BANK OF AMERICA CORP /DE/
Form 10-Q
July 30, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2018
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact name of registrant as specified in its charter:
Bank of America Corporation
State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes o No

On July 27, 2018, there were 9,988,249,714 shares of Bank of America Corporation Common Stock outstanding.

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Part II. Other Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Bank of America Corporation (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," "belie "continue" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." Forward-looking statements represent the Corporation's current expectations, plans or forecasts of its future results, revenues, expenses, efficiency ratio, capital measures, strategy 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 under Item 1A. Risk Factors of our 2017 Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions, including inquiries into our retail sales practices, and the possibility that amounts may be in excess of the Corporation's recorded liability and estimated range of possible loss for litigation exposures; the possibility that the Corporation could face increased servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, monolines, private-label and other investors, or other parties involved in securitizations; 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 Corporation's ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to avoid the statute of limitations for repurchase claims; 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, economic conditions, trade policies and potential geopolitical instability; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior, adverse developments with respect to U.S. or global economic conditions and other uncertainties; the Corporation's ability to achieve its expense targets, net interest income expectations, or other projections; 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, which may change; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements; the potential impact of total loss-absorbing capacity requirements; potential adverse changes to our global systemically important bank surcharge; the potential impact of Federal Reserve actions on the Corporation's capital plans; the possible impact of the Corporation's failure to remediate a shortcoming identified by banking regulators in the Corporation's Resolution Plan; the effect of regulations, other guidance or additional information on our estimated impact of the Tax Cuts and Jobs Act; the impact of implementation and compliance with U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, Federal Deposit Insurance Corporation assessments, the Volcker Rule, fiduciary standards and derivatives regulations; a failure in or breach of the Corporation’s operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks; the impact on the Corporation’s business, financial condition and results of operations from the planned exit of the United Kingdom from the European Union; and other similar matters.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through four business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At June 30, 2018, the Corporation had approximately $2.3 trillion in assets and a headcount of approximately 208,000 employees.

As of June 30, 2018, we served clients through operations across the United States, its territories and more than 35 countries. Our retail banking footprint covers approximately 85 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,400 retail financial centers, approximately 16,100 ATMs, and leading digital banking platforms (www.bankofamerica.com) with approximately 36 million active users, including over 25 million active mobile users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of approximately $2.8 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.

Recent Events

Capital Management

Following completion of the Federal Reserve System's (Federal Reserve) 2018 Comprehensive Capital Analysis and Review (CCAR), the Federal Reserve did not object to the Corporation's capital plan, which is estimated to return approximately $26 billion to common shareholders over the next four quarters through a quarterly common stock dividend increase and common stock repurchases. That estimate is based upon the Corporation's current number of outstanding shares and share price.

As part of the capital plan, on July 26, 2018, the Corporation's Board of Directors (the Board) declared a quarterly common stock dividend of $0.15 per share, an increase of 25 percent, payable on September 28, 2018 to shareholders of record as of September 7, 2018.

Also, on June 28, 2018, the Board authorized the repurchase of approximately $20.6 billion in common stock from July 1, 2018 through June 30, 2019, which includes approximately $600 million in repurchases to offset shares awarded under equity-based compensation plans during the same period. The repurchase program covers both common stock and warrants. For additional information, see the Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on June 28, 2018.

During the second quarter of 2018, we repurchased $5.0 billion of common stock pursuant to the Board's repurchase authorizations announced on June 28, 2017 and December 5, 2017. These repurchase authorizations expired on June 30, 2018. For additional information, see Capital Management on page 22.

Trust Preferred Securities Redemption

On April 30, 2018, the Corporation announced that it submitted redemption notices for 11 series of trust preferred securities, resulting in the redemption of such trust preferred securities along with the applicable trust common securities (held by the Corporation or its affiliates) on June 6, 2018. Upon redemption of the trust preferred securities and the extinguishment of the related junior subordinated notes issued by the Corporation, we recorded a charge to other income of $729 million. For additional information, see Liquidity Risk on page 26 and the Corporation's Current Report on Form 8-K filed with the SEC on April 30, 2018.

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Financial Highlights

Table 1 Summary Income Statement and Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended June 30 2018	2017	Six Months Ended June 30 2018	2017
Income statement				
Net interest income	$11,650	$10,986	$23,258	$22,044
Noninterest income	10,959	11,843	22,476	23,033
Total revenue, net of interest expense	22,609	22,829	45,734	45,077
Provision for credit losses	827	726	1,661	1,561
Noninterest expense	13,284	13,982	27,181	28,075
Income before income taxes	8,498	8,121	16,892	15,441
Income tax expense	1,714	3,015	3,190	4,998
Net income	6,784	5,106	13,702	10,443
Preferred stock dividends	318	361	746	863
Net income applicable to common shareholders	$6,466	$4,745	$12,956	$9,580
Per common share information				
Earnings	$0.64	$0.47	$1.26	$0.95
Diluted earnings	0.63	0.44	1.25	0.89
Dividends paid	0.12	0.075	0.24	0.15
Performance ratios				
Return on average assets	1.17 %	0.90 %	1.19 %	0.94 %
Return on average common shareholders' equity	10.75	7.75	10.80	7.91
Return on average tangible common shareholders' equity[(1)]	15.15	10.87	15.21	11.15
Efficiency ratio	58.76	61.25	59.43	62.28

	June 30 2018	December 31 2017
Balance sheet		
Total loans and leases	$935,824	$936,749
Total assets	2,291,670	2,281,234
Total deposits	1,309,691	1,309,545
Total common shareholders' equity	241,035	244,823
Total shareholders' equity	264,216	267,146

(1) Return on average tangible common shareholders' equity is a non-GAAP financial measure. For more information and a corresponding reconciliation to accounting principles generally accepted in the United States of America (GAAP) financial measures, see Non-GAAP Reconciliations on page 53.

Net income was $6.8 billion and $13.7 billion, or $0.63 and $1.25 per diluted share for the three and six months ended June 30, 2018 compared to $5.1 billion and $10.4 billion, or $0.44 and $0.89 per diluted share for the same periods in 2017. The improvement in net income for the three and six months ended June 30, 2018 was driven by a decrease in income tax expense due to the impacts of the Tax Cuts and Jobs Act (the Tax Act), an increase in net interest income and a decline in noninterest expense, partially offset by a decline in noninterest income. Impacts from the Tax Act include a reduction in the federal tax rate to 21 percent from 35 percent.

Total assets increased $10.4 billion from December 31, 2017 to $2.3 trillion at June 30, 2018 driven by higher cash and cash equivalents from liquidity management actions and an increase in securities borrowed or purchased under agreements to resell due to growth in Global Markets. These increases were partially offset by decreases in trading account assets due to reduced inventory levels in Global Markets and lower loans held-for-sale (LHFS).

Total liabilities increased $13.4 billion from December 31, 2017 to $2.0 trillion at June 30, 2018 primarily driven by higher short-term borrowings due to higher Federal Home Loan Bank (FHLB) advances and an increase in trading account liabilities

driven by activity in Global Markets. Shareholders' equity decreased $2.9 billion from December 31, 2017 primarily due to returns of capital to shareholders through common stock repurchases and common and preferred stock dividends, market value declines in debt securities and the redemption of preferred stock, partially offset by net income and issuances of preferred stock.

Net Interest Income

Net interest income increased $664 million to $11.7 billion, and $1.2 billion to $23.3 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017. The net interest yield increased five basis points (bps) to 2.34 percent, and three bps to 2.35 percent for the same periods. These increases were primarily driven by higher interest rates and higher commercial loan balances funded by deposit growth, partially offset by the impact of the sale of the non-U.S. consumer credit card business in the second quarter of 2017 and, for the six months ended June 30, 2018, higher funding costs in Global Markets. For more information regarding interest rate risk management, see Interest Rate Risk Management for the Banking Book on page 50.

Noninterest Income

Table 2 Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Card income	$1,542	$1,469	$2,999	$2,918
Service charges	1,954	1,977	3,875	3,895
Investment and brokerage services	3,458	3,460	7,122	6,877
Investment banking income	1,422	1,532	2,775	3,116
Trading account profits	2,315	1,956	5,014	4,287
Other income	268	1,449	691	1,940
Total noninterest income	$10,959	$11,843	$22,476	$23,033

Noninterest income decreased $884 million to $11.0 billion, and $557 million to $22.5 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017. The following highlights the significant changes.

Investment and brokerage services income increased $245 million for the six-month period primarily due to assets under management (AUM) flows and higher market valuations, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing.

Investment banking income decreased $110 million and $341 million primarily due to declines in advisory fees and debt issuances, partially offset by an increase in equity issuances.

Trading account profits increased $359 million and $727 million primarily driven by increased client activity in equity financing and derivatives, and strong trading performance in equity derivatives and macro-related products, partially offset by weakness in credit products.

Other income decreased $1.2 billion in both periods primarily due to the impact of a $793 million pretax gain recognized in

the second quarter of 2017 in connection with the sale of the non-U.S. consumer credit card business and, in the second quarter of 2018, a negative impact from a $729 million charge related to the redemption of certain trust preferred securities, partially offset by a $572 million gain from the sale of certain non-core mortgage loans.

Provision for Credit Losses

The provision for credit losses increased $101 million to $827 million, and $100 million to $1.7 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily due to portfolio seasoning and loan growth in the U.S. credit card portfolio and a slower pace of improvement in the consumer real estate portfolio. The increases were partially offset by improvement in the commercial portfolio primarily driven by a reduction in energy exposures, and the impact of the sale of the non-U.S. consumer credit card business during the second quarter of 2017. For more information on the provision for credit losses, see Provision for Credit Losses on page 45.

Noninterest Expense

Table 3 Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Personnel	$7,944	$8,040	$16,424	$16,515
Occupancy	1,022	1,001	2,036	2,001
Equipment	415	427	857	865
Marketing	395	442	740	774
Professional fees	399	485	780	941

Data processing	797	773	1,607	1,567
Telecommunications	166	177	349	368
Other general operating	2,146	2,637	4,388	5,044
Total noninterest expense	$13,284	$13,982	$27,181	$28,075

Noninterest expense decreased $698 million to $13.3 billion, and $894 million to $27.2 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily driven by lower other general operating expense. The decrease in other general operating expense resulted from a $295 million impairment charge recognized in the second quarter of 2017 related to certain data centers as well as lower litigation expense in 2018. Most other expense categories also declined compared to the same periods in 2017 reflecting operating efficiencies.

Income Tax Expense

Table 4 Income Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Income before income taxes	$8,498	$8,121	$16,892	$15,441
Income tax expense	1,714	3,015	3,190	4,998
Effective tax rate	20.2 %	37.1 %	18.9 %	32.4 %

The effective tax rates for the three and six months ended June 30, 2018 reflect the 21 percent federal tax rate and the other provisions of the Tax Act, as well as the impact of our recurring tax preference benefits. The six-month effective rate also included tax benefits related to stock-based compensation.

The effective tax rates for the three and six months ended June 30, 2017 were driven by the impact of our recurring tax preference benefits partially offset by a tax charge related to the sale of the non-U.S. consumer credit card business during the second quarter of 2017. The six-month effective tax rate also included tax benefits related to stock-based compensation.

We expect the effective tax rate for the second half of 2018 to be approximately 21 percent, absent unusual items.

Supplemental Financial Data

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

We view net interest income and related ratios and analyses on a fully taxable-equivalent (FTE) basis, which when presented on a consolidated basis, are non-GAAP financial measures. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 21 percent for 2018 (35 percent for all prior periods) and a representative state tax rate. In addition, certain performance measures, including the efficiency ratio and net interest yield, utilize net interest income (and thus total revenue) on an FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds. We believe that presentation of these items on an FTE basis allows for comparison of amounts from both taxable and tax-exempt sources and is consistent with industry practices.

We may present certain key performance indicators and ratios excluding certain items (e.g., debit valuation adjustment (DVA) gains (losses)) which result in non-GAAP financial measures. We

believe that the presentation of measures that exclude these items is useful because such measures provide additional information to assess the underlying operational performance and trends of our businesses and to allow better comparison of period-to-period operating performance.

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

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

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

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

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

The aforementioned supplemental data and performance measures are presented in Tables 5 and 6.
For more information on the reconciliation of these non-GAAP financial measures to GAAP financial measures, see Non-GAAP Reconciliations on page 53.

Table 5 Selected Quarterly Financial Data

	2018 Quarters		2017 Quarters		
(In millions, except per share information)	Second	First	Fourth	Third	Second
Income statement					
Net interest income	$11,650	$11,608	$11,462	$11,161	$10,986
Noninterest income [(1)]	10,959	11,517	8,974	10,678	11,843
Total revenue, net of interest expense	22,609	23,125	20,436	21,839	22,829
Provision for credit losses	827	834	1,001	834	726
Noninterest expense	13,284	13,897	13,274	13,394	13,982
Income before income taxes	8,498	8,394	6,161	7,611	8,121
Income tax expense [(1)]	1,714	1,476	3,796	2,187	3,015
Net income [(1)]	6,784	6,918	2,365	5,424	5,106
Net income applicable to common shareholders	6,466	6,490	2,079	4,959	4,745
Average common shares issued and outstanding	10,181.7	10,322.4	10,470.7	10,197.9	10,013.5
Average diluted common shares issued and outstanding	10,309.4	10,472.7	10,621.8	10,746.7	10,834.8
Performance ratios					
Return on average assets	1.17 %	1.21 %	0.41 %	0.95 %	0.90 %
Four quarter trailing return on average assets [(2)]	0.93	0.86	0.80	0.91	0.89
Return on average common shareholders' equity	10.75	10.85	3.29	7.89	7.75
Return on average tangible common shareholders' equity[(3)]	15.15	15.26	4.56	10.98	10.87
Return on average shareholders' equity	10.26	10.57	3.43	7.88	7.56
Return on average tangible shareholders' equity [(3)]	13.95	14.37	4.62	10.59	10.23
Total ending equity to total ending assets	11.53	11.43	11.71	11.91	12.00
Total average equity to total average assets	11.42	11.41	11.87	12.03	11.94
Dividend payout	18.83	19.06	60.35	25.59	15.78
Per common share data					
Earnings	$0.64	$0.63	$0.20	$0.49	$0.47
Diluted earnings	0.63	0.62	0.20	0.46	0.44
Dividends paid	0.12	0.12	0.12	0.12	0.075
Book value	24.07	23.74	23.80	23.87	24.85
Tangible book value [(3)]	17.07	16.84	16.96	17.18	17.75
Market price per share of common stock					
Closing	$28.19	$29.99	$29.52	$25.34	$24.26
High closing	31.22	32.84	29.88	25.45	24.32
Low closing	28.19	29.17	25.45	22.89	22.23
Market capitalization	$282,259	$305,176	$303,681	$264,992	$239,643
Average balance sheet					
Total loans and leases	$934,818	$931,915	$927,790	$918,129	$914,717
Total assets	2,322,678	2,325,878	2,301,687	2,271,104	2,269,293
Total deposits	1,300,659	1,297,268	1,293,572	1,271,711	1,256,838

Long-term debt	229,037	229,603	227,644	227,309	224,019
Common shareholders' equity	241,313	242,713	250,838	249,214	245,756
Total shareholders' equity	265,181	265,480	273,162	273,238	270,977
Asset quality					
Allowance for credit losses (4)	$10,837	$11,042	$11,170	$11,455	$11,632
Nonperforming loans, leases and foreclosed properties (5)	6,181	6,694	6,758	6,869	7,127
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (5)	1.08 %	1.11 %	1.12 %	1.16 %	1.20 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (5)	170	161	161	163	160
Net charge-offs (6, 7)	$996	$911	$1,237	$900	$908
Annualized net charge-offs as a percentage of average loans and leases outstanding (5, 6, 7)	0.43 %	0.40 %	0.53 %	0.39 %	0.40 %
Capital ratios at period end (8)					
Common equity tier 1 capital	11.4 %	11.3 %	11.5 %	11.9 %	11.5 %
Tier 1 capital	13.0	13.0	13.0	13.4	13.2
Total capital	14.8	14.8	14.8	15.1	15.0
Tier 1 leverage	8.4	8.4	8.6	8.9	8.8
Supplementary leverage ratio	6.7	6.8	n/a	n/a	n/a
Tangible equity (3)	8.7	8.7	8.9	9.1	9.2
Tangible common equity (3)	7.7	7.6	7.9	8.1	8.0

(1) Net income for the fourth quarter of 2017 included an estimated charge of $2.9 billion related to the Tax Act effects which consisted of $946 million in noninterest income and $1.9 billion in income tax expense.

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios, see Supplemental Financial Data on page 6, and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 53.

(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 37 and corresponding Table 28 and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 41 and corresponding Table 35.

(6) Net charge-offs exclude $36 million, $35 million, $46 million, $73 million and $55 million of write-offs in the purchased credit-impaired (PCI) loan portfolio in the second and first quarters of 2018, and in the fourth, third, and second quarters of 2017, respectively. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35.

(7) Includes net charge-offs of $31 million on non-U.S. credit card loans in the second quarter of 2017. The Corporation sold its non-U.S. consumer credit card business in the second quarter of 2017.

(8) Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis. For more information, including which approach is used to assess capital adequacy, see Capital Management on page 22.

n/a = not applicable

Table 6 Selected Year-to-Date Financial Data

	Six Months Ended June 30	
(In millions, except per share information)	2018	2017
Income statement		
Net interest income	$23,258	$22,044
Noninterest income	22,476	23,033
Total revenue, net of interest expense	45,734	45,077
Provision for credit losses	1,661	1,561
Noninterest expense	27,181	28,075
Income before income taxes	16,892	15,441
Income tax expense	3,190	4,998
Net income	13,702	10,443
Net income applicable to common shareholders	12,956	9,580
Average common shares issued and outstanding	10,251.7	10,056.1
Average diluted common shares issued and outstanding	10,389.9	10,876.7
Performance ratios		
Return on average assets	1.19 %	0.94 %
Return on average common shareholders' equity	10.80	7.91
Return on average tangible common shareholders' equity[(1)]	15.21	11.15
Return on average shareholders' equity	10.41	7.82
Return on average tangible shareholders' equity [(1)]	14.16	10.61
Total ending equity to total ending assets	11.53	12.00
Total average equity to total average assets	11.42	11.97
Dividend payout	18.94	15.71
Per common share data		
Earnings	$1.26	$0.95
Diluted earnings	1.25	0.89
Dividends paid	0.24	0.15
Book value	24.07	24.85
Tangible book value [(1)]	17.07	17.75
Market price per share of common stock		
Closing	$28.19	$24.26
High closing	32.84	25.50
Low closing	28.19	22.05
Market capitalization	$282,259	$239,643

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 53.

