BANK OF AMERICA CORP /DE/
Form 10-Q
August 01, 2013

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, 2013
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact Name of Registrant as Specified in its Charter:
Bank of America Corporation
State or Other Jurisdiction of Incorporation or Organization:
Delaware
IRS Employer Identification Number:
56-0906609
Address of Principal Executive Offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

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

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

On July 31, 2013, there were 10,743,127,450 shares of Bank of America Corporation Common Stock outstanding.

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

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: expectations regarding European and certain Asian economies; the expectation that, if the pace of improvement in the economy continues, there will be reductions in the allowance for credit losses; expected levels of net charge-offs; expectations regarding the impact of interest rate increases on future net interest income, accumulated OCI and mortgage loan originations; expectations regarding the anticipated transfers of mortgage servicing rights; expectations regarding planned actions pursuant to the Corporation's capital plan; the expectation that borrower assistance programs will not result in any incremental credit provision and that the existing allowance for credit losses is adequate to absorb any costs that have not already been recorded as charge-offs; expectations of achieving cost savings as a result of Project New BAC of $8 billion per year on an annualized basis, or $2 billion per quarter, by mid-2015, with $1.5 billion in quarterly cost savings achieved by the fourth quarter of 2013; expectations regarding the impact of U.K. corporate income tax rate reductions on the Corporation's income tax expense and regulatory capital ratios; expectations that, in the fourth quarter of 2013, noninterest expense in Legacy Assets & Servicing (excluding litigation expense) will be below $2.0 billion and the number of 60 days or more past due residential mortgage loans in the Legacy and Non-Legacy Mortgage Serviced Portfolios will decline below 375,000; the expectation that unresolved repurchase claims related to private-label securitizations will continue to increase; the resolution of representation and warranties repurchase and other claims; the possibility of additional settlements in the future; the belief that there will likely be additional requests for loan files in the future leading to repurchase claims; the possibility that the Corporation may purchase common stock and outstanding debt securities depending on prevailing market conditions, liquidity and other factors; beliefs and expectations concerning the impact of the National Mortgage Settlement, including the impact of uniform servicing standards; predictions concerning the impact of possible foreclosure delays; the possibility that the Corporation will need to register additional entities as swap dealers and major swap participants; the possibility that the Corporation will be required to restructure certain businesses as a result of final derivatives regulations that impose additional operational and compliance costs; expectations regarding the planned merger of certain pension plans, including its effect on the Corporation's regulatory capital; expectations regarding capital requirements under proposed regulatory rulemaking, including the approved final Basel 3 rules, which have not yet been published in the Federal Register, and the possibility of capital distribution-related impacts of these requirements on the Corporation; expectations that the Corporation will meet proposed Basel 3 liquidity standards within the regulatory timelines; the expectation that, if the Corporation's analytical models for capital measurement under Basel 3 are not approved by the U.S. regulatory agencies, it would likely lead to an increase in the Corporation's risk-weighted assets, which in some cases could be significant; expectations regarding benefits to be obtained from the Corporation's centralized funding strategy; estimates concerning the Corporation's additional capital requirements as a global systemically important financial institution; beliefs that default-related servicing costs peaked in late 2012 and will continue to decline in 2013; expectations regarding preferred stock dividends; the Corporation's belief that it can quickly obtain cash for certain securities, even in stressed market conditions, through repurchase agreements or outright sales; the Corporation's belief that a portion of structured liability obligations will remain outstanding beyond the earliest put or redemption date; the Corporation's anticipation that debt levels will decline due to maturities through 2013; the estimation that lifetime losses on loans originated after 2008 will be significantly less than the losses experienced with respect to vintages prior to 2009;

expectations regarding loans in the pay option portfolio; the possibility that the Corporation may add credit exposure within an industry, borrower or counterparty group by selling protection; effects of the ongoing debt crisis in certain European countries, including the expectation of continued market volatility, the expectation that the Corporation will continue to support client activities in the region and that exposures may vary over time as the Corporation monitors the situation and manages its risk profile; the expectation that net losses on derivative instruments that qualify as cash flow hedges will be reclassified into earnings during the next 12 months; the possibility that the Corporation may hedge debt securities with risk management derivatives; the expectation that the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa, MasterCard and Discover for the last six months; expectations regarding the Corporation's contributions to pension plans; and other matters relating to the Corporation and the securities that it may offer from time to time or steps it may take to manage the risk of these securities. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

