperforming residential mortgage loans decreased as outflows, including the transfers of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows. Of the nonperforming residential mortgage loans at December 31, 2015, $1.6 billion, or 34 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, $2.0 billion, or 43 percent of nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans that were 30 days or more past due decreased $300 million in 2015.

Net charge-offs increased $587 million to $473 million in 2015, or 0.35 percent of total average residential mortgage loans, compared to a net recovery of $114 million, or (0.08) percent, in 2014. This increase in net charge-offs was primarily driven by $402 million of charge-offs during 2015 related to the consumer relief portion of the DoJ Settlement. In addition, net charge-offs included recoveries of $127 million related to nonperforming loan sales during 2015 compared to $407 million in 2014. Excluding these items, net charge-offs declined driven by favorable portfolio trends and decreased write-downs on loans greater than 180 days past due, which were written down to the estimated fair value of the collateral, less costs to sell, due in part to improvement in home prices and the U.S. economy.
Residential mortgage loans with a greater than 90 percent but less than or equal to 100 percent refreshed loan-to-value (LTV)

represented five percent and six percent of the residential mortgage portfolio at December 31, 2015 and 2014. Loans with a refreshed LTV greater than 100 percent represented four percent and seven percent of the residential mortgage loan portfolio at December 31, 2015 and 2014. Of the loans with a refreshed LTV greater than 100 percent, 98 percent and 96 percent were performing at December 31, 2015 and 2014. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration since 2006, partially offset by subsequent appreciation. Loans to borrowers with refreshed FICO scores below 620 represented six percent and eight percent of the residential mortgage portfolio at December 31, 2015 and 2014.
Of the $138.8 billion in total residential mortgage loans outstanding at December 31, 2015, as shown in Table 27, 39 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $12.0 billion, or 22 percent at December 31, 2015. 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, 2015, $214 million, or two percent of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $1.6 billion, or one percent for the entire residential mortgage portfolio. In addition, at December 31, 2015, $712 million, or six percent of outstanding interest-only residential mortgage loans that had entered the amortization period were nonperforming, of which $348 million were contractually current,

compared to $4.8 billion, or three percent for the entire residential mortgage portfolio, of which $1.6 billion were contractually current. Loans that have yet to enter the amortization period in our interest-only residential mortgage portfolio are primarily well-collateralized loans to our wealth management clients and have an interest-only period of three to ten years. Approximately 75 percent of these loans that have yet to enter the amortization period will not be required to make a fully-amortizing payment until 2019 or later.
Table 27 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 14 percent and 13 percent of outstandings at December 31, 2015 and 2014. Loans within this MSA contributed net recoveries of $13 million and $81 million within the residential mortgage portfolio during 2015 and 2014. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstandings at both December 31, 2015 and 2014. Loans within this MSA contributed net charge-offs of $101 million and $27 million within the residential mortgage portfolio during 2015 and 2014.

Table 27 Residential Mortgage State Concentrations

	December 31					
	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2]	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
California	$48,865	$45,496	$977	$1,459	$(49)	$(280)
New York [3]	12,696	11,826	399	477	57	15
Florida [3]	10,001	10,116	534	858	53	(43)
Texas	6,208	6,635	185	269	10	1
Virginia	4,097	4,402	164	244	20	4
Other U.S./Non-U.S.	56,901	57,600	2,544	3,582	382	189
Residential mortgage loans [4]	$138,768	$136,075	$4,803	$6,889	$473	$(114)
Fully-insured loan portfolio	37,077	64,970				
Purchased credit-impaired residential mortgage loan portfolio [5]	12,066	15,152				
Total residential mortgage loan portfolio	$187,911	$216,197				

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

(2) Net charge-offs exclude $634 million of write-offs in the residential mortgage PCI loan portfolio in 2015 compared to $545 million in 2014. For additional information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73.

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

(4) Amounts exclude the PCI residential mortgage and fully-insured loan portfolios.