Table 7 Quarterly Average Balances and Interest Rates - FTE Basis

(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
	Second Quarter 2018			Second Quarter 2017		
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$144,983	$487	1.35%	$129,201	$261	0.81%
Time deposits placed and other short-term investments	10,015	48	1.91	11,448	58	2.03
Federal funds sold and securities borrowed or purchased under agreements to resell (1)	251,880	709	1.13	226,700	435	0.77
Trading account assets	132,799	1,232	3.72	135,931	1,199	3.54
Debt securities	429,191	2,885	2.64	431,132	2,632	2.44
Loans and leases (2):						

Residential mortgage	206,083	1,798	3.49	195,935	1,697	3.46
Home equity	54,863	640	4.68	63,332	664	4.20
U.S. credit card	93,531	2,298	9.86	89,464	2,128	9.54
Non-U.S. credit card (3)	—	—	—	6,494	147	9.08
Direct/Indirect and other consumer (4)	93,620	766	3.28	95,775	669	2.80
Total consumer	448,097	5,502	4.92	451,000	5,305	4.71
U.S. commercial	305,372	2,983	3.92	291,162	2,403	3.31
Non-U.S. commercial	99,255	816	3.30	92,708	615	2.66
Commercial real estate (5)	60,653	646	4.27	58,198	514	3.54
Commercial lease financing	21,441	168	3.14	21,649	156	2.89
Total commercial	486,721	4,613	3.80	463,717	3,688	3.19
Total loans and leases (3)	934,818	10,115	4.34	914,717	8,993	3.94
Other earning assets (1)	78,244	1,047	5.36	73,618	713	3.88
Total earning assets (1,6)	1,981,930	16,523	3.34	1,922,747	14,291	2.98
Cash and due from banks	25,329			27,659		
Other assets, less allowance for loan and lease losses	315,419			318,887		
	$2,322,678			$2,269,293		

Total assets						
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$55,734	$2	0.01%	$54,494	$2	0.01%
NOW and money market deposit accounts	664,002	536	0.32	619,593	105	0.07
Consumer CDs and IRAs	39,953	36	0.36	45,682	30	0.27
Negotiable CDs, public funds and other deposits	44,539	197	1.78	36,041	68	0.75
Total U.S. interest-bearing deposits	804,228	771	0.38	755,810	205	0.11
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,329	11	1.89	3,058	6	0.77
Governments and official institutions	1,113	—	0.01	981	2	0.90
Time, savings and other	65,326	161	0.99	60,047	133	0.89
Total non-U.S. interest-bearing deposits	68,768	172	1.00	64,086	141	0.89
Total interest-bearing deposits	872,996	943	0.43	819,896	346	0.17

Federal funds purchased, securities loaned or sold under agreements to repurchase, short-term borrowings and other interest-bearing liabilities (1)	272,777	1,462	2.15	288,726	825	1.14
Trading account liabilities	52,228	348	2.67	45,156	307	2.73
Long-term debt	229,037	1,966	3.44	224,019	1,590	2.84
Total interest-bearing liabilities (1,6)	1,427,038	4,719	1.33	1,377,797	3,068	0.89
Noninterest-bearing sources:						
Noninterest-bearing deposits	427,663			436,942		
Other liabilities (1)	202,796			183,577		
Shareholders' equity	265,181			270,977		
Total liabilities and shareholders' equity	$2,322,678			$2,269,293		
Net interest spread			2.01 %			2.09 %
Impact of noninterest-bearing sources			0.37			0.25
Net interest income/yield on earning		$11,804	2.38 %		$11,223	2.34 %

assets

(1) Certain prior-period amounts have been reclassified to conform to current period presentation.

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

(3) Includes assets of the Corporation's non-U.S. consumer credit card business, which was sold during the second quarter of 2017.

(4) Includes non-U.S. consumer loans of $2.9 billion in both the second quarter of 2018 and 2017.

(5) Includes U.S. commercial real estate loans of $56.4 billion and $55.0 billion, and non-U.S. commercial real estate loans of $4.2 billion and $3.2 billion in the second quarter of 2018 and 2017, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $49 million and $24 million in the second quarter of 2018 and 2017. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities by $33 million and $(326) million in the second quarter of 2018 and 2017. For more information, see Interest Rate Risk Management for the Banking Book on page 50.

Table 8 Year-to-Date Average Balances and Interest Rates - FTE Basis

(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
	Six Months Ended June 30					
	2018			2017		
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$142,628	$909	1.29%	$126,576	$463	0.74%
Time deposits placed and other short-term investments	10,398	109	2.12	11,472	105	1.84
Federal funds sold and securities borrowed or purchased under agreements to resell (1)	250,110	1,331	1.07	221,579	791	0.72
Trading account assets	131,966	2,379	3.63	130,824	2,310	3.56
Debt securities	431,133	5,715	2.61	430,685	5,205	2.41
Loans and						

leases (2):						
Residential mortgage	205,460	3,580	3.49	194,787	3,358	3.45
Home equity	55,902	1,283	4.62	64,414	1,303	4.07
U.S. credit card	93,975	4,611	9.89	89,545	4,239	9.55
Non-U.S. credit card (3)	—	—	—	7,923	358	9.12
Direct/Indirect and other consumer (4)	94,451	1,494	3.19	95,807	1,304	2.74
Total consumer	449,788	10,968	4.90	452,476	10,562	4.69
U.S. commercial	302,626	5,700	3.80	289,325	4,625	3.22
Non-U.S. commercial	99,379	1,554	3.15	92,764	1,210	2.63
Commercial real estate (5)	59,946	1,233	4.15	57,982	993	3.45
Commercial lease financing	21,636	343	3.17	21,885	387	3.54
Total commercial	483,587	8,830	3.68	461,956	7,215	3.15
Total loans and leases (3)	933,375	19,798	4.27	914,432	17,777	3.91
Other earning assets (1)	81,277	2,031	5.03	73,568	1,473	4.03
Total earning assets (1,6)	1,980,887	32,272	3.28	1,909,136	28,124	2.97
Cash and due from banks	25,800			27,429		
Other assets, less allowance for loan and	317,582			314,010		

lease losses						
Total assets	$2,324,269			$2,250,575		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$55,243	$3	0.01%	$53,350	$3	0.01%
NOW and money market deposit accounts	661,531	942	0.29	618,676	179	0.06
Consumer CDs and IRAs	40,629	69	0.34	46,194	61	0.27
Negotiable CDs, public funds and other deposits	42,600	354	1.68	34,874	120	0.69
Total U.S. interest-bearing deposits	800,003	1,368	0.34	753,094	363	0.10
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,287	20	1.79	2,838	11	0.76
Governments and official institutions	1,133	—	0.01	997	4	0.85
Time, savings and other	66,325	315	0.95	59,237	250	0.85
Total non-U.S. interest-bearing deposits	69,745	335	0.97	63,072	265	0.85
	869,748	1,703	0.39	816,166	628	0.16

Total interest-bearing deposits						
Federal funds purchased, securities loaned or sold under agreements to repurchase, short-term borrowings and other interest-bearing liabilities (1)	276,269	2,597	1.90	278,458	1,398	1.01
Trading account liabilities	53,787	705	2.64	41,962	571	2.74
Long-term debt	229,318	3,705	3.25	222,751	3,049	2.75
Total interest-bearing liabilities (1,6)	1,429,122	8,710	1.23	1,359,337	5,646	0.84
Noninterest-bearing sources:						
Noninterest-bearing deposits	429,225			440,569		
Other liabilities (1)	200,592			181,322		
Shareholders' equity	265,330			269,347		
Total liabilities and shareholders' equity	$2,324,269			$2,250,575		
Net interest spread			2.05 %			2.13 %
Impact of noninterest-bearing sources			0.33			0.24
Net interest		$23,562	2.38 %		$22,478	2.37 %

income/yield
on
earning
assets

(1) Certain prior-period amounts have been reclassified to conform to current period presentation.

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

(3) The six months ended June 30, 2017 includes assets of the Corporation's non-U.S. consumer credit card business, which was sold during the second quarter of 2017.

(4) Includes non-U.S. consumer loans of $2.9 billion in both the six months ended June 30, 2018 and 2017.

(5) Includes U.S. commercial real estate loans of $55.9 billion and $54.8 billion, and non-U.S. commercial real estate loans of $4.1 billion and $3.2 billion for the six months ended June 30, 2018 and 2017, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $56 million and $41 million for the six months ended June 30, 2018 and 2017. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $171 million and $750 million for the six months ended June 30, 2018 and 2017. For additional information, see Interest Rate Risk Management for the Banking Book on page 50.

Business Segment Operations
Segment Description and Basis of Presentation
We report our results of operations through the following four business segments: Consumer Banking, GWIM, Global Banking and Global Markets, with the remaining operations recorded in All Other. We periodically review capital allocated to our businesses and allocate 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. Our 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 22. The capital allocated to the business segments
is referred to as allocated capital. 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 more information, see Note 8 – Goodwill and Intangible Assets to the Consolidated Financial Statements.
For more information on the basis of presentation for business segments and reconciliations to consolidated total revenue, net income and period-end total assets, see Note 17 – Business Segment Information to the Consolidated Financial Statements.
Consumer Banking

	Deposits		Consumer Lending		Total Consumer Banking			
	Three Months Ended June 30							
(Dollars in millions)	2018	2017	2018	2017	2018	2017	% Change	
Net interest income (FTE basis)	$3,919	$3,302	$2,701	$2,659	$6,620	$5,961	11	%
Noninterest income:								
Card income	3	1	1,339	1,247	1,342	1,248	8	
Service charges	1,071	1,061	1	—	1,072	1,061	1	
All other income	102	96	75	143	177	239	(26	)
Total noninterest income	1,176	1,158	1,415	1,390	2,591	2,548	2	
Total revenue, net of interest expense (FTE basis)	5,095	4,460	4,116	4,049	9,211	8,509	8	
Provision for credit losses	46	45	898	789	944	834	13	
Noninterest expense	2,639	2,561	1,758	1,850	4,397	4,411	—	
Income before income taxes (FTE basis)	2,410	1,854	1,460	1,410	3,870	3,264	19	
Income tax expense (FTE	615	700	372	533	987	1,233	(20	)

basis)							
Net income	$1,795	$1,154	$1,088	$877	$2,883	$2,031	42
Effective tax rate (FTE basis) (1)					25.5 %	37.8 %	
Net interest yield (FTE basis)	2.29 %	2.03 %	3.92 %	4.15 %	3.68	3.48	
Return on average allocated capital	60	39	17	14	31	22	
Efficiency ratio (FTE basis)	51.80	57.39	42.73	45.72	47.75	51.84	

Balance Sheet

	Three Months Ended June 30						
Average	2018	2017	2018	2017	2018	2017	% Change
Total loans and leases	$5,191	$5,016	$275,498	$256,521	$280,689	$261,537	7 %
Total earning assets (2)	686,331	651,678	276,436	257,130	720,878	686,064	5
Total assets (2)	714,494	678,817	287,377	268,680	759,982	724,753	5
Total deposits	682,202	646,474	5,610	6,313	687,812	652,787	5
Allocated capital	12,000	12,000	25,000	25,000	37,000	37,000	—

(1) Estimated at the segment level only.

(2) 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.

	Deposits		Consumer Lending		Total Consumer Banking		
	Six Months Ended June 30						
(Dollars in millions)	2018	2017	2018	2017	2018	2017	% Change
Net interest income (FTE basis)	$7,660	$ 6,365	$5,470	$ 5,376	$13,130	$ 11,741	12 %
Noninterest income:							
Card income	5	4	2,616	2,469	2,621	2,473	6
Service charges	2,115	2,111	1	1	2,116	2,112	—
All other income	210	195	166	271	376	466	(19)
Total noninterest income	2,330	2,310	2,783	2,741	5,113	5,051	1
Total revenue, net of interest expense (FTE basis)	9,990	8,675	8,253	8,117	18,243	16,792	9
Provision for credit losses	87	100	1,792	1,572	1,879	1,672	12
Noninterest expense	5,290	5,086	3,587	3,734	8,877	8,820	1
Income before income taxes (FTE basis)	4,613	3,489	2,874	2,811	7,487	6,300	19
Income tax expense (FTE basis)	1,176	1,316	733	1,061	1,909	2,377	(20)
Net income	$3,437	$ 2,173	$2,141	$ 1,750	$5,578	$ 3,923	42
Effective tax rate (FTE basis) [1]					25.5 %	37.7 %	
Net interest yield (FTE basis)	2.27 %	2.00 %	4.00 %	4.24 %	3.71	3.49	
Return on average allocated capital	58	37	17	14	30	21	
Efficiency ratio (FTE basis)	52.95	58.63	43.47	46.00	48.66	52.53	

Balance Sheet

	Six Months Ended June 30							
Average	2018	2017	2018	2017	2018	2017	% Change	
Total loans and leases	$5,180	$ 4,998	$274,946	$254,753	$280,126	$259,751	8	%
Total earning assets (2)	680,020	643,237	275,597	255,607	714,352	677,512	5	
Total assets (2)	707,992	670,340	286,625	267,239	753,352	716,247	5	
Total deposits	675,630	637,953	5,489	6,285	681,119	644,238	6	
Allocated capital	12,000	12,000	25,000	25,000	37,000	37,000	—	
Period end	June 30 2018	December 31 2017	June 30 2018	December 31 2017	June 30 2018	December 31 2017	% Change	
Total loans and leases	$5,212	$ 5,143	$278,353	$275,330	$283,565	$280,473	1	%
Total earning assets (2)	693,709	675,485	279,399	275,742	729,036	709,832	3	
Total assets (2)	721,646	703,330	290,613	287,390	768,187	749,325	3	
Total deposits	689,258	670,802	6,272	5,728	695,530	676,530	3	

See page 11 for footnotes.

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. Deposits and Consumer Lending include the net impact of migrating customers and their related deposit, brokerage asset and loan balances between Deposits, Consumer Lending and GWIM, as well as other client-managed business. For more information about Consumer Banking, including our Deposits and Consumer Lending businesses, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Consumer Banking Results

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Consumer Banking increased $852 million to $2.9 billion primarily driven by higher pretax income and lower tax expense from the impact of the reduction in the federal income tax rate. The increase in pretax income was driven by an increase in revenue, partially offset by higher provision for credit losses. Net interest income increased $659 million to $6.6 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits and interest rates, as well as pricing discipline and loan growth. Noninterest income increased $43 million to $2.6 billion as higher card income and service charges more than offset lower mortgage banking income.

The provision for credit losses increased $110 million to $944 million due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $14 million to $4.4 billion driven by operating efficiencies. This was largely offset by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense.

The return on average allocated capital was 31 percent, up from 22 percent, driven by higher net income. For additional information on capital allocations, see Business Segment Operations on page 11.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Consumer Banking increased $1.7 billion to $5.6 billion primarily driven by the same factors as described in the three-month discussion. The increase in pretax income was driven by an increase in revenue, partially offset by higher provision for credit losses and an increase in noninterest expense. Net interest income increased $1.4 billion to $13.1 billion, and noninterest income increased $62 million to $5.1 billion, both of which were primarily due to the same factors as described in the three-month discussion.

The provision for credit losses increased $207 million to $1.9 billion due to the same factors as described in the three-month discussion. Noninterest expense increased $57 million to $8.9

billion driven by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense. These increases were largely offset by operating efficiencies and lower litigation expense.
The return on average allocated capital was 30 percent, up from 21 percent, driven by higher net income. For additional information on capital allocations, see Business Segment Operations on page 11.
Deposits
Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017
Net income for Deposits increased $641 million to $1.8 billion driven by higher revenue and lower income taxes, partially offset by higher noninterest expense. Net interest income increased $617 million to $3.9 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, and pricing discipline. Noninterest income increased $18 million to $1.2 billion driven by higher service charges.
The provision for credit losses remained relatively unchanged at $46 million. Noninterest expense increased $78 million to $2.6 billion primarily driven by investments in digital capabilities and

business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, as well as higher personnel expense.
Average deposits increased $35.7 billion to $682.2 billion driven by strong organic growth. Growth in checking, money market savings and traditional savings of $40.6 billion was partially offset by a decline in time deposits of $5.0 billion.
Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017
Net income for Deposits increased $1.3 billion to $3.4 billion. Net interest income increased $1.3 billion to $7.7 billion and noninterest income increased $20 million to $2.3 billion. These increases were primarily driven by the same factors as described in the three-month discussion.
The provision for credit losses decreased $13 million to $87 million. Noninterest expense increased $204 million to $5.3 billion primarily driven by the same factors as described in the three-month discussion.
Average deposits increased $37.7 billion to $675.6 billion primarily driven by the same factor as described in the three-month discussion.

Key Statistics – Deposits

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Total deposit spreads (excludes noninterest costs) [1]	2.10%	1.89%	2.05%	1.78%
Period End				
Client brokerage assets (in millions)			$191,472	$159,131
Active digital banking users (units in thousands) [2]			35,722	33,971
Active mobile banking users (units in thousands)			25,335	22,898
Financial centers			4,411	4,542
ATMs			16,050	15,972

(1) Includes deposits held in Consumer Lending.
(2) Digital users represents mobile and/or online users across consumer businesses.

Client brokerage assets increased $32.3 billion driven by strong client flows and market performance. Active mobile banking users increased 2.4 million reflecting continuing changes in our customers' banking preferences. The number of financial centers declined by a net 131 reflecting changes in customer preferences to self-service options as we continue to optimize our consumer banking network and improve our cost-to-serve.
Consumer Lending
Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Consumer Lending increased $211 million to $1.1 billion driven by lower tax expense, lower noninterest expense and higher revenue, partially offset by higher provision for credit losses. Net interest income increased $42 million to $2.7 billion primarily driven by the impact of an increase in loan balances. Noninterest income increased $25 million to $1.4 billion driven by higher card income, partially offset by lower mortgage banking income.

The provision for credit losses increased $109 million to $898 million due to portfolio seasoning and loan growth in the U.S. credit

card portfolio. Noninterest expense decreased $92 million to $1.8 billion primarily driven by operating efficiencies. Average loans increased $19.0 billion to $275.5 billion driven by increases in residential mortgages and U.S credit card loans, partially offset by lower home equity loan balances.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Consumer Lending increased $391 million to $2.1 billion driven by the same factors as described in the three-month discussion. Net interest income increased $94 million to $5.5 billion and noninterest income increased $42 million to $2.8 billion, both of which were driven by the same factors as described in the three-month discussion. The provision for credit losses increased $220 million to $1.8 billion and noninterest expense decreased $147 million to $3.6 billion, both of which were primarily driven by the same factors as described in the three-month discussion. Average loans increased $20.2 billion to $274.9 billion driven by the same factors as described in the three-month discussion, as well as higher consumer vehicle loans.

At June 30, 2018, total owned loans in the core portfolio held in Consumer Lending were $121.9 billion, an increase of $13.7 billion from June 30, 2017, primarily driven by higher residential mortgage balances, based on a decision to retain certain loans on the balance sheet, partially offset by a decline in home equity balances. For more information on the core portfolio, see Consumer Portfolio Credit Risk Management on page 29.