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You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2012 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's ability to resolve representations and warranties repurchase claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more of the government-sponsored enterprises, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; the possibility that the Corporation may not collect mortgage insurance claims; the possible impact of a future FASB standard on accounting for credit losses; uncertainties about the financial stability of several countries in the EU, the risk that those countries may default on their sovereign debt or exit the EU and related stresses on financial markets, the Euro and the EU and the Corporation's exposures to such risks, including direct, indirect and operational; the possibility of future inquiries or investigations regarding pending or completed foreclosure activities; the negative impact of the Financial Reform Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the potential impact on debit card interchange fee revenue in connection with the U.S. District Court for the District of Columbia's ruling on July 31, 2013 regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment; 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; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the impact of continued refund payments to customers and potential regulatory enforcement action relating to optional identity theft protection services; the impact of potential regulatory enforcement action relating to certain optional credit card debt cancellation products; unexpected claims, damages and fines resulting from pending or future litigation and regulatory proceedings; the Corporation's ability to fully realize the cost savings and other anticipated benefits from Project New BAC, including in accordance with currently anticipated timeframes; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; and other similar matters.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. We operate our banking activities primarily under two national bank charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA). At June 30, 2013, the Corporation had approximately $2.1 trillion in assets and approximately 257,000 full-time equivalent employees.

As of June 30, 2013, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 51 million consumer and small business relationships with approximately 5,300 banking centers, 16,350 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to more than three million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

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Table 1 provides selected consolidated financial data for the three and six months ended June 30, 2013 and 2012, and at June 30, 2013 and December 31, 2012.

Table 1
Selected Financial Data

	Three Months Ended June 30				Six Months Ended June 30			
(Dollars in millions, except per share information)	2013		2012		2013		2012	
Income statement								
Revenue, net of interest expense (FTE basis) [1]	$22,949		$22,202		$46,357		$44,687	
Net income	4,012		2,463		5,495		3,116	
Diluted earnings per common share	0.32		0.19		0.42		0.22	
Dividends paid per common share	0.01		0.01		0.02		0.02	
Performance ratios								
Return on average assets	0.74	%	0.45	%	0.50	%	0.29	%
Return on average tangible shareholders' equity [1]	9.98		6.16		6.84		3.94	
Efficiency ratio (FTE basis) [1]	69.80		76.79		76.62		80.98	
Asset quality								
Allowance for loan and lease losses at period end					$21,235		$30,288	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [2]					2.33	%	3.43	%
Nonperforming loans, leases and foreclosed properties at period end [2]					$21,280		$25,377	
Net charge-offs [3]	$2,111		$3,626		4,628		7,682	
Annualized net charge-offs as a percentage of average loans and leases outstanding [2, 3]	0.94	%	1.64	%	1.04	%	1.72	%
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [2]	0.97		1.69		1.07		1.78	
Annualized net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [2, 4]	1.07		1.64		1.29		1.72	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [3]	2.51		2.08		2.28		1.96	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the purchased credit-impaired loan portfolio	2.04		1.46		1.85		1.38	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and purchased credit-impaired write-offs [4]	2.18		2.08		1.82		1.96	

	June 30 2013	December 31 2012
Balance sheet		
Total loans and leases	$921,570	$907,819
Total assets	2,123,320	2,209,974
Total deposits	1,080,783	1,105,261
Total common shareholders' equity	216,791	218,188

Total shareholders' equity	231,032		236,956	
Capital ratios [(5)]				
Tier 1 common capital	10.83	%	11.06	%
Tier 1 capital	12.16		12.89	
Total capital	15.27		16.31	
Tier 1 leverage	7.49		7.37	

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 18.

(2) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 101 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 50.

(3) Net charge-offs exclude $313 million and $1.2 billion of write-offs in the purchased credit-impaired loan portfolio for the three and six months ended June 30, 2013. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 95.

(4) There were no write-offs of purchased credit-impaired loans in the three and six months ended June 30, 2012.