(5) Forty-seven percent and 45 percent of PCI residential mortgage loans were in California at December 31, 2015 and 2014. There were no other significant single state concentrations.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. Our CRA portfolio was $8.0 billion and $9.0 billion at December 31, 2015 and 2014, or six percent and seven percent of the residential mortgage portfolio. The CRA portfolio included $552 million and $986 million of nonperforming loans at December 31, 2015 and 2014, representing 11 percent and 14 percent of total nonperforming residential mortgage loans. In 2015, net charge-offs in the CRA portfolio were $85 million of the $473 million total net charge-offs for the residential mortgage portfolio. In 2014, net charge-offs in the CRA portfolio were $52 million compared to net recoveries of $114 million for the residential mortgage portfolio.

Home Equity

At December 31, 2015, the home equity portfolio made up 17 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At December 31, 2015, our HELOC portfolio had an outstanding balance of $66.1 billion, or 87 percent of the total home equity portfolio compared to $74.2 billion, or 87 percent, at December 31, 2014. HELOCs generally have an initial draw period of 10 years and the borrowers typically are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At December 31, 2015, our home equity loan portfolio had an outstanding balance of $7.9 billion, or 10 percent of the total home

equity portfolio compared to $9.8 billion, or 11 percent, at December 31, 2014. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and of the $7.9 billion at December 31, 2015, 54 percent have 25- to 30-year terms. At December 31, 2015, our reverse mortgage portfolio had an outstanding balance, excluding loans accounted for under the fair value option, of $2.0 billion, or three percent of the total home equity portfolio compared to $1.7 billion, or two percent, at December 31, 2014. We no longer originate reverse mortgages.

At December 31, 2015, approximately 56 percent of the home equity portfolio was included in Consumer Banking, 34 percent was included in LAS and the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio, excluding loans accounted for under the fair value option, decreased $9.8 billion in 2015 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at December 31, 2015 and 2014, $20.3 billion and $20.6 billion, or 27 percent and 24 percent, were in first-lien positions (28 percent and 26 percent excluding the PCI home equity portfolio). At December 31, 2015, 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 $12.9 billion, or 18 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $50.3 billion and $53.7 billion at December 31, 2015 and 2014. The decrease was primarily due to customers choosing to close accounts, as well as accounts reaching the end of their draw period, which automatically eliminates open line exposure. Both of these more than offset customer paydowns of principal balances and the impact of new

production. The HELOC utilization rate was 57 percent and 58 percent at December 31, 2015 and 2014.
Table 28 presents certain home equity portfolio key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the PCI loan portfolio and loans accounted for under the fair value option. Additionally, in the "Reported Basis" columns in the table below, accruing

balances past due 30 days or more and nonperforming loans do not include the PCI loan portfolio, in accordance with our accounting policies, even though the customer may be contractually past due. As such, the following discussion presents the home equity portfolio excluding the PCI loan portfolio and loans accounted for under the fair value option. For more information on the PCI loan portfolio, see page 73.

Table 28 Home Equity – Key Credit Statistics

	December 31			
	Reported Basis [1]		Excluding Purchased Credit-impaired Loans	
(Dollars in millions)	2015	2014	2015	2014
Outstandings	$75,948	$85,725	$71,329	$80,108
Accruing past due 30 days or more [2]	613	640	613	640
Nonperforming loans [2]	3,337	3,901	3,337	3,901
Percent of portfolio				
Refreshed CLTV greater than 90 but less than or equal to 100	6 %	8 %	6 %	7 %
Refreshed CLTV greater than 100	12	16	11	14
Refreshed FICO below 620	7	8	7	7
2006 and 2007 vintages [3]	43	46	41	43
Net charge-off ratio [4]	0.79	1.01	0.84	1.09

(1) Outstandings, accruing past due, nonperforming loans and percentages of the portfolio exclude loans accounted for under the fair value option.

(2) Accruing past due 30 days or more includes $89 million and $98 million and nonperforming loans include $396 million and $505 million of loans where we serviced the underlying first-lien at December 31, 2015 and 2014.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 45 percent and 47 percent of nonperforming home equity loans at December 31, 2015 and 2014, and 54 percent and 59 percent of net charge-offs in 2015 and 2014.