Key Statistics – Consumer Lending

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Total U.S. credit card [(1)]				
Gross interest yield	9.86 %	9.54 %	9.90 %	9.55 %
Risk-adjusted margin	8.07	8.40	8.19	8.65
New accounts (in thousands)	1,186	1,302	2,380	2,486
Purchase volumes	$66,821	$61,665	$128,168	$116,986
Debit card purchase volumes	$80,697	$75,349	$156,749	$145,960

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

During the three and six months ended June 30, 2018, the total U.S. credit card risk-adjusted margin decreased 33 bps and 46 bps compared to the same periods in 2017, primarily driven by increased net charge-offs and higher credit card rewards costs.

Total U.S. credit card purchase volumes increased $5.2 billion to $66.8 billion, and $11.2 billion to $128.2 billion, and debit card purchase volumes increased $5.3 billion to $80.7 billion, and $10.8 billion to $156.7 billion, reflecting higher levels of consumer spending.

Key Statistics – Loan Production[(1)]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Total [(2)]:				
First mortgage	$11,672	$13,251	$21,096	$24,693
Home equity	4,081	4,685	7,830	8,738
Consumer Banking:				
First mortgage	$7,881	$9,006	$13,845	$16,635
Home equity	3,644	4,215	6,989	7,882

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

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

First mortgage loan originations in Consumer Banking and for the total Corporation decreased $1.1 billion and $1.6 billion in the three months ended June 30, 2018 compared to the same period in 2017 primarily driven by a higher interest rate environment driving lower first-lien mortgage refinances. First mortgage loan originations in Consumer Banking and for the total Corporation decreased $2.8 billion and $3.6 billion in the six months ended June 30, 2018 primarily driven by the same factor as described in the three-month discussion.

Home equity production in Consumer Banking and for the total Corporation decreased $571 million and $604 million for the three months ended June 30, 2018 compared to the same period in 2017 driven by a smaller market. Home equity production in Consumer Banking and for the total Corporation decreased $893 million and $908 million for the six months ended June 30, 2018 primarily driven by the same factor as described in the three-month discussion.

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
Net interest income (FTE basis)	$1,543	$1,597	(3 %)	$3,137	$3,157	(1 %)
Noninterest income:						
Investment and brokerage services	2,937	2,829	4	5,977	5,620	6
All other income	229	269	(15)	451	510	(12)
Total noninterest income	3,166	3,098	2	6,428	6,130	5
Total revenue, net of interest expense (FTE basis)	4,709	4,695	—	9,565	9,287	3
Provision for credit losses	12	11	9	50	34	47
Noninterest expense	3,399	3,392	—	6,827	6,721	2
Income before income taxes (FTE basis)	1,298	1,292	—	2,688	2,532	6
Income tax expense (FTE basis)	330	488	(32)	685	955	(28)
Net income	$968	$804	20	$2,003	$1,577	27
Effective tax rate (FTE basis)	25.4 %	37.8 %		25.5 %	37.7 %	
Net interest yield (FTE basis)	2.43	2.41		2.44	2.34	
Return on average allocated capital	27	23		28	23	
Efficiency ratio (FTE basis)	72.17	72.24		71.37	72.37	

Balance Sheet

Average	Three Months Ended June 30 2018	Three Months Ended June 30 2017	% Change		Six Months Ended June 30 2018	Six Months Ended June 30 2017	% Change	
Total loans and leases	$160,833	$150,812	7	%	$159,969	$149,615	7	%
Total earning assets	255,145	265,845	(4	)	258,939	271,884	(5	)
Total assets	272,317	281,167	(3	)	275,996	287,266	(4	)
Total deposits	236,214	245,329	(4	)	239,627	251,324	(5	)
Allocated capital	14,500	14,000	4		14,500	14,000	4	

Period end	June 30 2018	December 31 2017	% Change	
Total loans and leases	$162,034	$159,378	2	%
Total earning assets	253,910	267,026	(5	)
Total assets	270,913	284,321	(5	)
Total deposits	233,925	246,994	(5	)

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). For more information about GWIM, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for GWIM increased $164 million to $1.0 billion primarily due to lower tax expense from the impact of the reduction in the federal income tax rate. The operating margin was 28 percent for both periods.

Net interest income decreased $54 million to $1.5 billion primarily due to lower average deposit balances and loan spreads, partially offset by higher loan balances. Noninterest income, which primarily includes investment and brokerage services income, increased $68 million to $3.2 billion. The increase was driven by the impact of AUM flows and higher market valuations, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing. Noninterest expense of $3.4 billion increased modestly, as higher revenue-related incentive expense and investment in sales professionals was largely offset by continued expense discipline.

Return on average allocated capital was 27 percent, up from 23 percent, primarily due to higher net income, somewhat offset by an increase in allocated capital.

MLGWM revenue of $3.9 billion remained relatively unchanged. U.S. Trust revenue of $848 million increased four percent reflecting higher net interest income and asset management fees driven by higher market valuations and positive net flows.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for GWIM increased $426 million to $2.0 billion due to higher revenue and lower tax expense, partially offset by an increase in noninterest expense. The decrease in tax expense was driven by the impact of the reduction in the federal tax rate. The operating margin was 28 percent compared to 27 percent.

Net interest income decreased $20 million to $3.1 billion due to the same factors as described in the three-month discussion. Noninterest income, which primarily includes investment and brokerage services income, increased $298 million to $6.4 billion due to the same factors as described in the three-month discussion. Noninterest expense increased $106 million to $6.8 billion primarily due to higher revenue-related incentive expense and investment in sales professionals, partially offset by expense discipline.

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The return on average allocated capital was 28 percent, up from 23 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 11.

Revenue from MLGWM of $7.9 billion increased three percent due to higher asset management fees driven by higher AUM flows and market valuations, partially offset by lower AUM pricing, transactional revenue and net interest income. U.S. Trust revenue of $1.7 billion increased five percent due to the same factors as described in the three-month discussion.

Key Indicators and Metrics

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except as noted)	2018	2017	2018	2017
Revenue by Business				
Merrill Lynch Global Wealth Management	$3,860	$3,874	$7,856	$7,656
U.S. Trust	848	819	1,708	1,628
Other	1	2	1	3
Total revenue, net of interest expense (FTE basis)	$4,709	$4,695	$9,565	$9,287
Client Balances by Business, at period end				
Merrill Lynch Global Wealth Management			$2,311,598	$2,196,238
U.S. Trust			442,608	421,180
Total client balances			$2,754,206	$2,617,418
Client Balances by Type, at period end				
Assets under management			$1,101,001	$990,709
Brokerage and other assets			1,254,135	1,233,313
Deposits			233,925	237,131
Loans and leases (1)			165,145	156,265
Total client balances			$2,754,206	$2,617,418
Assets Under Management Rollforward				
Assets under management, beginning of period	$1,084,717	$946,778	$1,080,747	$886,148
Net client flows	10,775	27,516	35,015	56,730
Market valuation/other	5,509	16,415	(14,761)	47,831
Total assets under management, end of period	$1,101,001	$990,709	$1,101,001	$990,709
Associates, at period end (2)				
Number of financial advisors			17,442	17,017
Total wealth advisors, including financial advisors			19,350	18,881
Total primary sales professionals, including financial advisors and wealth advisors			20,447	19,863
Merrill Lynch Global Wealth Management Metric				
Financial advisor productivity (3) (in thousands)	$1,017	$1,040	$1,027	$1,016
U.S. Trust Metric, at period end				
Primary sales professionals			1,722	1,665

(1)

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

(2) Includes financial advisors in the Consumer Banking segment of 2,622 and 2,206 at June 30, 2018 and 2017.

(3) Financial advisor productivity is defined as annualized MLGWM total revenue, excluding the allocation of certain asset and liability management (ALM) activities, divided by the total average number of financial advisors (excluding financial advisors in the Consumer Banking segment).

Client Balances

Client balances increased $136.8 billion, or five percent, to $2.8 trillion at June 30, 2018 compared to June 30, 2017. The increase in client balances was due to higher market valuations and positive net flows. Positive net client flows in AUM decreased from the same period a year ago due to a smaller shift from brokerage assets to AUM.

Global Banking

(Dollars in millions)	Three Months Ended June 30 2018	2017	% Change	Six Months Ended June 30 2018	2017	% Change
Net interest income (FTE basis)	$2,711	$2,541	7 %	$5,351	$5,143	4 %
Noninterest income:						
Service charges	769	809	(5)	1,532	1,575	(3)
Investment banking fees	743	929	(20)	1,487	1,855	(20)
All other income	699	760	(8)	1,486	1,421	5
Total noninterest income	2,211	2,498	(11)	4,505	4,851	(7)
Total revenue, net of interest expense (FTE basis)	4,922	5,039	(2)	9,856	9,994	(1)
Provision for credit losses	(23)	15	n/m	(7)	32	n/m
Noninterest expense	2,154	2,154	—	4,349	4,317	1
Income before income taxes (FTE basis)	2,791	2,870	(3)	5,514	5,645	(2)
Income tax expense (FTE basis)	727	1,084	(33)	1,434	2,130	(33)
Net income	$2,064	$1,786	16	$4,080	$3,515	16
Effective tax rate (FTE basis)	26.0 %	37.8 %		26.0 %	37.7 %	
Net interest yield (FTE basis)	2.98	2.85		2.97	2.89	
Return on average allocated capital	20	18		20	18	
Efficiency ratio (FTE	43.78	42.72		44.13	43.19	

basis)

Balance Sheet

Average	Three Months Ended June 30 2018	2017	% Change	Six Months Ended June 30 2018	2017	% Change
Total loans and leases	$355,088	$345,063	3 %	$353,398	$343,966	3 %
Total earning assets	364,587	357,407	2	363,212	358,500	1
Total assets	423,256	413,950	2	421,933	414,924	2
Total deposits	323,215	300,483	8	323,807	302,827	7
Allocated capital	41,000	40,000	3	41,000	40,000	3

Period end	June 30 2018	December 31 2017	% Change
Total loans and leases	$355,473	$350,668	1 %
Total earning assets	364,428	365,560	—
Total assets	424,971	424,533	—
Total deposits	326,029	329,273	(1)

n/m = not meaningful

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, and underwriting and advisory services through our network of offices and client relationship teams. For more information about Global Banking, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Global Banking increased $278 million to $2.1 billion primarily driven by lower tax expense from the impact of the reduction in the federal income tax rate, partially offset by modestly lower pretax income as discussed below.

Pretax results were driven by lower revenue and lower provision for credit losses with noninterest expense remaining flat. Revenue decreased $117 million to $4.9 billion driven by lower noninterest income, partially offset by higher net interest income. Net interest income increased $170 million to $2.7 billion primarily due to the impact of higher interest rates, as well as deposit and loan growth. Noninterest income decreased $287 million to $2.2 billion primarily due to lower investment banking fees and the impact of tax reform on certain tax-advantaged investments, partially offset by higher leasing-related revenues.

Noninterest expense was unchanged at $2.2 billion as slightly lower personnel expense was offset by higher operating expense.

The return on average allocated capital was 20 percent, up from 18 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 11.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017
Net income for Global Banking increased $565 million to $4.1 billion primarily driven by lower tax expense from the impact of the reduction in the federal income tax rate, partially offset by lower pretax income.
Pretax results were driven by lower revenue, higher noninterest expense and lower provision for credit losses.
Revenue decreased $138 million to $9.9 billion driven by lower noninterest income, partially offset by higher net interest income. Net interest income increased $208 million to $5.4 billion primarily due to the impact of higher interest rates on increased deposits. Noninterest income decreased $346 million to $4.5 billion primarily due to lower investment banking fees and the impact of tax reform on certain tax-advantaged investments, partially offset by higher leasing-related revenues.

Noninterest expense increased $32 million to $4.3 billion primarily due to higher personnel and operating expense.
The return on average allocated capital was 20 percent, up from 18 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 11.
Global Corporate, Global Commercial and Business Banking
The table below and following discussion present a summary of the results, which exclude certain investment banking activities in Global Banking.

Global Corporate, Global Commercial and Business Banking

	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
	Three Months Ended June 30							
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Revenue (FTE basis)								
Business Lending	$1,093	$1,093	$974	$1,052	$99	$99	$2,166	$2,244
Global Transaction Services	912	833	811	752	237	211	1,960	1,796
Total revenue, net of interest expense	$2,005	$1,926	$1,785	$1,804	$336	$310	$4,126	$4,040
Balance Sheet								
Average								
Total loans and leases	$163,632	$156,614	$174,666	$170,589	$16,785	$17,844	$355,083	$345,047
Total deposits	157,224	143,844	129,480	120,921	36,539	35,720	323,243	300,485

	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
	Six Months Ended June 30							
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue (FTE basis)								
	$2,143	$2,195	$1,949	$2,096	$198	$200	$4,290	$4,491

Business Lending								
Global Transaction Services	1,794	1,630	1,627	1,459	469	408	3,890	3,497
Total revenue, net of interest expense	$3,937	$3,825	$3,576	$3,555	$667	$608	$8,180	$7,988
Balance Sheet								
Average								
Total loans and leases	$162,857	$155,989	$173,520	$170,161	$17,021	$17,815	$353,398	$343,965
Total deposits	156,438	145,134	130,911	121,907	36,475	35,790	323,824	302,831
Period end								
Total loans and leases	$163,524	$155,513	$175,405	$171,204	$16,549	$17,737	$355,478	$344,454
Total deposits	160,993	145,707	128,079	121,644	36,982	35,853	326,054	303,204

Business Lending revenue decreased $78 million and $201 million for the three and six months ended June 30, 2018 compared to the same periods in 2017. The decrease for both periods were primarily driven by the impact of tax reform on certain tax-advantaged investment.

Global Transaction Services revenue increased $164 million and $393 million for the three and six months ended June 30, 2018 driven by higher short-term rates and increased deposit balances.

Average loans and leases increased three percent for both the three and six months ended June 30, 2018 compared to the same periods in 2017 driven by growth in the commercial and industrial, and commercial real estate portfolios. Average deposits increased eight percent for the three months ended June 30, 2018 and seven percent for the six months ended June 30, 2018. The increase for both periods was due to growth in international and domestic interest-bearing balances.

Global Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and loan products, and provide advisory services and tailored risk management solutions. The economics of certain investment banking and underwriting activities are shared primarily between Global Banking and Global Markets under an internal revenue-sharing arrangement. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. 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		Global Banking		Total Corporation	
	Three Months Ended June 30				Six Months Ended June 30			
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Products								
Advisory	$269	$465	$303	$483	$545	$856	$599	$888
Debt issuance	367	361	874	901	723	773	1,701	1,827
Equity issuance	107	103	290	231	219	226	604	543
Gross investment banking fees	743	929	1,467	1,615	1,487	1,855	2,904	3,258
Self-led deals	(15)	(47)	(45)	(83)	(49)	(71)	(129)	(142)
Total investment banking fees	$728	$882	$1,422	$1,532	$1,438	$1,784	$2,775	$3,116

Total Corporation investment banking fees, excluding self-led deals, of $1.4 billion and $2.8 billion, which are primarily included within Global Banking and Global Markets, decreased seven percent and eleven percent for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily due to declines in advisory fees and debt issuances, partially offset by an increase in equity issuances.

Global Markets

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2018	2017	% Change	2018	2017	% Change
Net interest income (FTE basis)	$801	$864	(7)%	$1,671	$1,913	(13)%
Noninterest income:						
Investment and brokerage services	430	521	(17)	918	1,052	(13)
Investment banking fees	652	590	11	1,261	1,255	—
Trading account profits	2,184	1,743	25	4,887	3,920	25
All other income	154	229	(33)	270	514	(47)
Total noninterest income	3,420	3,083	11	7,336	6,741	9
Total revenue, net of interest expense (FTE basis)	4,221	3,947	7	9,007	8,654	4
Provision for credit losses	(1)	25	n/m	(4)	8	n/m
Noninterest expense	2,715	2,650	2	5,533	5,406	2

Income before income taxes (FTE basis)	1,507	1,272	18	3,478	3,240	7
Income tax expense (FTE basis)	391	442	(12)	904	1,113	(19)
Net income	$1,116	$830	34	$2,574	$2,127	21
Effective tax rate (FTE basis)	25.9 %	34.7 %		26.0 %	34.4 %	
Return on average allocated capital	13	10		15	12	
Efficiency ratio (FTE basis)	64.33	67.12		61.43	62.46	

Balance Sheet

	Three Months Ended June 30			Six Months Ended June 30		
Average	2018	2017	% Change	2018	2017	% Change
Trading-related assets:						
Trading account securities	$209,271	$221,569	(6)%	$209,772	$212,767	(1)%
Reverse repurchases	132,257	101,551	30	128,125	99,206	29
Securities borrowed	83,282	88,041	(5)	82,831	84,695	(2)
Derivative assets	48,316	41,402	17	47,447	40,877	16
Total trading-related assets	473,126	452,563	5	468,175	437,545	7
Total loans and leases	75,053	69,638	8	74,412	69,850	7
Total earning assets	490,482	456,588	7	488,307	443,321	10
Total assets	678,500	645,227	5	678,434	626,224	8
Total deposits	30,736	31,919	(4)	31,524	32,535	(3)
Allocated capital	35,000	35,000	—	35,000	35,000	—

Period end	June 30 2018	December 31 2017	% Change
	$441,657	$419,375	5 %

Total trading-related assets			
Total loans and leases	73,496	76,778	(4)
Total earning assets	454,706	449,314	1
Total assets	637,110	629,013	1
Total deposits	31,450	34,029	(8)

n/m = not meaningful

Global Markets offers sales and trading services and research services 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. For more information about Global Markets, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Net income for Global Markets increased $286 million to $1.1 billion driven by higher revenue and lower tax expense from the impact of the reduction in the federal income tax rate, partially offset by higher noninterest expense. Net DVA losses were $179 million compared to losses of $159 million. Excluding net DVA, net income increased $323 million to $1.3 billion primarily driven by higher revenue and the impact of the Tax Act, partially offset by higher noninterest expense.

Sales and trading revenue, excluding net DVA, increased $227 million primarily due to higher Equities revenue driven by increased client financing activity. Noninterest expense increased $65 million to $2.7 billion primarily due to higher revenue-related expense and continued investments in technology.

Average assets increased $33.3 billion to $678.5 billion primarily driven by growth in client financing activities in the Equities business and increased levels of inventory across the fixed-income, currencies and commodities (FICC) business to facilitate client demand.

The return on average allocated capital was 13 percent, up from 10 percent, reflecting higher net income.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Net income for Global Markets increased $447 million to $2.6 billion driven by higher revenue and lower tax expense from the impact of the reduction in the federal income tax rate. Net DVA losses were $115 million compared to losses of $289 million. Excluding net DVA, net income increased $355 million to $2.7 billion primarily driven by higher revenue and the impact of the Tax Act, partially offset by higher noninterest expense.

Sales and trading revenue, excluding net DVA, increased $251 million due to higher Equities revenue partially offset by lower FICC revenue. Noninterest expense increased $127 million to $5.5 billion primarily due to continued investments in technology.