(5) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which includes the Market Risk Final Rule at June 30, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

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Second Quarter 2013 Economic and Business Environment

In the U.S., economic growth continued but at a restrained pace in the second quarter of 2013 as the housing sector continued to show signs of further improvement, coupled with modest growth in consumer and business spending. However, the economy was adversely affected by the continued impact of lower federal government expenditures. Employment gains were moderate during the quarter, with little change in the unemployment rate. Measures of core inflation also fell during the second quarter of 2013, with core personal consumption deflator ending the quarter near one percent on an annual basis, well below the longer-term inflation target of two percent set by the Board of Governors of the Federal Reserve System (Federal Reserve).

The Federal Reserve continued its $40 billion in monthly purchases of agency mortgage-backed securities (MBS) and $45 billion in monthly purchases of long-term U.S. Treasury securities and maintained its forward guidance on interest rates expressed in terms of economic thresholds, which began in December 2012. Sequestration became effective on March 1, 2013, which restrained federal expenditures during the second quarter, and remained in effect at quarter-end. Despite remaining fiscal uncertainties and international economic difficulties, U.S. equities posted modest gains at the end of the second quarter. After the Federal Reserve's announcement on June 19, 2013, there was considerable market concern around potential tapering of the bond buying program. This resulted in a rise in long-term U.S. Treasury yields as the yield curve steepened during the second quarter and volatility in interest rate markets increased, which led to an extensive market sell off for interest rate sensitive products including, for example, municipal bonds and MBS.

Most European economies continued to contract during the quarter but at a diminishing pace with forward-looking indicators favoring a resumption of growth later in the year. Despite uncertainty ahead of upcoming German elections and continued political uncertainty in Greece, the Eurozone continued to demonstrate a reduced level of financial anxiety. Japan's economy continued to demonstrate signs of economic improvement, although uncertainties remain as to whether the impacts of a depreciating Yen could be sustained with the implementation of longer-term reforms. China's economic growth has slowed as the present leadership clarified a greater emphasis on other objectives such as financial reform, which has slowed the credit markets, therefore posing a risk of slowdown for bordering economies. For more information on our international exposure, see Non-U.S. Portfolio on page 116.

Recent Events

Common Stock Repurchases and Liability Management Actions

As disclosed in prior filings, the capital plan that the Corporation submitted to the Federal Reserve in January 2013 as part of our 2013 Comprehensive Capital Analysis and Review project (CCAR), and to which the Federal Reserve did not object, included a request to repurchase up to $5.0 billion of common stock and redeem $5.5 billion in preferred stock over four quarters with both beginning in the second quarter of 2013, and a continuation of the quarterly common stock dividend at $0.01 per share. In the second quarter, we repurchased and retired 79.6 million common shares for an aggregate purchase price of approximately $1.0 billion and redeemed our Series H and 8 preferred stock for $5.5 billion.

In addition to the CCAR actions, during the three months ended June 30, 2013, we redeemed $76 million of Noncumulative Perpetual Preferred Stock, Series 6 and 7 and issued approximately $1.0 billion of Fixed-to-Floating Rate Non-Cumulative Semi-annual Preferred Stock, Series U (the Series U Preferred Stock). On August 1, 2013, we redeemed $951 million of the Corporation's 7.25% Non-Cumulative Preferred Stock, Series J (the Series J Preferred Stock). For additional information, see Capital Management – Regulatory Capital on page 70 and Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

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Final Basel 3 Rules and Proposed Supplementary Leverage Ratio

In July 2013, U.S. banking regulators approved the final Basel 3 rules (Basel 3). While not yet published in the Federal Register, Basel 3 will be effective January 1, 2014. Various aspects of Basel 3 will be subject to multi-year transition periods ending December 31, 2018 and Basel 3 generally continues to be subject to further evaluation and interpretation by the U.S. banking regulators. Basel 3 will materially change our Tier 1 common, Tier 1 and Total capital calculations. Basel 3 introduces new minimum capital ratios and buffer requirements, changes the composition of regulatory capital, expands and modifies the calculation of risk-weighted assets for credit and market risk (the Advanced Approach), revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework and introduces, effective January 1, 2015, a Standardized Approach for the calculation of risk-weighted assets, which will replace the Basel 1 – 2013 Rules. Under Basel 3, we will be required to calculate regulatory capital ratios and risk-weighted assets under both the Standardized and Advanced Approaches. The approach that yields the lower ratio is to be used to assess capital adequacy including under the Prompt Corrective Action framework. The Prompt Corrective Action framework establishes categories of capitalization, including "well-capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of capitalization, with no mandatory actions required for "well-capitalized" banking entities. We continue to evaluate the impact of both the Standardized and Advanced Approaches on us. The Basel 3 Advanced Approach requires approval by the U.S. regulatory agencies of analytical models used as part of capital measurement. If these models are not approved, it would likely lead to an increase in our risk-weighted assets, which in some cases could be significant.