(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 $564 million in 2015 as outflows, including sales of $154 million and the transfer of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows. Of the nonperforming home equity portfolio at December 31, 2015, $1.4 billion, or 42 percent, were current on contractual payments. Nonperforming loans that are contractually current primarily consist of collateral-dependent TDRs, including those that have been discharged in Chapter 7 bankruptcy, junior-lien loans where the underlying first-lien is 90 days or more past due, as well as loans that have not yet demonstrated a sustained period of payment performance following a TDR. In addition, $1.3 billion, or 38 percent of nonperforming home equity loans, were 180 days or more past due and had been written down to the estimated fair value of the collateral, less costs to sell. Accruing loans that were 30 days or more past due decreased $27 million in 2015.
In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio on which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans where the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported

delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. For certain loans, we utilize a third-party vendor to combine credit bureau and public record data to better link a junior-lien loan with the underlying first-lien mortgage. At December 31, 2015, we estimate that $1.2 billion of current and $157 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 $193 million of these combined amounts, with

the remaining $1.1 billion serviced by third parties. Of the $1.3 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 $484 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $271 million to $636 million, or 0.84 percent of the total average home equity portfolio in 2015, compared to $907 million, or 1.09 percent, in 2014. 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, and lower charge-offs related to the consumer relief portion of the DoJ Settlement, partially offset by lower recoveries.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than or equal to 100 percent refreshed combined loan-to-value (CLTV) comprised six percent and seven percent of the home equity portfolio at December 31, 2015 and 2014. Outstanding balances with refreshed CLTV greater than 100 percent comprised 11 percent and 14 percent of the home equity portfolio at December 31, 2015 and 2014. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where our loan and available line of credit combined with any outstanding senior liens against the property are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 96 percent of the customers were current on their home equity loan and 92 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at December 31, 2015. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented seven percent of the home equity portfolio at both December 31, 2015 and 2014.

Of the $71.3 billion in total home equity portfolio outstandings at December 31, 2015, as shown in Table 29, 66 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was $9.7 billion, or 15 percent of total HELOCs at December 31, 2015. 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, 2015, $226 million, or two percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $561 million, or one percent for the entire HELOC portfolio. In addition, at December 31, 2015, $1.3 billion, or 14 percent of outstanding HELOCs that had entered the amortization period were nonperforming, of which $507 million were contractually current, compared to $3.1 billion, or five percent for the entire HELOC portfolio, of which $1.2 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and 44 percent of these loans will enter the amortization period in 2016 and 2017 and will be required to make fully-amortizing payments. We communicate to contractually current customers more than a year prior to the end of their draw

period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During 2015, approximately 39 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

Table 29 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent and 12 percent of the outstanding home equity portfolio at December 31, 2015 and 2014. Loans within this MSA contributed 13 percent and 14 percent of net charge-offs in 2015 and 2014 within the home equity portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both December 31, 2015 and 2014. Loans within this MSA contributed two percent and four percent of net charge-offs in 2015 and 2014 within the home equity portfolio.

Table 29 Home Equity State Concentrations

	December 31					
	Outstandings [1]		Nonperforming [1]		Net Charge-offs [2]	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
California	$20,356	$23,250	$902	$1,012	$57	$118
Florida [3]	8,474	9,633	518	574	128	170
New Jersey [3]	5,570	5,883	230	299	51	68
New York [3]	5,249	5,671	316	387	61	81
Massachusetts	3,378	3,655	115	148	17	30
Other U.S./Non-U.S.	28,302	32,016	1,256	1,481	322	440
Home equity loans [4]	$71,329	$80,108	$3,337	$3,901	$636	$907
Purchased credit-impaired home equity portfolio [5]	4,619	5,617				
Total home equity loan portfolio	$75,948	$85,725				

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

(2) Net charge-offs exclude $174 million of write-offs in the home equity PCI loan portfolio in 2015 compared to $265 million in 2014. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 73.