Average assets increased $52.2 billion to $678.4 billion primarily driven by the same factors as described in the three-month discussion. Total period-end assets increased $8.1 billion to $637.1 billion due to increased levels of inventory across the FICC business to facilitate client demand.

The return on average allocated capital was 15 percent, up from 12 percent, reflecting higher net income.

Sales and Trading Revenue

For a description of sales and trading revenue, see Business Segment Operations in the MD&A of the Corporation's 2017 Annual Report on Form 10-K. 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 net DVA, which is a non-GAAP financial measure. For more information on net DVA, see Supplemental Financial Data on page 6.

Sales and Trading Revenue (1, 2)

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Sales and trading revenue				
Fixed-income, currencies and commodities	$2,106	$2,106	$4,720	$4,916
Equities	1,311	1,104	2,814	2,193
Total sales and trading revenue	$3,417	$3,210	$7,534	$7,109
Sales and trading revenue, excluding net DVA (3)				
Fixed-income, currencies and commodities	$2,290	$2,254	$4,826	$5,184
Equities	1,306	1,115	2,823	2,214

Total sales and trading revenue, excluding net DVA	$3,596	$3,369	$7,649	$7,398

(1) Includes FTE adjustments of $80 million and $148 million for the three and six months ended June 30, 2018 compared to $51 million and $100 million for the same periods in 2017. For more information on sales and trading revenue, see Note 3 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of $75 million and $241 million for the three and six months ended June 30, 2018 compared to $56 million and $114 million for the same periods in 2017.

(3) FICC and Equities sales and trading revenue, excluding net DVA, is a non-GAAP financial measure. FICC net DVA losses were $184 million and $106 million for the three and six months ended June 30, 2018 compared to losses of $148 million and $268 million for the same periods in 2017. Equities net DVA gains were $5 million and losses were $9 million for the three and six months ended June 30, 2018 compared to losses of $11 million and $21 million for the same periods in 2017.

The following explanations for period-over-period changes in sales and trading, FICC and Equities revenue exclude net DVA, but would be the same whether net DVA was included or excluded.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

FICC revenue increased $36 million primarily due to improved performance in macro-related products, partially offset by weakness in credit products. Equities revenue increased $191 million driven by increased client activity in financing and derivatives.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

FICC revenue decreased $358 million primarily due to lower activity and a less favorable market in credit-related products. The decline in FICC revenue was also impacted by higher funding costs, which were driven by increases in market interest rates. Equities revenue increased $609 million driven by increased client activity in financing and derivatives and a strong trading performance in derivatives in the more volatile market environment.

All Other

(Dollars in millions)	Three Months Ended June 30 2018	2017	% Change	Six Months Ended June 30 2018	2017	% Change
Net interest income (FTE basis)	$129	$260	(50)%	$273	$ 524	(48)%
Noninterest income (loss)	(429)	616	n/m	(906)	260	n/m
Total revenue, net of interest expense (FTE basis)	(300)	876	(134)	(633)	784	n/m
Provision for credit losses	(105)	(159)	(34)	(257)	(185)	39
Noninterest expense	619	1,375	(55)	1,595	2,811	(43)
Loss before income taxes (FTE basis)	(814)	(340)	139	(1,971)	(1,842)	7
Income tax expense (benefit) (FTE basis)	(567)	5	n/m	(1,438)	(1,143)	26
Net loss	$(247)	$(345)	(28)	$(533)	$ (699)	(24)

Balance Sheet

Average	Three Months Ended June 30 2018	2017	% Change	Six Months Ended June 30 2018	2017	% Change
Total loans and leases	$63,155	$87,667	(28)%	$65,470	$ 91,250	(28)%
Total assets [(1)]	188,623	204,196	(8)	194,554	205,914	(6)
Total deposits	22,682	26,320	(14)	22,896	25,811	(11)

Period end	June 30 2018	December 31 2017	% Change
Total loans and leases	$61,256	$ 69,452	(12)%
Total assets [(1)]	190,489	194,042	(2)
Total deposits	22,757	22,719	—

(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. Average allocated assets were $519.6 billion and $517.1 billion for the three and six months ended June 30, 2018 compared to $521.8 billion and $521.9 billion for the same periods in 2017, and period-end allocated assets were $522.2 billion and $520.4 billion at June 30, 2018 and December 31, 2017.

n/m = not meaningful

All Other consists of ALM activities, equity investments, non-core mortgage loans and servicing activities, the net impact of periodic revisions to the MSR valuation model for core and non-core MSRs and the related economic hedge results, liquidating businesses and residual expense allocations. For more information about All Other, see Business Segment Operations in the MD&A of the Corporation’s 2017 Annual Report on Form 10-K.

The Corporation classifies consumer real estate loans as core or non-core based on loan and customer characteristics. For more information on the core and non-core portfolios, see Consumer Portfolio Credit Risk Management on page 29. Residential mortgage loans that are held for ALM purposes, including interest rate or liquidity risk management, are classified as core and are presented on the balance sheet of All Other. During the six months ended June 30, 2018, residential mortgage loans held for ALM activities decreased $2.4 billion to $26.1 billion at June 30, 2018 primarily as a result of payoffs and paydowns. Non-core residential mortgage and home equity loans, which are principally run-off portfolios, are also held in All Other. During the six months ended June 30, 2018, total non-core loans decreased $5.8 billion to $35.5 billion at June 30, 2018 due primarily to payoffs and paydowns, as well as loan sales of $2.1 billion.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

The net loss for All Other improved $98 million to a loss of $247 million driven by an income tax benefit in the current period, partially offset by a higher pretax loss.

Revenue decreased $1.2 billion to a $300 million loss primarily due to a prior-year $793 million pretax gain recognized in connection with the sale of the non-U.S. consumer credit card business and, in the current-year period, a negative impact from a $729 million charge related to the redemption of certain trust

preferred securities, partially offset by a $572 million gain from the sale of primarily non-core mortgage loans.

The benefit in provision for credit losses declined $54 million to $105 million due to a slowing pace of portfolio improvement in consumer real estate.

Noninterest expense decreased $756 million to $619 million due to lower non-core mortgage costs and reduced operational costs from the sale of the non-U.S consumer credit card business. Also, the prior-year period included a $295 million impairment charge related to certain data centers.

The income tax benefit was $567 million compared to income tax expense of $5 million. The prior year included tax expense of $690 million related to the sale of the non-U.S. consumer credit card business. Both periods included income tax benefit adjustments to eliminate the FTE treatment of certain tax credits recorded in Global Banking.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

The net loss for All Other improved $166 million to a loss of $533 million, reflecting a higher income tax benefit, partially offset by a higher pretax loss.

Revenue decreased $1.4 billion to $633 million primarily driven by the same factors as described in the three-month discussion. Gains on sales of loans, including the sale of non-core mortgage loans, nonperforming and other delinquent loans, were $636 million compared to $44 million.

The benefit in provision for credit losses improved $72 million to $257 million primarily driven by the impact of the sale of the non–U.S. consumer credit card business during the second quarter of 2017.

Noninterest expense decreased $1.2 billion to $1.6 billion due to the same factors as described in the three-month discussion.

The income tax benefit was $1.4 billion compared to a benefit of $1.1 billion in the same period in 2017. The prior-year period included $690 million in tax expense as described in the three-month discussion. Both periods included 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. For more information on obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements herein as well as Off-Balance Sheet Arrangements and Contractual Obligations in the MD&A, Note 11 – Long-term Debt and Note 12 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K.

Representations and Warranties

For information on representations and warranties, see Note 7 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K and Representations and Warranties in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements herein. For more information related to the sensitivity of the assumptions used to estimate our reserve for representations and warranties, see Complex Accounting Estimates – Representations and Warranties Liability in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Other Mortgage-related Matters

For more information on other mortgage-related matters, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Managing Risk

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

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

Our Risk Appetite Statement is intended to ensure that the Corporation maintains an acceptable risk profile by providing a common framework and a comparable set of measures for senior management and the Board to clearly indicate the level of risk the

Corporation is willing to accept. Risk appetite is set at least annually and is aligned with the Corporation's strategic, capital and financial operating plans. Our line of business strategies and risk appetite are also similarly aligned.

For more information on our risk management activities, including our Risk Framework, and the key types of risk faced by the Corporation, see the Managing Risk through Reputational Risk sections in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Capital Management

The Corporation manages its capital position so its capital is more than adequate to support its business activities and to maintain capital, risk and risk appetite commensurate with one another. Additionally, we seek to maintain safety and soundness at all times, even under adverse scenarios, take advantage of organic growth opportunities, meet obligations to creditors and counterparties, 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 periodically review capital allocated to our businesses and allocate capital annually during the strategic and capital planning processes. For more information, see Business Segment Operations on page 11.

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.

On June 28, 2018, following the Federal Reserve's non-objection to our 2018 CCAR capital plan, the Board authorized the repurchase of approximately $20.6 billion in common stock from July 1, 2018 through June 30, 2019, which includes approximately $600 million in repurchases to offset shares awarded under equity-based compensation plans during the same period.

The repurchase program, which covers both common stock and warrants, 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 repurchases may be effected through open market purchases or privately negotiated transactions, including repurchase plans that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. As a "well-capitalized" BHC, we may notify the Federal Reserve of our intention to make additional capital distributions not to exceed 0.25 percent of Tier 1 capital, and which were not contemplated in our capital plan, subject to the Federal Reserve's non-objection.

Regulatory Capital

As a financial services holding company, we are subject to regulatory capital rules issued by U.S. banking regulators including Basel 3. The Corporation and its primary affiliated banking entity, BANA, are Basel 3 Advanced approaches institutions and 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. As of June 30, 2018, Common equity tier 1 (CET1) and Tier 1 capital ratios were lower under the Standardized approach whereas Advanced approaches yielded a lower Total capital ratio. For more information on Basel 3, see Capital Management in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Minimum Capital Requirements

Minimum capital requirements and related buffers are being phased in from January 1, 2014 through January 1, 2019. The PCA framework establishes categories of capitalization including well capitalized, based on the Basel 3 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.

We are subject to a capital conservation buffer, a countercyclical capital buffer and a global systemically important bank (G-SIB) surcharge that are being 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 a G-SIB surcharge in order to avoid restrictions on capital distributions and discretionary bonus payments. The buffers and surcharge must be comprised solely of CET1 capital. Under the phase-in provisions, we are

required to maintain a capital conservation buffer greater than 1.875 percent plus a G-SIB surcharge of 1.875 percent in 2018. The countercyclical capital buffer is currently set at zero. We estimate that our fully phased-in G-SIB surcharge will be 2.5 percent. The G-SIB surcharge may differ from this estimate over time.

Effective January 1, 2018, the Corporation is required to maintain a minimum supplementary leverage ratio (SLR) of 3.0 percent plus a leverage buffer of 2.0 percent in order to avoid certain restrictions on capital distributions and discretionary bonus payments. Our insured depository institution subsidiaries are required to maintain a minimum 6.0 percent SLR to be considered well capitalized under the PCA framework. For more information on the Corporation's capital ratios and regulatory requirements, see Table 9.

Capital Composition and Ratios

Table 9 presents Bank of America Corporation's capital ratios and related information in accordance with Basel 3 Standardized and Advanced approaches as measured at June 30, 2018 and December 31, 2017. As of June 30, 2018 and December 31, 2017, the Corporation met the definition of well capitalized under current regulatory requirements.

Table 9 Bank of America Corporation Regulatory Capital under Basel 3 [1]

	Standardized Approach	Advanced Approaches	Current Regulatory Minimum [2]	2019 Regulatory Minimum [3]
(Dollars in millions, except as noted)	June 30, 2018			
Risk-based capital metrics:				
Common equity tier 1 capital	$164,872	$164,872		
Tier 1 capital	187,506	187,506		

Total capital (4)	220,230		211,973					
Risk-weighted assets (in billions)	1,444		1,437					
Common equity tier 1 capital ratio	11.4	%	11.5	%	8.25	%	9.5	%
Tier 1 capital ratio	13.0		13.0		9.75		11.0	
Total capital ratio	15.3		14.8		11.75		13.0	
Leverage-based metrics:								
Adjusted quarterly average assets (in billions) (5)	$2,245		$2,245					
Tier 1 leverage ratio	8.4	%	8.4	%	4.0		4.0	
SLR leverage exposure (in billions)			$2,803					
SLR			6.7	%	5.0		5.0	
	December 31, 2017							
Risk-based capital metrics:								
Common equity tier 1 capital	$168,461		$168,461					
Tier 1 capital	190,189		190,189					
Total capital	224,209		215,311					

(4)

Risk-weighted assets (in billions)	1,443	1,459		
Common equity tier 1 capital ratio	11.7 %	11.5 %	7.25 %	9.5 %
Tier 1 capital ratio	13.2	13.0	8.75	11.0
Total capital ratio	15.5	14.8	10.75	13.0
Leverage-based metrics:				
Adjusted quarterly average assets (in billions) (5)	$2,223	$2,223		
Tier 1 leverage ratio	8.6 %	8.6 %	4.0	4.0

(1) Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis.

(2) The June 30, 2018 and December 31, 2017 amounts include a transition capital conservation buffer of 1.875 percent and 1.25 percent and a transition G-SIB surcharge of 1.875 percent and 1.5 percent. The countercyclical capital buffer for both periods is zero.

(3) The 2019 regulatory minimums include a capital conservation buffer of 2.5 percent and G-SIB surcharge of 2.5 percent. The countercyclical capital buffer is zero. We will be subject to regulatory minimums on January 1, 2019. The SLR minimum includes a leverage buffer of 2.0 percent and was applicable beginning on January 1, 2018.

(4) 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.

(5) Reflects adjusted average total assets for the three months ended June 30, 2018 and December 31, 2017.

CET1 capital was $164.9 billion at June 30, 2018, a decrease of $3.6 billion from December 31, 2017, driven by common stock repurchases, market value declines included in accumulated other comprehensive income (OCI) and dividends, partially offset by earnings. During the six months ended June 30, 2018, Total capital under the Advanced approaches decreased $3.3 billion driven by

the same factors as CET1. Standardized risk-weighted assets, which yielded the lower CET1 ratio for June 30, 2018, remained relatively unchanged from December 31, 2017.

Table 10 shows the capital composition at June 30, 2018 and December 31, 2017.

Table 10 Capital Composition under Basel 3 [(1)]

(Dollars in millions)	June 30 2018	December 31 2017
Total common shareholders' equity	$241,035	$ 244,823
Goodwill, net of related deferred tax liabilities	(68,574)	(68,576)
Deferred tax assets arising from net operating loss and tax credit carryforwards	(6,393)	(6,555)
Intangibles, other than mortgage servicing rights and goodwill, net of related deferred tax liabilities	(1,519)	(1,743)
Other	323	512
Common equity tier 1 capital	164,872	168,461
Qualifying preferred stock, net of issuance cost	23,180	22,323
Other	(546)	(595)
Tier 1 capital	187,506	190,189
Tier 2 capital instruments	22,019	22,938
Eligible credit reserves included in Tier 2 capital	2,580	2,272
Other	(132)	(88)
Total capital under the Advanced approaches	$211,973	$ 215,311

(1) Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis.

Table 11 shows the components of risk-weighted assets as measured under Basel 3 at June 30, 2018 and December 31, 2017.

Table 11 Risk-weighted Assets under Basel 3 [(1)]

(Dollars in billions)	Standardized Approach	Advanced Approaches	Standardized Approach	Advanced Approaches
	June 30, 2018		December 31, 2017	
Credit risk	$1,390	$ 851	$1,384	$ 867
Market risk	54	53	59	58
Operational risk	n/a	500	n/a	500
Risks related to credit valuation adjustments	n/a	33	n/a	34
Total risk-weighted assets	$1,444	$ 1,437	$1,443	$ 1,459

(1) Basel 3 transition provisions for regulatory capital adjustments and deductions were fully phased-in as of January 1, 2018. Prior periods are presented on a fully phased-in basis.

n/a = not applicable

Bank of America, N.A. Regulatory Capital

Table 12 presents regulatory capital information for BANA in accordance with Basel 3 Standardized and Advanced approaches as measured at June 30, 2018 and December 31, 2017. BANA met the definition of well capitalized under the PCA framework for both periods.

Table 12 Bank of America, N.A. Regulatory Capital under Basel 3

	Standardized Approach		Advanced Approaches		
	Ratio	Amount	Ratio	Amount	Minimum Required [(1)]
(Dollars in millions)	June 30, 2018				
Common equity tier 1 capital	12.2%	$147,327	14.8%	$147,327	6.5 %
Tier 1 capital	12.2	147,327	14.8	147,327	8.0
Total capital	13.3	159,636	15.2	151,705	10.0
Tier 1 leverage	8.7	147,327	8.7	147,327	5.0
SLR			7.0	147,327	6.0
	December 31, 2017				
Common equity tier 1 capital	12.5%	$150,552	14.9%	$150,552	6.5 %
Tier 1 capital	12.5	150,552	14.9	150,552	8.0
Total capital	13.6	163,243	15.4	154,675	10.0
Tier 1 leverage	9.0	150,552	9.0	150,552	5.0

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

Regulatory Developments

The following supplements the disclosure in Capital Management – Regulatory Developments in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Minimum Total Loss-Absorbing Capacity

The Federal Reserve's final rule, which is effective January 1, 2019, includes minimum external total loss-absorbing capacity (TLAC) and long-term debt requirements to improve the resolvability and resiliency of large, interconnected BHCs. As of June 30, 2018, the Corporation's TLAC and long-term debt exceeded our estimated 2019 minimum requirements.

Stress Buffer Requirements

On April 10, 2018, the Federal Reserve announced a proposal to integrate the annual quantitative assessment of the CCAR program with the buffer requirements in the Basel 3 capital rule by introducing stress buffer requirements as a replacement of the CCAR quantitative objection. Under the Standardized approach, the proposal replaces the existing static 2.5 percent capital conservation buffer with a stress capital buffer, calculated as the decrease in the CET1 capital ratio in the supervisory severely adverse scenario of the modified CCAR stress test plus four quarters of planned common stock dividend payments, floored at 2.5 percent. The static 2.5 percent capital conservation buffer would be retained under the Advanced approaches. The proposal also introduces a stress leverage buffer requirement which would be calculated as the decrease in the Tier 1 leverage ratio in the supervisory severely adverse scenario of the modified CCAR stress test plus four quarters of planned common stock dividends, with no floor. The SLR would not incorporate a stress buffer requirement. The proposal also updates the capital distribution assumptions used in the CCAR stress test to better align with a firm's expected actions in stress, notably removing the assumption that a BHC will carry out all of its planned capital actions under stress. If finalized, the proposal would be effective December 31, 2018, with the first stress buffer requirements generally becoming effective on October 1, 2019.