In addition, in July 2013, the U.S. banking regulators also proposed changes to the capital ratio requirements that would be effective beginning in 2018. Under the proposed rule, the largest bank holding companies (BHCs), including the Corporation, would be required to maintain a minimum supplementary leverage ratio of three percent, plus a supplementary leverage buffer of two percent, for a total of five percent. If the Corporation does not maintain the supplementary leverage buffer at a level greater than or equal to two percent, it would be subject to limitations on returning capital distributions to its shareholders, whether through dividends, stock repurchases or otherwise. The proposed rule would also require insured depository institutions of such BHCs, which for the Corporation would include primarily BANA and FIA, to have a six percent supplementary leverage ratio to be considered "well capitalized.” The proposal is not yet final and, when finalized, could have provisions significantly different from those currently proposed. For additional information, see Capital Management – Regulatory Capital on page 72.

Impact of U.K. Corporate Income Tax Rate Reduction

On July 17, 2013, the United Kingdom (U.K.) 2013 Finance Bill was enacted, which reduced the U.K. corporate income tax rate by three percent to 20 percent. Two percent of the reduction will become effective on April 1, 2014 and the additional one percent reduction on April 1, 2015. These reductions will favorably affect income tax expense on future U.K. earnings but also require the Corporation to remeasure, in the period of enactment, its U.K. net deferred tax assets using the lower tax rates. As a result, in the three months ending September 30, 2013, the Corporation will record a charge to income tax expense of approximately $1.1 billion in aggregate for these reductions. Because our deferred tax assets in excess of a certain amount are disallowed in calculating regulatory capital, this charge will not impact our capital ratios. For additional information, see Note 21 – Subsequent Event to the Consolidated Financial Statements.

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MBIA Settlement

On May 7, 2013, we entered into a comprehensive settlement with MBIA Inc. and certain of its affiliates (MBIA) to resolve all outstanding litigation between the parties, as well as other claims between the parties, including outstanding and potential claims from MBIA related to alleged representations and warranties breaches and other claims involving certain first- and second-lien residential mortgage-backed securities (RMBS) trusts for which MBIA provided financial guarantee insurance, certain of which claims were the subject of litigation (MBIA Settlement). Under the MBIA Settlement, all pending litigation between the parties was dismissed and each party received a global release of those claims.

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

The parties also terminated various credit default swaps (CDS) transactions entered into between the Corporation and an MBIA-affiliate, LaCrosse Financial Products, LLC, and guaranteed by MBIA, which constituted all of the outstanding CDS protection agreements purchased by the Corporation from MBIA on commercial mortgage-backed securities (CMBS). Collectively, those CDS transactions had a notional value of $7.4 billion and a fair value of $813 million as of March 31, 2013. The parties also terminated certain other trades in order to close out positions between the parties; the termination of these trades did not have a material impact on the Corporation's financial statements. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Performance Overview

Net income was $4.0 billion, or $0.32 per diluted share and $5.5 billion, or $0.42 per diluted share for the three and six months ended June 30, 2013 compared to $2.5 billion, or $0.19 and $3.1 billion, or $0.22 for the same periods in 2012. The results for the first half of 2013 reflect our efforts to stabilize revenue, decrease costs, strengthen the balance sheet and improve credit quality. The following highlights the most significant changes from the prior-year periods.

Net interest income on a fully taxable-equivalent (FTE) basis increased $989 million to $10.8 billion, and $811 million to $21.6 billion for the three and six months ended June 30, 2013. The increases in net interest income were primarily due to reductions in long-term debt balances, positive market-related premium amortization and hedge ineffectiveness on debt securities, improved trading-related net interest income, higher commercial loan balances and lower rates paid on deposits, partially offset by lower consumer loan balances as well as lower asset yields driven by the low rate environment. The net interest yield on a FTE basis increased 23 basis points (bps) and eight bps to 2.44 percent for both the three and six months ended June 30, 2013 due to the same factors described above.