(3) In these states, foreclosure requires a court order following a legal proceeding (judicial states).
(4) Amount excludes the PCI home equity portfolio.
(5) Twenty-nine percent of PCI home equity loans were in California at both December 31, 2015 and 2014. There were no other significant single state concentrations.

Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser's initial investment in loans if those differences are attributable, at least in part, to credit

quality. For more information on PCI loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements.

Table 30 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 30 Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Gross Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	December 31, 2015				
Residential mortgage	$12,350	$12,066	$338	$11,728	94.96 %
Home equity	4,650	4,619	466	4,153	89.31
Total purchased credit-impaired loan portfolio	$17,000	$16,685	$804	$15,881	93.42
	December 31, 2014				
Residential mortgage	$15,726	$15,152	$880	$14,272	90.75 %
Home equity	5,605	5,617	772	4,845	86.44
Total purchased credit-impaired loan portfolio	$21,331	$20,769	$1,652	$19,117	89.62

The total PCI unpaid principal balance decreased $4.3 billion, or 20 percent, in 2015 primarily driven by sales, payoffs, paydowns and write-offs. During 2015, we sold PCI loans with a carrying value of $1.4 billion compared to sales of $1.9 billion in 2014.

Of the unpaid principal balance of $17.0 billion at December 31, 2015, $14.7 billion, or 86 percent, was current based on the contractual terms, $1.2 billion, or seven percent, was in early stage delinquency, and $800 million was 180 days or more past due, including $707 million of first-lien mortgages and $93 million of home equity loans.

During 2015, we recorded a provision benefit of $40 million for the PCI loan portfolio which included an expense of $92 million for residential mortgage and a benefit of $132 million for home equity. This compared to a total provision benefit of $31 million in 2014. The provision benefit in 2015 was primarily driven by lower default estimates.

The PCI valuation allowance declined $848 million during 2015 due to write-offs in the PCI loan portfolio of $634 million in residential mortgage and $174 million in home equity, combined with a provision benefit of $40 million.

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The PCI residential mortgage loan portfolio represented 72 percent of the total PCI loan portfolio at December 31, 2015. Those loans to borrowers with a refreshed FICO score below 620 represented 31 percent of the PCI residential mortgage loan portfolio at December 31, 2015. Loans with a refreshed LTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 28 percent of the PCI residential mortgage loan portfolio and 33 percent based on the unpaid principal balance at December 31, 2015. Pay option adjustable-rate mortgages, which are included in the PCI residential mortgage portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually. During an initial five- or ten-year period, minimum required payments may increase by no more than 7.5 percent. If payments are insufficient to pay all of the monthly interest charges, unpaid interest is added to the loan balance (i.e., negative amortization) until the loan balance increases to a specified limit, at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

At December 31, 2015, the unpaid principal balance of pay option loans was $2.4 billion, with a carrying value of $2.3 billion. The total unpaid principal balance of pay option loans with accumulated negative amortization was $503 million, including $28 million of negative amortization. We believe the majority of borrowers that are now making scheduled payments are able to do so primarily because the low rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans and have taken into consideration several assumptions including prepayment and default rates. Of the loans in the pay option portfolio at December 31, 2015 that have not already experienced a payment reset, 54 percent are expected to reset in 2016 and 22 percent are expected to reset thereafter. In addition, four percent are expected to prepay and approximately 20 percent are expected to default prior to being reset, most of which were severely delinquent as of December 31, 2015. We no longer originate pay option loans.

Purchased Credit-impaired Home Equity Loan Portfolio

The PCI home equity portfolio represented 28 percent of the total PCI loan portfolio at December 31, 2015. Those loans with a refreshed FICO score below 620 represented 16 percent of the PCI home equity portfolio at December 31, 2015. Loans with a refreshed CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 57 percent of the PCI home equity portfolio and 60 percent based on the unpaid principal balance at December 31, 2015.