Enhanced Supplementary Leverage Ratio Requirements

On April 11, 2018, the Federal Reserve and OCC announced a proposal to modify the enhanced SLR standards applicable to U.S. G-SIBs and their insured depository institution subsidiaries. The proposal replaces the existing 2.0 percent leverage buffer with a leverage buffer tailored to each G-SIB, set at 50 percent of the applicable G-SIB surcharge. This proposal also replaces the current 6.0 percent threshold at which a G-SIB's insured depository institution subsidiaries are considered well capitalized under the PCA framework with a threshold set at 3.0 percent plus 50 percent of the G-SIB surcharge applicable to the subsidiary's G-SIB holding company. Correspondingly, the proposal updates the external TLAC leverage buffer for each G-SIB to 50 percent of the applicable G-SIB surcharge and revises the leverage component of the minimum long-term debt requirements to be 2.5 percent plus 50 percent of the applicable G-SIB surcharge.

Revisions to Basel 3 to Address Current Expected Credit Loss Accounting

On April 13, 2018, the U.S. banking regulators announced a proposal to address the regulatory capital impact of using the current expected credit loss methodology to measure credit reserves under a new accounting standard which is effective on January 1, 2020. For more information on this standard, see Note

1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements. The proposal provides an option to phase-in the impact to regulatory capital over a three-year period on a straight-line basis. It also updates the existing regulatory capital framework by creating a new defined term, allowance for credit losses, which would include credit losses on all financial instruments measured at amortized cost with the exception of purchased credit-impaired assets. The proposal continues to allow a limited amount of credit losses to be recognized in Tier 2 capital and maintains the existing limits under the Standardized and Advanced approaches.

Single-Counterparty Credit Limits

On June 14, 2018, the Federal Reserve published a final rule establishing single-counterparty credit limits (SCCL) for BHCs with total consolidated assets of $250 billion or more. The SCCL rule is designed to ensure that the maximum possible loss that a BHC could incur due to the default of a single counterparty or a group of connected counterparties would not endanger the BHC's survival, thereby reducing the probability of future financial crises. Beginning January 1, 2020, G-SIBs must calculate SCCL on a daily basis by dividing the aggregate net credit exposure to a given counterparty by the G-SIB's Tier 1 capital, ensuring that exposures to other G-SIBs and nonbank financial institutions regulated by the Federal Reserve do not breach 15 percent of Tier 1 capital and exposures to most other counterparties do not breach 25 percent of Tier 1 capital. Certain exposures, including exposures to the U.S. government, U.S. government-sponsored entities and qualifying central counterparties, are exempt from the credit limits.

Broker-dealer Regulatory Capital and Securities Regulation

The Corporation's principal U.S. broker-dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith Incorporated (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 Securities and Exchange Commission Rule 15c3-1. Both entities are also registered as futures commission merchants and are subject to the Commodity Futures Trading Commission Regulation 1.17.

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At June 30, 2018, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $13.5 billion and exceeded the minimum requirement of $1.8 billion by $11.7 billion. MLPCC's net capital of $4.5 billion exceeded the minimum requirement of $546 million by $3.9 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 June 30, 2018, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International (MLI), a U.K. investment firm, is regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and is subject to certain regulatory capital requirements. At June 30, 2018, MLI's capital resources were $35.0 billion, which exceeded the minimum Pillar 1 requirement of $14.7 billion.

Liquidity Risk

Funding and Liquidity Risk Management

Our primary liquidity risk management objective is to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers under a range of economic conditions. To achieve that objective, we analyze and monitor our liquidity risk under expected and stressed conditions, maintain liquidity and access to diverse funding sources, including our stable deposit base, and seek to align liquidity-related incentives and risks.

We define liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our contractual and contingent financial obligations as those obligations arise. We manage our liquidity position through line of business and 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 management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

For more information regarding global funding and liquidity risk management, as well as our liquidity sources, liquidity arrangements, contingency planning and credit ratings discussed below, see Liquidity Risk in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

NB Holdings Corporation

We have intercompany arrangements with certain key subsidiaries under which we transferred certain of our parent company assets, and agreed to transfer certain additional parent company assets not needed to satisfy anticipated near-term expenditures, to NB Holdings Corporation, a wholly-owned holding company subsidiary (NB Holdings). The parent company is expected to continue to have access to the same flow of dividends, interest and other amounts of cash necessary to service its debt, pay dividends and perform other obligations as it would have had if it had not entered into these arrangements and transferred any assets. These arrangements support our preferred single point of entry resolution strategy, under which only the parent company would be resolved under the U.S. Bankruptcy Code.

Global Liquidity Sources and Other Unencumbered Assets

Table 13 presents our average global liquidity sources (GLS) for the three months ended June 30, 2018 and December 31, 2017.

Table 13 Average Global Liquidity Sources

	Three Months Ended	
(Dollars in billions)	June 30 2018	December 31 2017
Parent company and NB Holdings	$74	$ 79
Bank subsidiaries	393	394
Other regulated entities	45	49
Total Average Global Liquidity Sources	$512	$ 522

We maintain liquidity available to the Corporation, including the parent company and selected subsidiaries, in the form of cash and high-quality, liquid, unencumbered securities. Typically, parent

company and NB Holdings liquidity is in the form of cash deposited with BANA.

Our bank subsidiaries' liquidity is primarily driven by deposit and lending activity, as well as securities valuation and net debt activity. Liquidity at bank subsidiaries excludes the cash deposited by the parent company and NB Holdings. Our bank subsidiaries can also generate incremental liquidity by pledging a range of unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was $311 billion and $308 billion at June 30, 2018 and December 31, 2017. 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 transfers to the parent company or nonbank subsidiaries may be subject to prior regulatory approval.

Liquidity held in other regulated entities, comprised primarily of broker-dealer subsidiaries, 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. Our other regulated entities also hold unencumbered investment-grade securities and equities that we believe could be used to generate additional liquidity.

Table 14 presents the composition of average GLS for the three months ended June 30, 2018 and December 31, 2017.

Table 14 Average Global Liquidity Sources Composition

(Dollars in billions)	Three Months Ended June 30 2018	December 31 2017
Cash on deposit	$ 130	$ 118
U.S. Treasury securities	60	62
U.S. agency securities and mortgage-backed securities	312	330
Non-U.S. government securities	10	12
Total Average Global Liquidity Sources	$ 512	$ 522

Our GLS are substantially the same in composition to what qualifies as High Quality Liquid Assets (HQLA) under the final U.S. Liquidity Coverage Ratio (LCR) rules. However, HQLA for purposes of calculating LCR is not reported at market value, but at a lower value that incorporates regulatory deductions and the exclusion of excess liquidity held at certain subsidiaries. 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. Our average consolidated HQLA, on a net basis, was $434 billion and $439 billion for the three months ended June 30, 2018 and December 31, 2017. For the same periods, the average consolidated LCR was 122 percent and 125 percent. Our LCR will fluctuate due to normal business flows from customer activity.

Liquidity Stress Analysis and Time-to-required Funding

We utilize liquidity stress analysis to assist us in determining the appropriate amounts of liquidity to maintain at the parent company and our subsidiaries to meet contractual and contingent cash outflows under a range of scenarios. For more information on our liquidity stress analysis, see Liquidity Risk – Liquidity Stress Analysis and Time-to-required Funding in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

We use a variety of metrics to determine the appropriate amounts of liquidity to maintain at the parent company and our subsidiaries. One metric we use to evaluate the appropriate level of liquidity at the parent company and NB Holdings is "time-to-required funding" (TTF). This debt coverage measure indicates the number of months the parent company can continue to meet its unsecured contractual obligations as they come due using only the parent company and NB Holdings' 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. TTF was 60 months at June 30, 2018 compared to 49 months at December 31, 2017. The increase in TTF was driven by lower contractual debt maturities.

Diversified Funding Sources

We fund our assets primarily with a mix of deposits, and secured and unsecured liabilities through a centralized, globally coordinated funding approach diversified across products,

programs, markets, currencies and investor groups. We fund a substantial portion of our lending activities through our deposits, which were $1.31 trillion at both June 30, 2018 and December 31, 2017.

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.

During the six months ended June 30, 2018, we issued $42.5 billion of long-term debt consisting of $23.3 billion for Bank of America Corporation, substantially all of which was TLAC compliant, $12.5 billion for Bank of America, N.A. and $6.7 billion of other debt.

On April 30, 2018, we announced that we submitted redemption notices for 11 series of trust preferred securities with a total carrying value of $3.1 billion, resulting in the redemption of such trust preferred securities along with the applicable trust common securities (held by the Corporation or its affiliates) on June 6, 2018. Upon redemption of the trust preferred securities and the extinguishment of the related junior subordinated notes issued by the Corporation, we recorded a charge to other income of $729 million.

Table 15 presents the carrying value of aggregate annual contractual maturities of long-term debt at June 30, 2018. During the six months ended June 30, 2018, we had total long-term debt contractual and non-contractual maturities of $36.5 billion consisting of $23.5 billion for Bank of America Corporation, $5.9 billion for Bank of America, N.A. and $7.1 billion of other debt.

Table 15 Long-term Debt by Maturity

(Dollars in millions)	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total
Bank of America Corporation							
Senior notes	$ 2,592	$ 14,941	$ 10,394	$ 15,946	$ 14,959	$ 83,394	$ 142,226
Senior structured notes	881	1,400	886	460	1,946	8,222	13,795
	1,529	1,521	—	360	458	19,946	23,814

Subordinated notes							
Junior subordinated notes	—	—	—	—	—	742	742
Total Bank of America Corporation	5,002	17,862	11,280	16,766	17,363	112,304	180,577
Bank of America, N.A.							
Senior notes	2,221	—	—	—	—	20	2,241
Subordinated notes	—	1	—	—	—	1,602	1,603
Advances from Federal Home Loan Banks	3,002	11,762	10	2	3	106	14,885
Securitizations and other Bank VIEs (1)	—	3,200	3,098	2,773	—	4	9,075
Other	36	170	9	—	1	76	292
Total Bank of America, N.A.	5,259	15,133	3,117	2,775	4	1,808	28,096
Other debt							
Structured liabilities	2,905	3,207	2,004	903	642	7,462	17,123
Nonbank VIEs (1)	15	47	—	—	—	728	790
Other	—	—	—	—	—	9	9
Total other debt	2,920	3,254	2,004	903	642	8,199	17,922
Total long-term debt	$ 13,181	$36,249	$16,401	$20,444	$18,009	$ 122,311	$226,595

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

Table 16 presents our long-term debt by major currency at June 30, 2018 and December 31, 2017.

Table 16 Long-term Debt by Major Currency

(Dollars in millions)	June 30 2018	December 31 2017
U.S. dollar	$174,430	$ 175,623
Euro	36,440	35,481
British pound	5,604	7,016
Canadian dollar	2,994	1,966
Australian dollar	2,943	3,046
Japanese yen	2,933	2,993
Other	1,251	1,277
Total long-term debt	$226,595	$ 227,402

Total long-term debt decreased $807 million during the six months ended June 30, 2018, due to maturities, including the redemption of the trust preferred securities, changes in the fair value of hedged debt and revaluation of non-U.S. debt, partially offset by issuances. We may, from time to time, purchase outstanding debt instruments in various transactions, depending on 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 information on funding and liquidity risk management, see Liquidity Risk – Liquidity Stress Analysis and Time-to-required Funding on page 27, and for more information regarding long-term debt funding, see Note 11 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K.

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For more information on our ALM activities, see Interest Rate Risk Management for the Banking Book on page 50.

We may also issue unsecured debt in the form of structured notes for client purposes, certain of which qualify as TLAC eligible debt. During the six months ended June 30, 2018, we issued $3.3 billion of structured notes, which are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivatives and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured note obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date.

Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

Credit Ratings

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. Table 17 presents the Corporation's current long-term/short-term senior debt ratings and outlooks expressed by the rating agencies.

On June 21, 2018, Fitch Ratings (Fitch) upgraded the Corporation's long-term senior debt rating to A+ from A as part of the agency's latest review of 12 Global Trading & Investment Banks, citing our sustained and improved risk-adjusted earnings, lower risk appetite relative to peers, overall franchise strength and solid liquidity position. The Corporation's short-term debt rating of F1 was affirmed. Additionally, Fitch upgraded the long- and short-term debt ratings of the Corporation's rated U.S. subsidiaries, including BANA and MLPF&S, and upgraded the long-term debt ratings of our rated international subsidiaries, including MLI. The outlook at Fitch remains stable for all long-term debt ratings.

The ratings from Standard & Poor's Global Ratings and Moody's Investors Service have not changed from those disclosed in the Corporation's 2017 Annual Report on Form 10-K.

For more information on the additional collateral and termination payments that could be required in connection with certain over-the-counter (OTC) derivative contracts and other trading agreements as a result of a credit rating downgrade, see Note 3 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2017 Annual Report on Form 10-K.

Table 17 Senior Debt Ratings

	Moody's Investors Service			Standard & Poor's Global Ratings			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Bank of America Corporation	A3	P-2	Stable	A-	A-2	Stable	A+	F1	Stable
Bank of America, N.A.	Aa3	P-1	Stable	A+	A-1	Stable	AA-	F1+	Stable
Merrill Lynch, Pierce, Fenner & Smith Incorporated	NR	NR	NR	A+	A-1	Stable	AA-	F1+	Stable
Merrill Lynch International	NR	NR	NR	A+	A-1	Stable	A+	F1	Stable

NR = not rated

Credit Risk Management

For information on our credit risk management activities, see Consumer Portfolio Credit Risk Management below, Commercial Portfolio Credit Risk Management on page 38, Non-U.S. Portfolio on page 44, Provision for Credit Losses on page 45, Allowance for Credit Losses on page 45, and Note 5 – Outstanding Loans and Leases and Note 6 – 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 and are a component of our consumer credit risk management process. These models are used in part to assist in making both new and ongoing credit decisions, as well as portfolio management strategies, including authorizations and line management, collection practices and strategies, and determination of the allowance for loan and lease losses and allocated capital for credit risk.

Consumer Credit Portfolio

Improvement in home prices continued during the three and six months ended June 30, 2018 resulting in improved credit quality and lower credit losses in the home equity portfolio, partially offset by seasoning and loan growth in the U.S. credit card portfolio compared to the same periods in 2017.

Improved credit quality and continued loan balance run-off in the consumer real estate portfolio, partially offset by seasoning

within the U.S. credit card portfolio, drove a $243 million decrease in the consumer allowance for loan and lease losses during the six months ended June 30, 2018 to $5.1 billion at June 30, 2018. For additional information, see Allowance for Credit Losses on page 45.

For more information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and troubled debt restructurings (TDRs) for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K.

Table 18 presents our outstanding consumer loans and leases, 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 loans not secured by real estate (bankruptcy loans 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 Federal Housing Administration (FHA) or individually insured under long-term standby agreements with Fannie Mae and Freddie Mac (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 the Government National Mortgage Association (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. For more information on PCI loans, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 18 Consumer Credit Quality

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017	June 30 2018	December 31 2017
Residential mortgage [1]	$207,564	$ 203,811	$2,140	$ 2,476	$2,483	$ 3,230
Home equity	53,587	57,744	2,452	2,644	—	—

U.S. credit card	94,790	96,285	n/a	n/a	865	900
Direct/Indirect consumer [2]	92,621	96,342	47	46	35	40
Other consumer [3]	167	166	—	—	—	—
Consumer loans excluding loans accounted for under the fair value option	$448,729	$ 454,348	$4,639	$ 5,166	$3,383	$ 4,170
Loans accounted for under the fair value option [4]	848	928				
Total consumer loans and leases	$449,577	$ 455,276				
Percentage of outstanding consumer loans and leases [5]	n/a	n/a	1.03 %	1.14 %	0.75 %	0.92 %
Percentage of outstanding consumer loans and leases, excluding PCI and fully-insured loan portfolios [5]	n/a	n/a	1.11	1.23	0.22	0.22

(1) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At June 30, 2018 and December 31, 2017, residential mortgage includes $1.7 billion and $2.2 billion of loans on which interest had been curtailed by the FHA, and therefore were no longer accruing interest, although principal was still insured, and $742 million and $1.0 billion of loans on which interest was still accruing.

(2) Outstandings include auto and specialty lending loans and leases of $50.2 billion and $52.4 billion, unsecured consumer lending loans of $410 million and $469 million, U.S. securities-based lending loans of $38.4 billion and $39.8 billion, non-U.S. consumer loans of $2.8 billion and $3.0 billion and other consumer loans of $769 million and $684 million at June 30, 2018 and December 31, 2017.

(3) Substantially all of other consumer at June 30, 2018 and December 31, 2017 is consumer overdrafts.

(4) Consumer loans accounted for under the fair value option include residential mortgage loans of $489 million and $567 million and home equity loans of $359 million and $361 million at June 30, 2018 and December 31, 2017. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

(5) Excludes consumer loans accounted for under the fair value option. At June 30, 2018 and December 31, 2017, $21 million and $26 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 19 presents net charge-offs and related ratios for consumer loans and leases.

Table 19 Consumer Net Charge-offs and Related Ratios

	Net Charge-offs [1]				Net Charge-off Ratios [1, 2]			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Residential mortgage	$7	$(19)	$1	$(2)	0.01%	(0.04)%	—%	—%
Home equity	—	50	33	114	—	0.32	0.12	0.36
U.S. credit card	739	640	1,440	1,246	3.17	2.87	3.09	2.81
Non-U.S. credit card [3]	—	31	—	75	—	1.89	—	1.90
Direct/Indirect consumer	41	33	100	81	0.18	0.14	0.21	0.17
Other consumer	43	16	86	64	n/m	n/m	n/m	n/m
Total	$830	$751	$1,660	$1,578	0.74	0.67	0.75	0.71

(1) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35.

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

(3) Represents net charge-offs related to the non-U.S. credit card loan portfolio, which was sold during the second quarter of 2017.

n/m = not meaningful

Net charge-offs, as shown in Tables 19 and 20, exclude write-offs in the PCI loan portfolio of $14 million and $31 million in residential mortgage and $22 million and $40 million in home equity for the three and six months ended June 30, 2018 compared to $41 million and $50 million in residential mortgage and $14 million and $38 million in home equity for the same periods in 2017. Net charge-off ratios including the PCI write-offs were 0.04 percent and 0.03 percent for residential mortgage and 0.17 percent and 0.27 percent for home equity for the three and six months ended June 30, 2018 compared to 0.04 percent and 0.05 percent for residential mortgage and 0.41 percent and 0.48 percent for home equity for the same periods in 2017. For additional information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35.

Table 20 presents outstandings, nonperforming balances, net charge-offs, allowance for loan and lease losses and provision for loan and lease losses for the core and non-core portfolios within the consumer real estate portfolio. We categorize consumer real

estate loans as core and non-core based on loan and customer characteristics such as origination date, product type, loan-to-value (LTV), Fair Isaac Corporation (FICO) score and delinquency status consistent with our current consumer and mortgage servicing strategy. Generally, loans that were originated after January 1, 2010, qualified under government-sponsored enterprise underwriting guidelines, or otherwise met our underwriting guidelines in place in 2015 are characterized as core loans. All other loans are generally characterized as non-core loans and represent run-off portfolios. Core loans as reported in Table 20 include loans held in the Consumer Banking and GWIM segments, as well as loans held for ALM activities in All Other. For more information, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

As shown in Table 20, outstanding core consumer real estate loans increased $5.3 billion during the six months ended June 30, 2018 driven by an increase of $8.0 billion in residential mortgage, partially offset by a $2.7 billion decrease in home equity.