Noninterest income decreased $242 million to $12.2 billion, and increased $859 million to $24.7 billion for the three and six months ended June 30, 2013. The significant drivers for the three-month period were lower mortgage banking income reflecting lower servicing income, partially offset by increases in investment banking income, equity investment income, and investment and brokerage services income. The year-ago period included gains of $505 million related to liability management actions.

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The significant drivers of noninterest income for the six-month period were negative fair value adjustments on structured liabilities of $80 million compared to $3.4 billion, debit valuation adjustment (DVA) losses on derivatives, net of hedges, of $15 million compared to $1.6 billion and increases in investment banking income and investment and brokerage services income. These improvements were partially offset by lower mortgage banking income and lower gains on sales of debt securities. The year-ago period included gains of $1.7 billion related to liability management actions.

The provision for credit losses decreased $562 million to $1.2 billion, and $1.3 billion to $2.9 billion for the three and six months ended June 30, 2013. The improvement was primarily in the home loans portfolio, due to improved portfolio trends as well as the impact of increased home prices.

Noninterest expense decreased $1.0 billion to $16.0 billion, and $671 million to $35.5 billion for the three and six months ended June 30, 2013. The decrease for the three-month period was driven by a $604 million decrease in other general operating expense primarily due to lower litigation expense as well as a decrease in professional fees due in part to reduced Legacy Assets & Servicing expenses, and a decrease in personnel expense as we continue to streamline processes and achieve cost savings. The decrease for the six-month period was driven by the same factors described in the three-month discussion above, partially offset by higher litigation expense due in part to the MBIA Settlement.

Income tax expense was $1.5 billion on $5.5 billion of pre-tax income and $2.0 billion on $7.5 billion of pre-tax income, resulting in effective tax rates of 27.0 percent and 26.6 percent for the three and six months ended June 30, 2013. This was compared to $684 million on $3.1 billion of pre-tax income and $750 million on $3.9 billion of pre-tax income that resulted in effective tax rates of 21.7 percent and 19.4 percent for the same periods in 2012.

For additional summary information on the Corporation's results, see Financial Highlights on page 10.

Table 2
Summary Income Statement

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2013	2012	2013	2012
Net interest income (FTE basis) [(1)]	$10,771	$9,782	$21,646	$20,835
Noninterest income	12,178	12,420	24,711	23,852
Total revenue, net of interest expense (FTE basis) [(1)]	22,949	22,202	46,357	44,687
Provision for credit losses	1,211	1,773	2,924	4,191
Noninterest expense	16,018	17,048	35,518	36,189
Income before income taxes	5,720	3,381	7,915	4,307
Income tax expense (FTE basis) [(1)]	1,708	918	2,420	1,191
Net income	4,012	2,463	5,495	3,116
Preferred stock dividends	441	365	814	690
Net income applicable to common shareholders	$3,571	$2,098	$4,681	$2,426
Per common share information				
Earnings	$0.33	$0.19	$0.43	$0.23
Diluted earnings	0.32	0.19	0.42	0.22

(1) FTE basis is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 18.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $989 million to $10.8 billion, and $811 million to $21.6 billion for the three and six months ended June 30, 2013 compared to the same periods in 2012. The increases were primarily due to reductions in long-term debt balances, positive market-related premium amortization and hedge ineffectiveness on debt securities, improved trading-related net interest income, higher commercial loan balances and lower rates paid on deposits, partially offset by lower consumer loan balances as well as lower asset yields driven by the low rate environment. The net interest yield on a FTE basis increased 23 bps and eight bps to 2.44 percent for both the three and six months ended June 30, 2013 compared to the same periods in 2012 due to the same factors described above.

Noninterest Income

Table 3
Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2013	2012	2013	2012
Card income	$1,469	$1,578	$2,879	$3,035
Service charges	1,837	1,934	3,636	3,846
Investment and brokerage services	3,143	2,847	6,170	5,723
Investment banking income	1,556	1,146	3,091	2,363
Equity investment income	680	368	1,243	1,133
Trading account profits	1,938	1,764	4,927	3,839
Mortgage banking income	1,178	1,659	2,441	3,271
Gains on sales of debt securities	457	400	525	1,152
Other income (loss)	(76)	730	(188)	(464)
Net impairment losses recognized in earnings on AFS debt securities	(4)	(6)	(13)	(46)
Total noninterest income	$12,178	$12,420	$24,711	$23,852

Noninterest income decreased $242 million to $12.2 billion, and increased $859 million to $24.7 billion for the three and six months ended June 30, 2013 compared to the same periods in 2012. The following highlights the significant changes.