U.S. Credit Card
At December 31, 2015, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder managed in GWIM. Outstandings in the U.S. credit card portfolio decreased $2.3 billion in 2015 due to portfolio divestitures. Net charge-offs decreased $324 million to $2.3 billion in 2015 due to improvements in delinquencies and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $126 million while loans 90 days or more past due and still accruing interest decreased $77 million in 2015 as a result of the factors mentioned above that contributed to lower net charge-offs.
Unused lines of credit for U.S. credit card totaled $312.5 billion and $305.9 billion at December 31, 2015 and 2014. The $6.6 billion increase was driven by account growth and line of credit increases.

Table 31 presents certain key credit statistics for the U.S. credit card portfolio.

Table 31 U.S. Credit Card – Key Credit Statistics

	December 31			
(Dollars in millions)	2015		2014	
Outstandings	$89,602		$91,879	
Accruing past due 30 days or more	1,575		1,701	
Accruing past due 90 days or more	789		866	
	2015		2014	
Net charge-offs	$2,314		$2,638	
Net charge-off ratios [1]	2.62	%	2.96	%

[1] Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans.
Table 32 presents certain state concentrations for the U.S. credit card portfolio.

Table 32 U.S. Credit Card State Concentrations

	December 31					
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
California	$13,658	$13,682	$115	$127	$358	$414
Florida	7,420	7,530	81	89	244	278
Texas	6,620	6,586	58	58	157	177
New York	5,547	5,655	57	59	162	174
Washington	3,907	3,907	19	22	59	71
Other U.S.	52,450	54,519	459	511	1,334	1,524
Total U.S. credit card portfolio	$89,602	$91,879	$789	$866	$2,314	$2,638

Non-U.S. Credit Card
Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased $490 million in 2015 due to a weakening of the British Pound against the U.S. Dollar. Net charge-offs decreased $54 million to $188 million in 2015 due to improvement in delinquencies as a result of higher credit quality originations and an improved economic environment.
Unused lines of credit for non-U.S. credit card totaled $27.9 billion and $28.2 billion at December 31, 2015 and 2014. The $271 million decrease was driven by weakening of the British Pound against the U.S. Dollar, partially offset by account growth and lines of credit increases.

Table 33 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 33 Non-U.S. Credit Card – Key Credit Statistics

	December 31	
(Dollars in millions)	2015	2014
Outstandings	$9,975	$10,465
Accruing past due 30 days or more	146	183
Accruing past due 90 days or more	76	95
	2015	2014
Net charge-offs	$188	$242
Net charge-off ratios [1]	1.86 %	2.10 %

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

Direct/Indirect Consumer

At December 31, 2015, approximately 50 percent of the direct/indirect portfolio was included in GWIM (principally securities-based lending loans), 49 percent was included in Consumer Banking (consumer auto and specialty lending – automotive, marine, aircraft, recreational vehicle loans and consumer personal loans) and the remainder was primarily student loans in All Other.

Outstandings in the direct/indirect portfolio increased $8.4 billion in 2015 as growth in the consumer auto portfolio and growth in securities-based lending were partially offset by lower outstandings in the unsecured consumer lending portfolio.

Net charge-offs decreased $57 million to $112 million in 2015, or 0.13 percent of total average direct/indirect loans, compared

to $169 million, or 0.20 percent, in 2014. This decrease in net charge-offs 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.

Direct/indirect loans that were past due 90 days or more and still accruing interest declined $25 million to $39 million in 2015 due to decreases in the unsecured consumer lending, and consumer auto and specialty lending portfolios.

Table 34 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 34 Direct/Indirect State Concentrations

	December 31					
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
California	$10,735	$9,770	$3	$5	$8	$18
Florida	8,835	7,930	3	5	20	27
Texas	8,514	7,741	4	5	17	19
New York	5,077	4,458	1	2	3	9
Illinois	2,906	2,550	1	2	3	5
Other U.S./Non-U.S.	52,728	47,932	27	45	61	91
Total direct/indirect loan portfolio	$88,795	$80,381	$39	$64	$112	$169

Other Consumer

At December 31, 2015, approximately 66 percent of the $2.1 billion other consumer portfolio was consumer auto leases included in Consumer Banking. The remainder is primarily associated with certain consumer finance businesses that we previously exited.