Table 20 Consumer Real Estate Portfolio [1]

	Outstandings		Nonperforming		Net Charge-offs [2]			
					Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017	2018	2017	2018	2017
Core portfolio								
Residential mortgage	$184,662	$ 176,618	$1,052	$ 1,087	$4	$(2)	$13	$2
Home equity	41,525	44,245	1,077	1,079	14	28	37	59
Total core portfolio	226,187	220,863	2,129	2,166	18	26	50	61
Non-core portfolio								
Residential mortgage	22,902	27,193	1,088	1,389	3	(17)	(12)	(4)
Home equity	12,062	13,499	1,375	1,565	(14)	22	(4)	55
Total non-core portfolio	34,964	40,692	2,463	2,954	(11)	5	(16)	51
Consumer real estate portfolio								
Residential mortgage	207,564	203,811	2,140	2,476	7	(19)	1	(2)
Home equity	53,587	57,744	2,452	2,644	—	50	33	114
Total consumer real estate portfolio	$261,151	$ 261,555	$4,592	$ 5,120	$7	$31	$34	$112

	Allowance for Loan and Lease Losses		Provision for Loan and Lease Losses			
			Three Months Ended June 30		Six Months Ended June 30	
	June 30 2018	December 31 2017	2018	2017	2018	2017
Core portfolio						
Residential mortgage	$213	$ 218	$1	$(10)	$9	$(11)

Home equity	306	367	(23)	2	(24)	(9)
Total core portfolio	519	585	(22)	(8)	(15)	(20)
Non-core portfolio						
Residential mortgage	340	483	(39)	(85)	(125)	(52)
Home equity	507	652	(60)	(77)	(109)	(169)
Total non-core portfolio	847	1,135	(99)	(162)	(234)	(221)
Consumer real estate portfolio						
Residential mortgage	553	701	(38)	(95)	(116)	(63)
Home equity	813	1,019	(83)	(75)	(133)	(178)
Total consumer real estate portfolio	$1,366	$ 1,720	$(121)	$(170)	$(249)	$(241)

(1) Outstandings and nonperforming loans exclude loans accounted for under the fair value option. Consumer loans accounted for under the fair value option included residential mortgage loans of $489 million and $567 million and home equity loans of $359 million and $361 million at June 30, 2018 and December 31, 2017. For more information, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

(2) Net charge-offs exclude write-offs in the PCI loan portfolio. For more information, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35.

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 tables and discussions of the residential mortgage and home equity portfolios, we exclude loans accounted for under the fair value option and provide information that excludes the impact of the PCI loan portfolio and the fully-insured loan portfolio in certain credit quality statistics. We separately disclose information on the PCI loan portfolio on page 35.

Residential Mortgage

The residential mortgage portfolio made up the largest percentage of our consumer loan portfolio at 46 percent of consumer loans and leases at June 30, 2018. At June 30, 2018, 41 percent of the residential mortgage portfolio was in Consumer Banking and 36 percent was in GWIM. The remaining portion was in All Other

and was 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.

Outstanding balances in the residential mortgage portfolio increased $3.8 billion during the six months ended June 30, 2018 as retention of new originations was partially offset by loan sales of $2.6 billion and run-off.

At June 30, 2018 and December 31, 2017, the residential mortgage portfolio included $21.5 billion and $23.7 billion of outstanding fully-insured loans. At June 30, 2018 and December 31, 2017, $15.5 billion and $17.4 billion had FHA insurance with the remainder protected by long-term standby agreements. At June 30, 2018 and December 31, 2017, $4.3 billion and $5.2 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

Table 21 presents certain residential mortgage key credit statistics on both a reported basis and excluding the PCI loan portfolio and the fully-insured loan portfolio. Additionally, in the "Reported Basis" columns in the following table, 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 and the fully-insured loan portfolio. For more information on the PCI loan portfolio, see page 35.

Table 21 Residential Mortgage – Key Credit Statistics

	Reported Basis (1)		Excluding Purchased Credit-impaired and Fully-insured Loans (1)	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017
Outstandings	$207,564	$203,811	$178,813	$172,069
Accruing past due 30 days or more	4,717	5,987	1,262	1,521
Accruing past due 90 days or more	2,483	3,230	—	—
Nonperforming loans	2,140	2,476	2,140	2,476
Percent of portfolio				
Refreshed LTV greater than 90 but less than or equal to 100	2 %	3 %	2 %	2 %
Refreshed LTV greater than 100	2	2	1	1
Refreshed FICO below 620	5	6	2	3
2006 and 2007 vintages (2)	8	10	7	8

	Reported Basis				Excluding Purchased Credit-impaired and Fully-insured Loans			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017	2018	2017	2018	2017
Net charge-off ratio (3)	0.01 %	(0.04)%	— %	— %	0.01 %	(0.05)%	— %	— %

(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 accounted for $649 million, or 30 percent, and $825 million or 33 percent, of nonperforming residential mortgage loans at June 30, 2018 and December 31, 2017.

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

Nonperforming residential mortgage loans decreased $336 million during the six months ended June 30, 2018 driven by sales of $339 million. Of the nonperforming residential mortgage loans at June 30, 2018, $792 million, or 37 percent, were current on contractual payments. Loans accruing past due 30 days or more decreased $259 million due to seasonal declines.

Net charge-offs increased $26 million to $7 million and increased $3 million to $1 million for the three and six months ended June 30, 2018 compared to the same periods in 2017 primarily due to lower recoveries. During the three months ended June 30, 2018, we sold primarily non-core residential mortgage loans with a carrying value of $1.2 billion, previously transferred to held for sale, and recognized a gain of $572 million that was recorded in other income. The sale of these loans in part drove the lower recoveries during the three months ended June 30, 2018.

Loans with a refreshed LTV greater than 100 percent represented one percent of the residential mortgage loan portfolio at both June 30, 2018 and December 31, 2017. Of the loans with a refreshed LTV greater than 100 percent, 99 percent were performing at June 30, 2018 compared to 98 percent at December 31, 2017. 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 due to home price deterioration since 2006, partially offset by subsequent appreciation.

Of the $178.8 billion in total residential mortgage loans outstanding at June 30, 2018, as shown in Table 22, 31 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $10.2 billion, or 18 percent, at June 30, 2018. Residential mortgage loans that have entered the amortization period generally have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. At June 30, 2018, $280 million, or three percent, of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $1.3 billion, or one percent, for the entire residential mortgage portfolio. In addition, at June 30, 2018, $438 million, or four percent, of outstanding interest-only residential mortgage loans that had entered the amortization period were nonperforming, of which $166 million were contractually current, compared to $2.1 billion, or one percent, for the entire residential mortgage portfolio, of which $792 million were contractually current. Loans that have yet to enter the amortization period in our interest-only residential mortgage portfolio are primarily well-collateralized loans to our wealth management clients and have an interest-only period of three to ten years. More than 90 percent of these loans that have yet to enter the amortization period will not be required to make a fully-amortizing payment until 2020 or later.

Table 22 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 16 percent of outstandings at both June 30, 2018 and December 31, 2017. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent of outstandings at both June 30, 2018 and December 31, 2017.

Table 22 Residential Mortgage State Concentrations

	Outstandings (1)		Nonperforming (1)		Net Charge-offs (2)			
					Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017	2018	2017	2018	2017
California	$71,577	$ 68,455	$366	$ 433	$(7)	$(21)	$(17)	$(25)
New York (3)	18,249	17,239	220	227	2	1	6	(1)
Florida (3)	11,147	10,880	270	280	—	(3)	(5)	(2)
Texas	7,527	7,237	122	126	2	—	3	1
New Jersey (3)	6,466	6,099	107	130	3	1	5	2
Other	63,847	62,159	1,055	1,280	7	3	9	23
Residential mortgage loans (4)	$178,813	$ 172,069	$2,140	$ 2,476	$7	$(19)	$1	$(2)
Fully-insured loan portfolio	21,544	23,741						
Purchased credit-impaired residential mortgage loan portfolio (5)	7,207	8,001						
Total residential mortgage loan portfolio	$207,564	$ 203,811						

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

(2) Net charge-offs exclude $14 million and $31 million of write-offs in the residential mortgage PCI loan portfolio for the three and six months ended June 30, 2018 compared to $41 million and $50 million for the same periods in 2017. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 35.

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

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

(5) At both June 30, 2018 and December 31, 2017, 47 percent of PCI residential mortgage loans were in California. There were no other significant single state concentrations.

Home Equity

At June 30, 2018, the home equity portfolio made up 12 percent of the consumer portfolio and is comprised of home equity lines of credit (HELOCs), home equity loans and reverse mortgages.

At June 30, 2018, our HELOC portfolio had an outstanding balance of $47.5 billion, or 89 percent of the total home equity portfolio, compared to $51.2 billion, or 89 percent, at December 31, 2017. HELOCs generally have an initial draw period of 10 years, and after the initial draw period ends, the loans generally convert to 15-year amortizing loans.

At June 30, 2018, our home equity loan portfolio had an outstanding balance of $3.8 billion, or seven percent of the total home equity portfolio, compared to $4.4 billion, or seven percent, at December 31, 2017. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years, and of the $3.8 billion at June 30, 2018, 58 percent have 25- to 30-year terms. At June 30, 2018, our reverse mortgage portfolio had an outstanding balance of $2.3 billion, or four percent of the total home equity portfolio, compared to $2.1 billion, or four percent, at December 31, 2017. We no longer originate reverse mortgages.

At June 30, 2018, 70 percent of the home equity portfolio was in Consumer Banking, 23 percent was in All Other and the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio decreased $4.2 billion during the six months ended June 30, 2018 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at June 30, 2018 and December 31, 2017, $18.0 billion and $18.7 billion, or 34 percent and 32 percent, were in first-lien positions (35 percent and 34 percent excluding the PCI home equity portfolio). At June 30, 2018, 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 $8.5 billion, or 17 percent of our total home equity portfolio excluding the PCI loan portfolio.

Unused HELOCs totaled $43.4 billion at June 30, 2018 compared to $44.2 billion at December 31, 2017. The decrease was primarily due to accounts reaching the end of their draw period, which automatically eliminates open line exposure, and customers choosing to close accounts. Both of these more than offset the impact of new production. The HELOC utilization rate was 52 percent and 54 percent at June 30, 2018 and December 31, 2017.

Table 23 presents certain home equity portfolio key credit statistics on both a reported basis and excluding the PCI loan portfolio. Additionally, in the "Reported Basis" columns in the following table, 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. For more information on the PCI loan portfolio, see page 35.

Table 23 Home Equity – Key Credit Statistics

	Reported Basis [1]		Excluding Purchased Credit-impaired Loans [1]	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017
Outstandings	$53,587	$ 57,744	$51,209	$ 55,028
Accruing past due 30 days or more [2]	427	502	427	502
Nonperforming loans [2]	2,452	2,644	2,452	2,644
Percent of portfolio				
Refreshed CLTV greater than 90 but less than or equal to 100	3 %	3 %	3 %	3 %
Refreshed CLTV greater than 100	4	5	4	4
Refreshed FICO below 620	6	6	6	6
2006 and 2007 vintages [3]	27	29	24	27

	Reported Basis				Excluding Purchased Credit-impaired Loans			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017	2018	2017	2018	2017
Net charge-off ratio [4]	— %	0.32 %	0.12 %	0.36 %	— %	0.34 %	0.13 %	0.38 %

(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 include $50 million and $67 million and nonperforming loans include $298 million and $344 million of loans where we serviced the underlying first lien at June 30, 2018 and December 31, 2017.

(3)

These vintages of loans have higher refreshed combined loan-to-value (CLTV) ratios and accounted for 53 percent and 52 percent of nonperforming home equity loans at June 30, 2018 and December 31, 2017, and $8 million and $37 million of net charge-offs for the three and six months ended June 30, 2018, and $46 million and $103 million for the same periods in 2017.

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

Nonperforming outstanding balances in the home equity portfolio decreased $192 million during the six months ended June 30, 2018 as outflows, including $47 million of sales, outpaced new inflows. Of the nonperforming home equity portfolio at June 30, 2018, $1.3 billion, or 55 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, $653 million, or 27 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 $75 million during the six months ended June 30, 2018.

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. 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 loan. At June 30, 2018, we estimate that $728 million of current and $112 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 $144 million of these combined amounts, with the remaining $696 million serviced by third parties. Of the $840 million of current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately $266 million had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $50 million to $0 and $81 million to $33 million for the three and six months ended June 30, 2018 compared to the same periods in 2017 driven by favorable portfolio trends due in part to improvement in home prices and the U.S. economy.

Outstanding balances with a refreshed CLTV greater than 100 percent comprised four percent of the home equity portfolio at both June 30, 2018 and December 31, 2017. Outstanding balances 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, 95 percent of the customers were current on their home equity loan and 91 percent of second-lien loans with a refreshed CLTV greater than 100 percent were current on both their second-lien and underlying first-lien loans at June 30, 2018.

Of the $51.2 billion in total home equity portfolio outstandings at June 30, 2018, as shown in Table 24, 23 percent require interest-only payments. The outstanding balance of HELOCs that have reached the end of their draw period and have entered the amortization period was $18.0 billion at June 30, 2018. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. At June 30, 2018, $315 million, or two percent, of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more. In addition, at June 30, 2018, $2.1 billion, or 11 percent, of outstanding HELOCs that had entered the amortization period were nonperforming, of which $1.2 billion were contractually current. Loans in our HELOC portfolio generally have an initial draw period of 10 years and three percent of these loans will enter the amortization period during the remainder of 2018 and will be required to make fully-amortizing payments. We communicate to contractually current customers more than a year prior to the end of their draw period to inform them of the potential change to the payment structure before entering the amortization period, and provide payment options to customers prior to the end of the draw period.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended June 30, 2018, 27 percent of these customers with an outstanding balance did not pay any principal on their HELOCs.

Table 24 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 13 percent of the outstanding home equity portfolio at both June 30, 2018 and December 31, 2017. For the three and six months ended June 30, 2018, loans within this MSA contributed $5 million and $16 million of net charge-offs within the home equity portfolio compared to $15 million and $28 million for the same periods in 2017. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent of the outstanding home equity portfolio at both June 30, 2018 and December 31, 2017. For the three and six months ended June 30, 2018, loans within this MSA contributed net recoveries of $6 million and $11 million within the home equity portfolio compared to net recoveries of $5 million and $8 million for the same periods in 2017.

Table 24 Home Equity State Concentrations

	Outstandings [(1)]		Nonperforming [(1)]		Net Charge-offs [(2)]			
					Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017	2018	2017	2018	2017
California	$14,120	$ 15,145	$703	$ 766	$(14)	$(8)	$(21)	$(15)
Florida [(3)]	5,805	6,308	405	411	3	10	13	21
New Jersey [(3)]	4,172	4,546	183	191	5	11	14	21
New York [(3)]	3,896	4,195	243	252	2	9	8	17
Massachusetts	2,564	2,751	84	92	1	1	3	2
Other	20,652	22,083	834	932	3	27	16	68
Home equity loans [(4)]	$51,209	$ 55,028	$2,452	$ 2,644	$—	$50	$33	$114
Purchased credit-impaired home equity portfolio [(5)]	2,378	2,716						
Total home	$53,587	$ 57,744						

equity
loan
portfolio

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

(2) Net charge-offs exclude $22 million and $40 million of write-offs in the home equity PCI loan portfolio for the three and six months ended June 30, 2018 compared to $14 million and $38 million for the same periods in 2017. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio.

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

(4) Amount excludes the PCI home equity portfolio.

(5) For both June 30, 2018 and December 31, 2017, 28 percent of PCI home equity loans were in California. 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 standards for PCI loans. For more information, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the

Corporation's 2017 Annual Report on Form 10-K and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements herein.

Table 25 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 25 Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Gross Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	June 30, 2018				
Residential mortgage (1)	$7,315	$7,207	$ 56	$ 7,151	97.76 %
Home equity	2,444	2,378	135	2,243	91.78
Total purchased credit-impaired loan portfolio	$9,759	$9,585	$ 191	$ 9,394	96.26
	December 31, 2017				
Residential mortgage (1)	$8,117	$8,001	$ 117	$ 7,884	97.13 %
Home equity	2,787	2,716	172	2,544	91.28

Total purchased credit-impaired loan portfolio	$ 10,904	$ 10,717	$ 289	$ 10,428	95.63

(1) At June 30, 2018 and December 31, 2017, pay option loans had an unpaid principal balance of $1.2 billion and $1.4 billion and a carrying value of $1.2 billion and $1.4 billion. This includes $1.1 billion and $1.2 billion of loans that were credit-impaired upon acquisition and $102 million and $141 million of loans that were 90 days or more past due at June 30, 2018 and December 31, 2017. The total unpaid principal balance of pay option loans with accumulated negative amortization was $104 million and $160 million, including $5 million and $9 million of negative amortization at June 30, 2018 and December 31, 2017.

The total PCI unpaid principal balance decreased $1.1 billion, or 11 percent, during the six months ended June 30, 2018 primarily driven by payoffs, paydowns, write-offs and PCI loan sales with a carrying value of $160 million compared to sales of $204 million for the same period in 2017.
Of the unpaid principal balance of $9.8 billion at June 30, 2018, $8.8 billion, or 90 percent, was current based on the contractual terms, $569 million, or six percent, was in early stage delinquency, and $291 million was 180 days or more past due, including $234 million of first-lien mortgages and $57 million of home equity loans.
The PCI residential mortgage loan and home equity portfolios represented 75 percent and 25 percent of the total PCI loan portfolio at June 30, 2018. Those loans to borrowers with a refreshed FICO score below 620 represented 23 percent and 17 percent of the PCI residential mortgage loan and home equity portfolios at June 30, 2018. Residential mortgage and home equity loans with a refreshed LTV or CLTV greater than 90 percent, after consideration of purchase accounting adjustments and the related valuation allowance, represented 13 percent and 32 percent of their respective PCI loan portfolios and 14 percent and 35 percent based on the unpaid principal balance at June 30, 2018.