- Card income decreased $109 million and $156 million primarily driven by decreased revenue due to the exit of consumer protection products.
- Investment and brokerage services increased $296 million and $447 million primarily driven by higher market levels, impact of long-term assets under management (AUM) flows and increased transactional activity.
- Investment banking income increased $410 million and $728 million due to strong debt underwriting performance, primarily within leveraged finance and investment grade, and equity underwriting performance due to significant increases in global initial public offering (IPO) markets, partially offset by a decline in advisory fees.
- Equity investment income increased $312 million and $110 million primarily due to a gain on the sale of an equity investment in the three and six months ended June 30, 2013, partially offset by a gain on the sale of an investment in Global Markets in the same periods in 2012.

- Trading account profits increased $174 million and $1.1 billion. Net DVA gains on derivatives were $39 million and net DVA losses were $15 million for the three and six months ended June 30, 2013 compared to net DVA losses of $158 million and $1.6 billion in the year-ago periods. Excluding net DVA, trading account profits decreased $23 million and $514 million primarily due to decreases in our fixed income, currencies and commodities (FICC) businesses reflecting less favorable market conditions, related to the Federal Reserve's policy announcement in June, primarily in structured credit and interest rate products.

- Mortgage banking income decreased $481 million and $830 million primarily driven by a decrease in servicing income due to a smaller servicing portfolio and the divestiture of certain servicing business units in the prior year. The decline in the servicing portfolio was due primarily to mortgage servicing rights (MSR) sales in 2013.

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Other income (loss) decreased $806 million to a loss of $76 million for the three months ended June 30, 2013 compared to the same period in 2012 and improved $276 million to a loss of $188 million for the six months ended June 30, 2013. Fair value adjustments on structured liabilities were positive $10 million and negative $80 million for the three and six months ended June 30, 2013 compared to negative fair value adjustments of $62 million and $3.4 billion in the year-ago periods. The six months ended June 30, 2013 included a $450 million write-down of a receivable. The prior-year periods included gains related to liability management actions of $505 million and $1.7 billion.

Provision for Credit Losses

The provision for credit losses decreased $562 million to $1.2 billion, and $1.3 billion to $2.9 billion for the three and six months ended June 30, 2013 compared to the same periods in 2012. For the three and six months ended June 30, 2013, the provision for credit losses was $900 million and $1.7 billion lower than net charge-offs, resulting in a reduction in the allowance for credit losses due to continued improvement in the home loans portfolio primarily as a result of increased home prices and improvement in credit card portfolios. If the pace of improvement in the economy continues, we anticipate additional reductions in the allowance for credit losses, particularly in our consumer real estate portfolios.

Net charge-offs totaled $2.1 billion, or 0.94 percent, and $4.6 billion, or 1.04 percent of average loans and leases for the three and six months ended June 30, 2013 compared to $3.6 billion, or 1.64 percent, and $7.7 billion, or 1.72 percent for the same periods in 2012. The decrease in net charge-offs was driven by credit quality improvement across all portfolios. Given the improving trend in delinquencies and other credit quality metrics, we expect net charge-offs to be below $2.0 billion for the three months ending September 30, 2013. For more information on the provision for credit losses, see Provision for Credit Losses on page 120.