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 35 presents nonperforming consumer loans, leases and foreclosed properties activity during 2015 and 2014. 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 2015, nonperforming consumer loans declined $2.7 billion to $8.2 billion and included the impact of sales of $1.7 billion, partially offset by a net increase of $186 million related to the impact of the consumer relief portion of the DoJ Settlement for those loans that are no longer fully insured. Excluding these, nonperforming loans declined as outflows, including the transfer

of certain qualifying borrowers discharged in a Chapter 7 bankruptcy to performing status, outpaced new inflows.
The outstanding balance of a real estate-secured loan that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At December 31, 2015, $3.8 billion, or 44 percent of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less costs to sell, including $3.3 billion of nonperforming loans 180 days or more past due and $444 million of foreclosed properties. In addition, at December 31, 2015, $3.0 billion, or 35 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 $186 million in 2015 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 $39 million in 2015. Not included in foreclosed properties at December 31, 2015 was $1.4 billion of real estate that was acquired upon foreclosure of certain delinquent government-guaranteed loans (principally FHA-insured loans). We exclude these amounts from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the guarantor for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period.

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 35.

Table 35 Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity [(1)]

(Dollars in millions)	2015		2014	
Nonperforming loans and leases, January 1	$10,819		$15,840	
Additions to nonperforming loans and leases:				
New nonperforming loans and leases	4,949		7,077	
Reductions to nonperforming loans and leases:				
Paydowns and payoffs	(1,018	)	(1,625	)
Sales	(1,674	)	(4,129	)
Returns to performing status [(2)]	(2,710	)	(3,277	)
Charge-offs	(1,769	)	(2,187	)
Transfers to foreclosed properties [(3)]	(432	)	(672	)
Transfers to loans held-for-sale	—		(208	)
Total net reductions to nonperforming loans and leases	(2,654	)	(5,021	)
Total nonperforming loans and leases, December 31 [(4)]	8,165		10,819	
Foreclosed properties, January 1	630		533	
Additions to foreclosed properties:				
New foreclosed properties [(3)]	606		1,011	
Reductions to foreclosed properties:				
Sales	(686	)	(829	)
Write-downs	(106	)	(85	)
Total net additions (reductions) to foreclosed properties	(186	)	97	
Total foreclosed properties, December 31 [(5)]	444		630	
Nonperforming consumer loans, leases and foreclosed properties, December 31	$8,609		$11,449	
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases [(6)]	1.80	%	2.22	%
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties [(6)]	1.89		2.35	

(1) Balances do not include nonperforming LHFS of $5 million and $7 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $38 million and $102 million at December 31, 2015 and 2014 as well as loans accruing past due 90 days or more as presented in Table 23 and Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

(2) Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

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

(4) At December 31, 2015, 41 percent of nonperforming loans were 180 days or more past due.

(5) Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured loans, of $1.4 billion and $1.1 billion at December 31, 2015 and 2014.

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

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, further losses in value as well as gains and losses on sale are recorded in noninterest expense. New foreclosed properties included in Table 35 are net of $162 million and $191 million of charge-offs and write-offs of PCI loans in 2015 and 2014, recorded during the first 90 days after transfer.

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, 2015 and 2014, $484 million and $800 million of such junior-lien home equity loans were included in nonperforming loans and leases. This decline was driven by overall portfolio improvement as well as $75 million of charge-offs related to the consumer relief portion of the DoJ Settlement.

Table 36 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 35.

Table 36 Consumer Real Estate Troubled Debt Restructurings

	December 31					
	2015			2014		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$18,372	$ 3,284	$15,088	$23,270	$ 4,529	$18,741
Home equity [3]	2,686	1,649	1,037	2,358	1,595	763
Total consumer real estate troubled debt restructurings	$21,058	$ 4,933	$16,125	$25,628	$ 6,124	$19,504

(1) Residential mortgage TDRs deemed collateral dependent totaled $4.9 billion and $5.8 billion, and included $2.7 billion and $3.6 billion of loans classified as nonperforming and $2.2 billion and $2.2 billion of loans classified as performing at December 31, 2015 and 2014.