U.S. Credit Card
At June 30, 2018, 97 percent of the U.S. credit card portfolio was managed in Consumer Banking with the remainder in GWIM. Outstandings in the U.S. credit card portfolio decreased $1.5 billion to $94.8 billion during the six months ended June 30, 2018 due to paydowns and a seasonal decline in purchase volume, as well as a portfolio transfer of approximately $600 million to held for sale in the first quarter. Net charge-offs increased $99 million to $739 million and $194 million to $1.4 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017 due to portfolio seasoning and loan growth. U.S. credit card loans 30 days or more past due and still accruing interest decreased $152 million during the six months ended June 30, 2018 and loans 90 days or more past due and still accruing interest decreased $35 million, driven by seasonal volume declines.
Unused lines of credit for U.S. credit card totaled $335.7 billion and $326.3 billion at June 30, 2018 and December 31, 2017. The increase was driven by a seasonal decrease in line utilization due to a decrease in transaction volume as well as account growth and lines of credit increases.
Table 26 presents certain state concentrations for the U.S. credit card portfolio.

Table 26 U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended June 30		Six Months Ended June 30	
	June 30 2018	December 31 2017	June 30 2018	December 31 2017				
(Dollars in millions)					2018	2017	2018	2017
California	$15,201	$ 15,254	$135	$ 136	$122	$103	$238	$199
Florida	8,305	8,359	99	94	91	70	168	137
Texas	7,414	7,451	71	76	59	50	115	97
New York	5,872	5,977	83	91	72	51	142	96
Washington	4,310	4,350	20	20	17	14	32	28
Other	53,688	54,894	457	483	378	352	745	689
Total U.S. credit card	$94,790	$ 96,285	$865	$ 900	$739	$640	$1,440	$1,246

portfolio

Direct/Indirect Consumer

At June 30, 2018, 55 percent of the direct/indirect portfolio was included in Consumer Banking (consumer auto and specialty lending – automotive, marine, aircraft, recreational vehicle loans and consumer personal loans) and 45 percent was included in GWIM (principally securities-based lending loans).

Outstandings in the direct/indirect portfolio decreased $3.7 billion to $92.6 billion during the six months ended June 30, 2018

primarily due to declines in our auto portfolio as paydowns outpaced originations and in securities-based lending due to lower draws and utilizations. Net charge-offs increased $8 million to $41 million and $19 million to $100 million for the three and six months ended June 30, 2018 compared to the same periods in 2017 due largely to portfolio seasoning.

Table 27 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 27 Direct/Indirect State Concentrations

(Dollars in millions)	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
					Three Months Ended June 30		Six Months Ended June 30	
	June 30 2018	December 31 2017	June 30 2018	December 31 2017	2018	2017	2018	2017
California	$12,110	$ 12,897	$4	$ 3	$5	$ 3	$11	$ 7
Florida	10,502	11,184	5	5	9	7	19	16
Texas	10,190	10,676	5	5	7	6	16	17
New York	6,498	6,557	4	2	2	—	5	1
Georgia	3,387	3,511	2	4	3	3	8	7
Other	49,934	51,517	15	21	15	14	41	33
Total direct/indirect loan portfolio	$92,621	$ 96,342	$35	$ 40	$41	$ 33	$100	$ 81

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 28 presents nonperforming consumer loans, leases and foreclosed properties activity for the three and six months ended June 30, 2018 and 2017. For more information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements herein. During the six months ended June 30, 2018, nonperforming consumer loans declined $527 million to $4.6 billion primarily driven by loan sales of $386 million.

At June 30, 2018, $1.4 billion, or 31 percent, of nonperforming loans were 180 days or more past due and had been written down to their estimated property value less costs to sell. In addition, at June 30, 2018, $2.2 billion, or 47 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 increased $27 million to $263 million during the six months ended June 30, 2018 as additions outpaced

liquidations. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once we acquire the underlying real estate upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. Certain delinquent government-guaranteed loans (principally FHA-insured loans) are excluded 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 accrued during the holding period.

We classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At June 30, 2018 and December 31, 2017, $266 million and $330 million of such junior-lien home equity loans were included in nonperforming loans and leases.

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. Nonperforming TDRs, excluding those modified loans in the PCI loan portfolio, are included in Table 28.

Table 28 Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity (1)

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Nonperforming loans and leases, beginning of period	$4,906	$5,546	$5,166	$6,004
Additions	599	682	1,411	1,500
Reductions:				
Paydowns and payoffs	(261)	(262)	(506)	(558)

Sales	(117)	(119)	(386)	(261)
Returns to performing status [2]	(336)	(368)	(700)	(754)
Charge-offs	(114)	(167)	(261)	(341)
Transfers to foreclosed properties	(38)	(53)	(83)	(110)
Transfers (to) from loans held-for-sale	—	23	(2)	(198)
Total net reductions to nonperforming loans and leases	(267)	(264)	(527)	(722)
Total nonperforming loans and leases, June 30 [3]	4,639	5,282	4,639	5,282
Foreclosed properties, June 30 [4]	263	285	263	285
Nonperforming consumer loans, leases and foreclosed properties, June 30	$4,902	$5,567	$4,902	$5,567
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases [5]	1.03 %	1.18 %		
Nonperforming consumer	1.09	1.24		

loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties (5)

(1) Balances do not include nonperforming LHFS of $0 and $4 million and nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $17 million and $22 million at June 30, 2018 and 2017 as well as loans accruing past due 90 days or more as presented in Table 18 and Note 5 – 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) At June 30, 2018, 31 percent of nonperforming loans were 180 days or more past due.

(4) Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured, of $573 million and $1.0 billion at June 30, 2018 and 2017.

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

Table 29 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 28.

Table 29 Consumer Real Estate Troubled Debt Restructurings

	June 30, 2018			December 31, 2017		
(Dollars in millions)	Nonperforming	Performing	Total	Nonperforming	Performing	Total
Residential mortgage (1, 2, 3)	$1,353	$ 6,291	$7,644	$1,535	$ 8,163	$9,698
Home equity (4)	1,420	1,406	2,826	1,457	1,399	2,856
Total consumer real estate troubled debt restructurings	$2,773	$ 7,697	$10,470	$2,992	$ 9,562	$12,554

(1) At June 30, 2018 and December 31, 2017, residential mortgage TDRs deemed collateral dependent totaled $1.8 billion and $2.8 billion, and included $1.1 billion and $1.2 billion of loans classified as nonperforming and $715 million and $1.6 billion of loans classified as performing.

(2)

Residential mortgage performing TDRs included $3.2 billion and $3.7 billion of loans that were fully-insured at June 30, 2018 and December 31, 2017.

(3) During the three months ended June 30, 2018, previously impaired residential mortgage loans with a carrying value of $1.2 billion were sold, resulting in a gain of $572 million recorded in other income.

(4) Home equity TDRs deemed collateral dependent totaled $1.6 billion and included $1.2 billion of loans classified as nonperforming at both June 30, 2018 and December 31, 2017, and $381 million and $388 million of loans classified as performing.

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).

Modifications of credit card and other consumer loans are made through renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 28 as substantially all of the loans remain on accrual status until either charged off or paid in full. At June 30, 2018 and December 31, 2017, our renegotiated TDR portfolio was $517 million and $490 million, of which $448 million and $426 million were current or less than 30 days past due under the modified terms. The increase in the renegotiated TDR portfolio was primarily driven by new renegotiated enrollments outpacing the run off of existing portfolios. For more information on the renegotiated TDR portfolio, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our non-U.S. portfolio, we evaluate exposures by region and by country. Tables 34, 37 and 41 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, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 42 and Table 37.

For more information on our accounting policies regarding nonperforming status, net charge-offs and delinquencies for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2017 Annual Report on Form 10-K.

Commercial Credit Portfolio

During the six months ended June 30, 2018, credit quality among large corporate borrowers was strong, and there was continued improvement in the energy portfolio. Credit quality of commercial real estate borrowers in most sectors remained stable with conservative LTV ratios, stable market rents and vacancy rates that remain low.

Total commercial utilized credit exposure increased $4.3 billion during the six months ended June 30, 2018 primarily driven by increases in derivative assets and loans and leases, partially offset by decreases in LHFS. The utilization rate for loans and leases, standby letters of credit (SBLCs) and financial guarantees, and commercial letters of credit, in the aggregate, was 59 percent at both June 30, 2018 and December 31, 2017.

Table 30 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes SBLCs and financial guarantees and commercial letters of credit that have been issued and for which we are legally bound to advance funds under prescribed conditions during a specified time period, and excludes exposure related to trading account assets. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes.

Table 30 Commercial Credit Exposure by Type

	Commercial Utilized [1]		Commercial Unfunded [2, 3, 4]		Total Commercial Committed	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017	June 30 2018	December 31 2017
Loans and leases [5]	$492,524	$ 487,748	$367,893	$ 364,743	$860,417	$ 852,491

Derivative assets [6]	45,210	37,762	—	—	45,210	37,762
Standby letters of credit and financial guarantees	33,242	34,517	505	863	33,747	35,380
Debt securities and other investments	26,871	28,161	4,499	4,864	31,370	33,025
Loans held-for-sale	4,796	10,257	15,810	9,742	20,606	19,999
Commercial letters of credit	1,476	1,467	284	155	1,760	1,622
Other	939	888	—	—	939	888
Total	$605,058	$ 600,800	$388,991	$ 380,367	$994,049	$ 981,167

(1) Commercial utilized exposure includes loans of $5.4 billion and $4.8 billion and issued letters of credit with a notional amount of $167 million and $232 million accounted for under the fair value option at June 30, 2018 and December 31, 2017.

(2) Commercial unfunded exposure includes commitments accounted for under the fair value option with a notional amount of $3.2 billion and $4.6 billion at June 30, 2018 and December 31, 2017.

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

(4) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (i.e., syndicated or participated) to other financial institutions. The distributed amounts were $10.7 billion and $11.0 billion at June 30, 2018 and December 31, 2017.

(5) Includes credit risk exposure associated with assets under operating lease arrangements of $6.3 billion at both June 30, 2018 and December 31, 2017.

(6) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $33.3 billion and $34.6 billion at June 30, 2018 and December 31, 2017. Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of $36.1 billion and $26.2 billion at June 30, 2018 and December 31, 2017, which consists primarily of other marketable securities.

Outstanding commercial loans and leases increased $4.8 billion during the six months ended June 30, 2018 primarily due to growth in U.S. commercial loans. The allowance for loan and lease losses for the commercial portfolio decreased $100 million to $4.9 billion at June 30, 2018. For more information, see Allowance for Credit Losses on page 45. Table 31 presents our commercial loans and leases portfolio and related credit quality information at June 30, 2018 and December 31, 2017.

Table 31 Commercial Credit Quality

(Dollars in millions)	Outstandings June 30 2018	Outstandings December 31 2017	Nonperforming June 30 2018	Nonperforming December 31 2017	Accruing Past Due 90 Days or More June 30 2018	Accruing Past Due 90 Days or More December 31 2017
Commercial and industrial:						
U.S. commercial	$289,741	$ 284,836	$881	$ 814	$221	$ 144
Non-U.S. commercial	94,450	97,792	170	299	—	3
Total commercial and industrial	384,191	382,628	1,051	1,113	221	147
Commercial real estate (1)	61,073	58,298	117	112	—	4
Commercial lease financing	21,399	22,116	34	24	12	19
	466,663	463,042	1,202	1,249	233	170
U.S. small business commercial (2)	14,205	13,649	56	55	73	75
Commercial loans excluding loans accounted for under the fair value option	480,868	476,691	1,258	1,304	306	245
Loans accounted for under the fair value option (3)	5,379	4,782	25	43	—	—
Total commercial loans and leases	$486,247	$ 481,473	$1,283	$ 1,347	$306	$ 245

(1)

Includes U.S. commercial real estate of $57.1 billion and $54.8 billion and non-U.S. commercial real estate of $4.0 billion and $3.5 billion at June 30, 2018 and December 31, 2017.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial of $3.5 billion and $2.6 billion and non-U.S. commercial of $1.9 billion and $2.2 billion at June 30, 2018 and December 31, 2017. For more information on the fair value option, see Note 15 – Fair Value Option to the Consolidated Financial Statements.

Table 32 presents net charge-offs and related ratios for our commercial loans and leases for the three and six months ended June 30, 2018 and 2017.

Table 32 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs				Net Charge-off Ratios (1)			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Commercial and industrial:								
U.S. commercial	$78	$52	$102	$96	0.11%	0.08%	0.07%	0.07%
Non-U.S. commercial	19	46	23	61	0.08	0.21	0.05	0.14
Total commercial and industrial	97	98	125	157	0.10	0.11	0.07	0.09
Commercial real estate	4	5	1	1	0.03	0.03	—	—
Commercial lease financing	1	1	—	1	0.01	0.01	—	0.01
	102	104	126	159	0.09	0.09	0.05	0.07
U.S. small business commercial	64	53	121	105	1.82	1.60	1.75	1.60
Total commercial	$166	$157	$247	$264	0.14	0.14	0.10	0.12

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

Table 33 presents commercial reservable criticized utilized exposure by loan type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial reservable criticized utilized exposure decreased $1.2 billion, or nine percent, during the six months ended June 30, 2018 driven by broad-based improvements including the energy sector. At June 30, 2018 and December 31, 2017, 87 percent and 84 percent of commercial reservable criticized utilized exposure was secured.

Table 33 Commercial Reservable Criticized Utilized Exposure [1, 2]

(Dollars in millions)	June 30, 2018		December 31, 2017	
Commercial and industrial:				
U.S. commercial	$8,837	2.78 %	$9,891	3.15 %
Non-U.S. commercial	1,887	1.88	1,766	1.70
Total commercial and industrial	10,724	2.57	11,657	2.79
Commercial real estate	451	0.72	566	0.95
Commercial lease financing	421	1.97	581	2.63
	11,596	2.31	12,804	2.57
U.S. small business commercial	761	5.36	759	5.56
Total commercial reservable criticized utilized exposure [1]	$12,357	2.40	$13,563	2.65

(1) Total commercial reservable criticized utilized exposure includes loans and leases of $11.5 billion and $12.5 billion and commercial letters of credit of $831 million and $1.1 billion at June 30, 2018 and December 31, 2017.

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

Commercial and Industrial
Commercial and industrial loans include U.S. commercial and non-U.S. commercial portfolios.
U.S. Commercial
At June 30, 2018, 69 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 17 percent in Global Markets, 12 percent in GWIM (generally business-purpose loans for high net worth clients) and the remainder primarily in Consumer Banking. U.S. commercial loans increased $4.9 billion, or two percent, during the six months ended June 30, 2018 due to growth across most of the commercial businesses. Reservable criticized balances decreased $1.1 billion, or 11 percent, driven by broad-based improvements including the energy sector.
Non-U.S. Commercial
At June 30, 2018, 81 percent of the non-U.S. commercial loan portfolio was managed in Global Banking and 19 percent in Global Markets. Outstanding loans decreased $3.3 billion during the six months ended June 30, 2018 driven by paydowns primarily in Global Markets. Nonperforming loans and leases decreased $129 million, or 43 percent, due primarily to sales. For additional information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 44.
Commercial Real Estate
Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate and is

dependent on the sale or lease of the real estate as the primary source of repayment. The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration at 23 percent of the commercial real estate loans and leases portfolio at both June 30, 2018 and December 31, 2017. The commercial real estate portfolio is predominantly managed in Global Banking and consists of loans made primarily to public and private developers, and commercial real estate firms. Outstanding loans increased $2.8 billion, or five percent, during the six months ended June 30, 2018 to $61.1 billion due to new originations outpacing paydowns.
For the three and six months ended June 30, 2018, we continued to see low default rates and solid credit quality in both the residential and non-residential portfolios. We use a number of proactive risk mitigation initiatives to reduce adversely rated exposure in the commercial real estate portfolio, including transfers of deteriorating exposures to management by independent special asset officers and the pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation.
Nonperforming commercial real estate loans and foreclosed properties decreased $26 million, or 16 percent, during the six months ended June 30, 2018 to $138 million at June 30, 2018, and reservable criticized balances decreased $115 million, or 20 percent, to $451 million primarily due to loan paydowns.
Table 34 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type.

Table 34 Outstanding Commercial Real Estate Loans

(Dollars in millions)	June 30 2018	December 31 2017
By Geographic Region		
California	$ 14,129	$ 13,607
Northeast	10,665	10,072
Southwest	7,332	6,970
Southeast	5,625	5,487

Midwest	3,929	3,769
Florida	3,724	3,170
Midsouth	3,291	2,962
Illinois	2,885	3,263
Northwest	2,439	2,657
Non-U.S.	3,999	3,538
Other (1)	3,055	2,803
Total outstanding commercial real estate loans	$61,073	$ 58,298
By Property Type		
Non-residential		
Office	$18,024	$ 16,718
Shopping centers / Retail	8,604	8,825
Multi-family rental	8,283	8,280
Hotels / Motels	7,020	6,344
Industrial / Warehouse	5,597	6,070
Unsecured	3,163	2,187
Multi-use	2,293	2,771
Land and land development	136	160
Other	6,320	5,485
Total non-residential	59,440	56,840
Residential	1,633	1,458
Total outstanding commercial real estate loans	$61,073	$ 58,298

(1) Includes unsecured loans to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions and properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card loans and small business loans managed in Consumer Banking. Credit card-related products were 51 percent and 50 percent of the U.S. small business commercial portfolio at June 30, 2018 and December 31, 2017. Of the U.S. small business commercial net charge-offs, 92 percent and 94 percent were credit card-related products for the three and six months ended June 30, 2018 compared to 89 percent and 88 percent for the same periods in 2017.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 35 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three and six months ended June 30, 2018 and 2017. Nonperforming loans do not include loans accounted for under the fair value option. During the six months ended June 30, 2018, nonperforming commercial loans and leases decreased $46 million to $1.3 billion. At June 30,

2018, 88 percent of commercial nonperforming loans, leases and foreclosed properties were secured and 47 percent were contractually current. Commercial nonperforming loans were carried at 86 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less costs to sell.

Table 35 Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity (1, 2)

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Nonperforming loans and leases, beginning of period	$1,472	$1,728	$1,304	$1,703
Additions	244	288	680	760
Reductions:				
Paydowns	(193)	(266)	(362)	(533)
Sales	(50)	(33)	(74)	(55)
Returns to performing status (3)	(91)	(86)	(118)	(140)
Charge-offs	(112)	(85)	(160)	(167)
Transfers to foreclosed properties	—	(5)	—	(27)
Transfers to loans held-for-sale	(12)	(21)	(12)	(21)
Total net reductions to nonperforming loans and	(214)	(208)	(46)	(183)

leases				
Total nonperforming loans and leases, June 30	1,258	1,520	1,258	1,520
Foreclosed properties, June 30	21	40	21	40
Nonperforming commercial loans, leases and foreclosed properties, June 30	$1,279	$1,560	$1,279	$1,560
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [4]	0.26 %	0.33 %		
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [4]	0.27	0.34		

(1) Balances do not include nonperforming LHFS of $220 million and $264 million at June 30, 2018 and 2017.

(2) Includes U.S. small business commercial activity. Small business card loans are excluded as they are not classified as nonperforming.

(3) Commercial loans and leases may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes

well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.