(2) Residential mortgage performing TDRs included $8.7 billion and $11.9 billion of loans that were fully-insured at December 31, 2015 and 2014.

(3) Home equity TDRs deemed collateral dependent totaled $1.6 billion and $1.6 billion, and included $1.3 billion and $1.4 billion of loans classified as nonperforming and $290 million and $178 million of loans classified as performing at December 31, 2015 and 2014.

In addition to modifying consumer real estate loans, we work with customers who are experiencing financial difficulty by modifying credit card and other consumer loans. Credit card and other consumer loan modifications generally involve a reduction in the customer’s interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs (the renegotiated TDR portfolio). In addition, the accounts of non-U.S. credit card customers who do not qualify for a fixed payment plan may have their interest rates reduced, as required by certain local jurisdictions. These modifications, which are also TDRs, tend to experience higher payment default rates given that the borrowers may lack the ability to repay even with the interest rate reduction. In all cases, the customer’s available line of credit is canceled.

Modifications of credit card and other consumer loans are primarily made through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 35 as substantially all of the loans remain on accrual status until either charged off or paid in full. At December 31, 2015 and 2014, our renegotiated TDR portfolio was $779 million and $1.1 billion, of which $635 million and $907 million were current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by paydowns and charge-offs as well as lower program enrollments. For more information on the renegotiated TDR portfolio, see Note 4 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Commercial Portfolio Credit Risk Management

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 the 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.

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

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 41, 46, 52 and 53 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio. For more information on our industry concentrations, including our utilized exposure to the energy sector which was two percent of total loans and leases at December 31, 2015, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 83 and Table 46.

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).
In addition, the Corporation is a member of various securities and derivative exchanges and clearinghouses, both in the U.S. and other countries. As a member, the Corporation may be required to pay a pro-rata share of the losses incurred by some of these organizations as a result of another member default and under other loss scenarios. For additional information, see Note 12 – Commitments and Contingencies to the Consolidated Financial Statements.

Commercial Credit Portfolio

During 2015, credit quality among large corporate borrowers remained stable except in the energy sector which experienced some deterioration due to the sustained drop in oil prices. Credit quality of commercial real estate borrowers continued to improve as property valuations increased and vacancy rates remained low.
Outstanding commercial loans and leases increased $54.0 billion, primarily in U.S. commercial, non-U.S. commercial and

commercial real estate. Nonperforming commercial loans and leases increased $112 million during 2015. Nonperforming commercial loans and leases as a percentage of outstanding loans and leases, excluding loans accounted for under the fair value option, decreased during 2015 to 0.27 percent from 0.29 percent at December 31, 2014. Reservable criticized balances increased $4.9 billion to $16.5 billion during 2015 as a result of downgrades outpacing paydowns and upgrades. The increase in reservable criticized balances was primarily due to our energy exposure as the credit quality of certain borrowers was impacted by the sustained drop in oil prices. The allowance for loan and lease losses for the commercial portfolio increased $412 million to $4.8 billion at December 31, 2015 compared to December 31, 2014. For additional information, see Allowance for Credit Losses on page 88.
Table 37 presents our commercial loans and leases portfolio, and related credit quality information at December 31, 2015 and 2014.