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

Table 36 presents our commercial TDRs by product type and performing status. U.S. small business commercial TDRs are comprised of renegotiated small business card loans and small business loans. The renegotiated small business card loans are not classified as nonperforming as they are charged off no later than the end of the month in which the loan becomes 180 days past due. For more information on TDRs, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 36 Commercial Troubled Debt Restructurings

	June 30, 2018			December 31, 2017		
(Dollars in millions)	Nonperforming	Performing	Total	Nonperforming	Performing	Total
Commercial and industrial:						
U.S. commercial	$458	$ 961	$1,419	$370	$ 866	$1,236
Non-U.S. commercial	136	233	369	11	219	230
Total commercial and industrial	594	1,194	1,788	381	1,085	1,466
Commercial real estate	17	7	24	38	9	47
Commercial lease financing	2	45	47	5	13	18
	613	1,246	1,859	424	1,107	1,531
U.S. small business commercial	4	17	21	4	15	19
Total commercial troubled debt restructurings	$617	$ 1,263	$1,880	$428	$ 1,122	$1,550

Industry Concentrations

Table 37 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. Total commercial committed exposure increased $12.9 billion, or one percent, during the six months ended June 30, 2018 to $994.0 billion. The increase in commercial committed exposure was concentrated in the Asset Managers and Funds, Real Estate, Capital Goods, Materials, Commercial Services and Supplies, and Consumer Durables and Apparel industry sectors. Increases were partially offset by reduced exposure to the Food and Staples Retailing, Global Commercial Banks, Retailing, Media, and Government and Public Education industry sectors.

Industry limits are used internally to manage industry concentrations and are based on committed exposure that is allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits as well as to provide ongoing monitoring. The Management Risk Committee oversees industry limit governance.

Asset Managers and Funds, our largest industry concentration with committed exposure of $103.1 billion, increased $12.0 billion, or 13 percent, during the six months ended June 30, 2018.

The change reflects an increase in exposure to several counterparties.

Real Estate, our second largest industry concentration with committed exposure of $89.4 billion, increased $5.6 billion, or seven percent, during the six months ended June 30, 2018. For more information on the commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 40.

Capital Goods, our third largest industry concentration with committed exposure of $75.1 billion, increased $4.7 billion, or seven percent, during the six months ended June 30, 2018. The increase in committed exposure occurred primarily as a result of increases in large conglomerates, as well as trading companies and distributors.

Our energy-related committed exposure decreased $1.6 billion, or four percent, during the six months ended June 30, 2018 to $35.2 billion. Energy sector net charge-offs were $27 million for the six months ended June 30, 2018 compared to $26 million for the same period in 2017. Energy sector reservable criticized exposure decreased $605 million during the six months ended June 30, 2018 to $1.0 billion due to improvement in credit quality of some borrowers coupled with exposure reductions. The energy allowance for credit losses decreased $150 million during the six months ended June 30, 2018 to $410 million.

Table 37 Commercial Credit Exposure by Industry (1)

	Commercial Utilized		Total Commercial Committed (2)	
(Dollars in millions)	June 30 2018	December 31 2017	June 30 2018	December 31 2017
Asset managers and funds	$67,210	$ 59,190	$103,136	$ 91,092
Real estate (3)	64,899	61,940	89,400	83,773
Capital goods	39,876	36,705	75,092	70,417
Healthcare equipment and services	35,299	37,780	57,893	57,256
Government and	45,827	48,684	55,565	58,067

public education				
Finance companies	34,173	34,050	54,010	53,107
Materials	26,261	24,001	50,435	47,386
Retailing	25,689	26,117	45,591	48,796
Consumer services	26,285	27,191	43,913	43,605
Food, beverage and tobacco	24,226	23,252	43,803	42,815
Commercial services and supplies	22,265	22,100	36,834	35,496
Energy	16,181	16,345	35,163	36,765
Media	12,205	19,155	31,296	33,955
Transportation	21,425	21,704	30,054	29,946
Global commercial banks	26,464	29,491	28,465	31,764
Utilities	10,881	11,342	26,884	27,935
Individuals and trusts	18,507	18,549	24,487	25,097
Technology hardware and equipment	9,827	10,728	20,933	22,071
Vehicle dealers	16,400	16,896	19,732	20,361
Pharmaceuticals and biotechnology	7,595	5,653	19,448	18,623
Consumer durables and apparel	9,201	8,859	18,568	17,296
Software and services	7,686	8,562	17,494	18,202
Automobiles and components	7,192	5,988	14,338	13,318
Telecommunication services	7,386	6,389	13,206	13,108
Insurance	6,215	6,411	12,778	12,990
Food and staples retailing	5,222	4,955	11,259	15,589
	3,807	4,454	5,587	6,318

Religious and social organizations				
Financial markets infrastructure (clearinghouses)	1,372	688	3,164	2,403
Other	5,482	3,621	5,521	3,616
Total commercial credit exposure by industry	$605,058	$ 600,800	$994,049	$ 981,167
Net credit default protection purchased on total commitments [4]			$(2,506)	$ (2,129)

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

(2) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (i.e., syndicated or participated) to other financial institutions. The distributed amounts were $10.7 billion and $11.0 billion at June 30, 2018 and December 31, 2017.

(3) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.

(4) Represents net notional credit protection purchased. For more information, see Commercial Portfolio Credit Risk Management – Risk Mitigation.

Risk Mitigation

We purchase credit protection to cover the funded portion as well as the unfunded portion of certain credit exposures. To lower the cost of obtaining our desired credit protection levels, we may add credit exposure within an industry, borrower or counterparty group by selling protection.

At June 30, 2018 and December 31, 2017, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $2.5 billion and $2.1 billion. We recorded net gains of $7 million and net losses of $10 million for the three and six months ended June 30, 2018 compared to net losses of $16 million and $47 million for the same periods in 2017 on these positions. The gains and losses on these instruments were offset by gains and losses on the related exposures. The Value-at-Risk (VaR) results for these exposures are included in the fair value option portfolio information in Table 44. For more information, see Trading Risk Management on page 48.

Tables 38 and 39 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at June 30, 2018 and December 31, 2017.

Table 38 Net Credit Default Protection by Maturity

	June 30 2018	December 31 2017
Less than or equal to one year	37 %	42 %
Greater than one year and less than or equal to five years	62	58
Greater than five years	1	—
Total net credit default protection	100 %	100 %

Table 39 Net Credit Default Protection by Credit Exposure Debt Rating

	Net Notional [1]	Percent of Total	Net Notional [1]	Percent of Total
(Dollars in millions)	June 30, 2018		December 31, 2017	
Ratings [2, 3]				
A	$(575)	22.9 %	$(280)	13.2 %

BBB	(447)	17.8	(459)	21.6
BB	(928)	37.0	(893)	41.9
B	(394)	15.7	(403)	18.9
CCC and below	(144)	5.7	(84)	3.9
NR [4]	(18)	0.9	(10)	0.5
Total net credit default protection	$(2,506)	100.0%	$(2,129)	100.0%

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

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker-dealers and,

to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required by the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

Table 40 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts with the counterparty. For more information on our written credit derivatives, see Note 3 – Derivatives to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 40 take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in Note 3 – Derivatives to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 40 Credit Derivatives

	Contract/ Notional	Credit Risk
(Dollars in billions)	June 30, 2018	
Purchased credit derivatives:		
Credit default swaps	$431.6	$ 2.1
Total return	75.3	0.5

swaps/options		
Total purchased credit derivatives	$506.9	$ 2.6
Written credit derivatives:		
Credit default swaps	$407.6	n/a
Total return swaps/options	75.3	n/a
Total written credit derivatives	$482.9	n/a

	December 31, 2017	
Purchased credit derivatives:		
Credit default swaps	$470.9	$ 2.4
Total return swaps/options	54.1	0.3
Total purchased credit derivatives	$525.0	$ 2.7
Written credit derivatives:		
Credit default swaps	$448.2	n/a
Total return swaps/options	55.2	n/a
Total written credit derivatives	$503.4	n/a

n/a = not applicable

We record counterparty credit risk valuation adjustments on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit risk of the counterparty. For more information, see Note 3 – Derivatives to the Consolidated Financial Statements herein and Note 2 – Derivatives to the Consolidated Financial

Statements of the Corporation’s 2017 Annual Report on Form 10-K.

Non-U.S. Portfolio
Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. In addition to the direct risk of doing business in a country, we also are exposed to indirect country risks (e.g., related to the collateral received on secured financing transactions or related to client clearing activities). These indirect exposures are managed in the normal course of business through credit, market and operational risk governance, rather than through country risk governance.
Table 41 presents our 20 largest non-U.S. country exposures at June 30, 2018. These exposures accounted for 88 percent and 86 percent of our total non-U.S. exposure at June 30, 2018 and December 31, 2017. Net country exposure for these 20 countries increased $20.7 billion in the six months ended June 30, 2018, primarily driven by increases in the U.K., Japan and France.

Non-U.S. exposure is presented on an internal risk management basis and includes sovereign and non-sovereign credit exposure, securities and other investments issued by or domiciled in countries other than the U.S.
Funded loans and loan equivalents include loans, leases, and other extensions of credit and funds, including letters of credit and due from placements. Unfunded commitments are the undrawn portion of legally binding commitments related to loans and loan equivalents. Net counterparty exposure includes the fair value of derivatives, including the counterparty risk associated with credit default swaps, and secured financing transactions. Securities and other investments are carried at fair value and long securities exposures are netted against short exposures with the same underlying issuer to, but not below, zero. Net country exposure represents country exposure less hedges and credit default protection purchased, net of credit default protection sold. For more information on our non-U.S. credit and trading portfolios, see Non-U.S. Portfolio in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

Table 41 Top 20 Non-U.S. Countries Exposure

(Dollars in millions)	Funded Loans and Loan Equivalents	Unfunded Loan Commitments	Net Counterparty Exposure	Securities/ Other Investments	Country Exposure at June 30 2018	Hedges and Credit Default Protection	Net Country Exposure at June 30 2018	Increase (Decrease) from December 31 2017
United Kingdom	$ 27,911	$ 15,780	$ 5,366	$ 991	$ 50,048	$ (4,123)	$ 45,925	$ 8,330
Germany	17,979	6,469	1,825	733	27,006	(3,482)	23,524	2,021
Canada	7,378	7,214	1,983	3,062	19,637	(538)	19,099	376
Japan	12,179	2,229	1,426	1,182	17,016	(1,475)	15,541	6,451
China	13,306	307	972	838	15,423	(477)	14,946	(979)
France	5,704	5,774	3,085	3,344	17,907	(3,815)	14,092	3,549
Brazil	7,046	1,118	492	2,128	10,784	(410)	10,374	(342)
Netherlands	6,713	2,586	556	1,359	11,214	(1,302)	9,912	1,445
India	6,631	326	324	2,666	9,947	(56)	9,891	(606)
Australia	5,063	3,622	604	1,093	10,382	(506)	9,876	(713)
Hong Kong	6,688	233	521	1,042	8,484	(39)	8,445	(233)
South Korea	5,459	591	653	1,867	8,570	(264)	8,306	405
Switzerland	4,438	3,058	250	121	7,867	(982)	6,885	1,088
Singapore	3,360	207	541	2,206	6,314	(74)	6,240	(23)
Mexico	3,185	1,898	202	1,165	6,450	(578)	5,872	385
Belgium	2,650	1,036	163	739	4,588	(639)	3,949	(16)

Italy	2,412	1,494	593	1,076	5,575	(1,711)	3,864	(382)
United Arab Emirates	2,687	488	139	63	3,377	(70)	3,307	(80)
Spain	2,351	1,037	209	768	4,365	(1,106)	3,259	151
Taiwan	1,635	33	398	567	2,633	(1)	2,632	(80)
Total top 20 non-U.S. countries exposure	$ 144,775	$ 55,500	$ 20,302	$ 27,010	$ 247,587	$ (21,648)	$ 225,939	$ 20,747

A number of economic conditions and geopolitical events have given rise to risk aversion in certain emerging markets. Our largest emerging market country exposure at June 30, 2018 was China, with net exposure of $14.9 billion, concentrated in large state-owned companies, subsidiaries of multinational corporations and commercial banks.

The outlook for policy direction and therefore economic performance in the EU remains uncertain as a consequence of reduced political cohesion among EU countries. Additionally, we believe that the uncertainty in the U.K.'s ability to negotiate a favorable exit from the EU will further weigh on economic

performance. Our largest EU country exposure at June 30, 2018 was the U.K. with net exposure of $45.9 billion, an $8.3 billion increase from December 31, 2017. The increase was driven by corporate loan growth and increased placements with the central bank as part of liquidity management.

Markets have reacted negatively to the escalating tensions between the U.S. and several key trading partners. We are closely monitoring our exposures to tariff-sensitive industries and our international exposure, particularly to countries that account for a large percentage of U.S. trade.

Provision for Credit Losses

The provision for credit losses increased $101 million to $827 million, and $100 million to $1.7 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017. The provision for credit losses was $169 million and $246 million lower than net charge-offs for the three and six months ended June 30, 2018, resulting in a decrease in the allowance for credit losses. This compared to a reduction of $182 million and $281 million in the allowance for credit losses for the three and six months ended June 30, 2017.

The provision for credit losses for the consumer portfolio increased $151 million to $757 million, and $127 million to $1.5 billion for the three and six months ended June 30, 2018 compared to the same periods in 2017. The increase for both periods was primarily driven by portfolio seasoning and loan growth in the U.S. credit card portfolio, partially offset by the impact of the sale of the non-U.S. consumer credit card business in the second quarter of 2017. Also contributing to the increase in the three-month period was a slowing pace of improvement in the consumer real estate portfolio. Included in the provision is a benefit of $14 million and $25 million related to the PCI loan portfolio for the three and six months ended June 30, 2018 compared to a benefit of $24 million and an expense of $44 million for the same periods in 2017.

The provision for credit losses for the commercial portfolio, including unfunded lending commitments, decreased $50 million to $70 million, and $27 million to $156 million for the three and six months ended June 30, 2018 compared to the same periods in 2017. The decrease for both periods was primarily driven by a reduction in energy exposures.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is comprised of two components. The first component covers nonperforming commercial loans and TDRs. The second component covers loans and leases on which there are incurred losses that are not yet individually identifiable, as well as incurred losses that may not be represented in the loss forecast models. We evaluate the adequacy of the allowance for loan and lease losses based on the total of these two components. The allowance for loan and lease losses excludes LHFS and loans accounted for under the fair value option as the fair value reflects a credit risk component. For more information on the allowance for loan and lease losses, see Allowance for Credit Losses in the MD&A of the Corporation’s 2017 Annual Report on Form 10-K.

During the three and six months ended June 30, 2018, the factors that impacted the allowance for loan and lease losses included improvements in the credit quality of the consumer real estate portfolios driven by continuing improvements in the U.S. economy and strong labor markets, proactive credit risk management initiatives and the impact of high credit quality

originations. Evidencing the improvements in the U.S. economy and strong labor markets are low levels of unemployment and increases in home prices. In addition to these improvements, in the consumer portfolio, nonperforming consumer loans decreased $527 million in the six months ended June 30, 2018 as returns to performing status, paydowns, loan sales and charge-offs continued to outpace new nonaccrual loans. During the six months ended June 30, 2018, the allowance for loan and lease losses in the commercial portfolio reflected decreased energy reserves primarily driven by reductions in energy exposures including reservable criticized utilized exposures.

The allowance for loan and lease losses for the consumer portfolio, as presented in Table 43, was $5.1 billion at June 30, 2018, a decrease of $243 million from December 31, 2017. The decrease was primarily in the consumer real estate portfolio, partially offset by an increase in the U.S. credit card portfolio. The reduction in the allowance for the consumer real estate portfolio was due to improved home prices, lower nonperforming loans and a decrease in loan balances in our non-core portfolio. The increase in the allowance for the U.S. credit card portfolio was driven by portfolio seasoning.

The allowance for loan and lease losses for the commercial portfolio, as presented in Table 43, was $4.9 billion at June 30, 2018, a decrease of $100 million from December 31, 2017 driven by decreased energy reserves due to reductions in the higher risk energy sub-sectors. Commercial reservable criticized utilized exposure decreased to $12.4 billion at June 30, 2018 from $13.6 billion (to 2.40 percent from 2.65 percent of total commercial reservable utilized exposure) at December 31, 2017, driven by broad-based improvements including the energy sector. Nonperforming commercial loans remained relatively unchanged at $1.3 billion at both June 30, 2018 and December 31, 2017 (0.26 percent and 0.27 percent of outstanding commercial loans excluding loans accounted for under the fair value option).

See Tables 31, 32 and 33 for more details on key commercial credit statistics.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 1.08 percent at June 30, 2018 compared to 1.12 percent at December 31, 2017.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees, unfunded bankers' acceptances and binding loan commitments, excluding commitments accounted for under the fair value option. For more information on the reserve for unfunded lending commitments, see Allowance for Credit Losses in the MD&A of the Corporation's 2017 Annual Report on Form 10-K.

The reserve for unfunded lending commitments was $787 million at June 30, 2018 compared to $777 million at December 31, 2017.

Table 42 presents a rollforward of the allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, for the three and six months ended June 30, 2018 and 2017.

Table 42 Allowance for Credit Losses

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2018	2017	2018	2017
Allowance for loan and lease losses, beginning of period	$10,260	$11,112	$10,393	$11,237
Loans and leases charged off				
Residential mortgage	(36)	(45)	(92)	(106)
Home equity	(101)	(153)	(219)	(296)
U.S. credit card	(865)	(753)	(1,689)	(1,471)
Non-U.S. credit card (1)	—	(44)	—	(103)
Direct/Indirect consumer	(123)	(108)	(256)	(223)
Other consumer	(45)	(49)	(94)	(103)
Total consumer charge-offs	(1,170)	(1,152)	(2,350)	(2,302)
U.S. commercial (2)	(168)	(141)	(276)	(278)
Non-U.S. commercial	(29)	(46)	(36)	(66)
Commercial real estate	(7)	(8)	(7)	(8)
Commercial lease financing	(4)	(3)	(5)	(6)
Total commercial charge-offs	(208)	(198)	(324)	(358)
Total loans and leases charged off	(1,378)	(1,350)	(2,674)	(2,660)
Recoveries of loans and leases previously charged off				
Residential mortgage	29	64	91	108
Home equity	101	103	186	182
U.S. credit card	126	113	249	225
Non-U.S. credit card (1)	—	13	—	28
Direct/Indirect consumer	82	75	156	142
Other consumer	2	33	8	39
Total consumer recoveries	340	401	690	724
U.S. commercial (3)	26	36	53	77
Non-U.S. commercial	10	—	13	5
Commercial real estate	3	3	6	7
Commercial lease financing	3	2	5	5
Total commercial recoveries	42	41	77	94
Total recoveries of loans and leases previously charged off	382	442	767	818
Net charge-offs	(996)	(908)	(1,907)	(1,842)
Write-offs of PCI loans	(36)	(55)	(71)	(88)
Provision for loan and lease losses	822	726	1,651	1,566
Other (4)	—			