Table 37 Commercial Loans and Leases

	December 31					
	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
U.S. commercial	$252,771	$220,293	$867	$701	$113	$110
Commercial real estate (1)	57,199	47,682	93	321	3	3
Commercial lease financing	27,370	24,866	12	3	17	41
Non-U.S. commercial	91,549	80,083	158	1	1	—
	428,889	372,924	1,130	1,026	134	154
U.S. small business commercial (2)	12,876	13,293	82	87	61	67
Commercial loans excluding loans accounted for under the fair value option	441,765	386,217	1,212	1,113	195	221
Loans accounted for under the fair value option (3)	5,067	6,604	13	—	—	—
Total commercial loans and leases	$446,832	$392,821	$1,225	$1,113	$195	$221

(1) Includes U.S. commercial real estate loans of $53.6 billion and $45.2 billion and non-U.S. commercial real estate loans of $3.5 billion and $2.5 billion at December 31, 2015 and 2014.
(2) Includes card-related products.
(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $2.3 billion and $1.9 billion and non-U.S. commercial loans of $2.8 billion and $4.7 billion at December 31, 2015 and 2014. For more information on the fair value option, see Note 21 – Fair Value Option to the Consolidated Financial Statements.

Table 38 presents net charge-offs and related ratios for our commercial loans and leases for 2015 and 2014. The increase in net charge-offs of $110 million in 2015 was primarily related to higher recoveries in commercial real estate in 2014 and higher energy sector related losses in 2015.

Table 38 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	2015	2014	2015	2014
U.S. commercial	$139	$88	0.06 %	0.04 %
Commercial real estate	(5)	(83)	(0.01)	(0.18)
Commercial lease financing	9	(9)	0.04	(0.04)
Non-U.S. commercial	54	34	0.06	0.04
	197	30	0.05	0.01
U.S. small business commercial	225	282	1.71	2.10
Total commercial	$422	$312	0.10	0.08

(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 39 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 utilized credit exposure increased $52.9 billion in 2015 primarily driven by growth in loans and leases. The utilization rate for loans and leases, SBLCs and financial guarantees, commercial letters of credit and bankers acceptances, in the aggregate, was 56 percent and 57 percent at December 31, 2015 and 2014.

Table 39 Commercial Credit Exposure by Type

	December 31					
	Commercial Utilized (1)		Commercial Unfunded (2, 3)		Total Commercial Committed	
(Dollars in millions)	2015	2014	2015	2014	2015	2014
Loans and leases	$446,832	$392,821	$376,478	$317,258	$823,310	$710,079
Derivative assets (4)	49,990	52,682	—	—	49,990	52,682
Standby letters of credit and financial guarantees	33,236	33,550	690	745	33,926	34,295
Debt securities and other investments	21,709	17,301	4,173	5,315	25,882	22,616
Loans held-for-sale	5,456	7,036	1,203	2,315	6,659	9,351
Commercial letters of credit	1,725	2,037	390	126	2,115	2,163
Bankers' acceptances	298	255	—	—	298	255
Foreclosed properties and other	317	960	—	—	317	960
Total	$559,563	$506,642	$382,934	$325,759	$942,497	$832,401

(1) Total commercial utilized exposure includes loans of $5.1 billion and $6.6 billion and issued letters of credit with a notional amount of $290 million and $535 million accounted for under the fair value option at December 31, 2015 and 2014.

(2) Total commercial unfunded exposure includes loan commitments accounted for under the fair value option with a notional amount of $10.6 billion and $9.4 billion at December 31, 2015 and 2014.

(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 $41.9 billion and $47.3 billion at December 31, 2015 and 2014. Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of $23.3 billion and $23.8 billion which consists primarily of other marketable securities.

Table 40 presents commercial utilized reservable criticized exposure by loan type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure increased $4.9 billion, or 43 percent, in 2015 driven by downgrades primarily related to our energy exposure outpacing paydowns and upgrades. Approximately 78 percent and 87 percent of commercial utilized reservable criticized exposure was secured at December 31, 2015 and 2014.

Table 40 Commercial Utilized Reservable Criticized Exposure

	December 31			
	2015		2014	
(Dollars in millions)	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	$9,965	3.56 %	$7,597	3.07 %
Commercial real estate	513	0.87	1,108	2.24
Commercial lease financing	1,320	4.82	1,034	4.16
Non-U.S. commercial	3,944	4.04	887	1.03
	15,742	3.39	10,626	2.60
U.S. small business commercial	766	5.95		