Noninterest Expense

Table 4

Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2013	2012	2013	2012
Personnel	$8,531	$8,729	$18,422	$18,917
Occupancy	1,109	1,117	2,263	2,259
Equipment	532	546	1,082	1,157
Marketing	437	449	866	914
Professional fees	694	922	1,343	1,705
Amortization of intangibles	274	321	550	640
Data processing	779	692	1,591	1,548
Telecommunications	411	417	820	817
Other general operating	3,251	3,855	8,581	8,232
Total noninterest expense	$16,018	$17,048	$35,518	$36,189

Noninterest expense decreased $1.0 billion to $16.0 billion, and $671 million to $35.5 billion for the three and six months ended June 30, 2013 compared to same periods in 2012. The decrease for the three months ended June 30, 2013 was driven by a $604 million decrease in other general operating expense primarily due to lower litigation expense, a $228 million decrease in professional fees due in part to reduced default management activities in Legacy Assets & Servicing, and a $198 million decrease in personnel expense as we continue to streamline processes and achieve cost savings. The decrease for the six months ended June 30, 2013 was driven by a $495 million decrease in personnel expense and a $362 million decrease in professional fees as a result of the same factors described in the three-month discussion above, partially offset by a $349 million increase in other general operating expense. The increase in other general operating expense was the result of higher litigation expense due in part to the MBIA Settlement.

In connection with Project New BAC, which was first announced in the third quarter of 2011, we continue to achieve cost savings in certain noninterest expense categories as we further streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles. We expect total cost savings from Project New BAC to reach $8 billion per year on an annualized basis, or $2 billion per quarter, by mid-2015. We expect to achieve approximately $1.5 billion in quarterly cost savings by the fourth quarter of 2013, representing 75 percent of the quarterly target.

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Income Tax Expense

Income tax expense was $1.5 billion on $5.5 billion of pre-tax income and $2.0 billion on $7.5 billion of pre-tax income, resulting in effective tax rates of 27.0 percent and 26.6 percent for the three and six months ended June 30, 2013. This was compared to $684 million on $3.1 billion of pre-tax income and $750 million on $3.9 billion of pre-tax income that resulted in effective tax rates of 21.7 percent and 19.4 percent for the same periods in 2012.

The effective tax rates for the three and six months ended June 30, 2013 were primarily driven by our recurring tax preference items and an increase in tax benefits from the 2012 non-U.S. restructurings as compared to amounts previously recognized. The effective tax rates in the year-ago periods were primarily driven by our recurring tax preference items and discrete tax benefits.

On July 17, 2013, the U.K. 2013 Finance Bill was enacted, which reduced the U.K. corporate income tax rate by three percent to 20 percent. Two percent of the reduction will become effective on April 1, 2014 and the additional one percent reduction on April 1, 2015. These reductions will favorably affect income tax expense on future U.K. earnings but also require us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rates. As a result, in the three months ending September 30, 2013, we will record a charge to income tax expense of approximately $1.1 billion in aggregate for these reductions. Because our deferred tax assets in excess of a certain amount are disallowed in calculating regulatory capital, this charge will not impact our capital ratios.

Balance Sheet Overview

Table 5
Selected Balance Sheet Data

			Average Balance			
	June 30	December 31	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2013	2012	2013	2012	2013	2012
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$224,168	$219,924	$233,394	$234,148	$235,417	$233,604
Trading account assets	191,234	227,775	227,241	196,710	233,568	195,034
Debt securities	336,403	360,331	343,260	357,081	349,794	349,350
Loans and leases	921,570	907,819	914,234	899,498	910,269	906,610
Allowance for loan and lease losses	(21,235)	(24,179)	(22,060)	(31,463)	(22,822)	(32,336)
All other assets	471,180	518,304	488,541	538,589	492,217	538,606
Total assets	$2,123,320	$2,209,974	$2,184,610	$2,194,563	$2,198,443	$2,190,868
Liabilities						
Deposits	$1,080,783	$1,105,261	$1,079,956	$1,032,888	$1,077,631	$1,031,500
Federal funds purchased and securities loaned or sold under agreements to repurchase	232,609	293,259	270,790	279,496	285,781	267,950
Trading account liabilities	82,381	73,587	94,349	84,728	93,204	78,300
Short-term borrowings	46,470	30,731	47,238	39,413	42,001	38,031
Long-term debt	262,480	275,585	270,198	333,173	272,088	348,346
All other liabilities	187,565	194,595	187,016	189,307	191,714	192,679
Total liabilities	1,892,288	1,973,018	1,949,547	1,959,005	1,962,419	1,956,806
Shareholders' equity	231,032	236,956	235,063	235,558	236,024	234,062

Total liabilities and shareholders' equity	$2,123,320	$2,209,974	$2,184,610	$2,194,563	$2,198,443	$2,190,868

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

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Assets

At June 30, 2013, total assets were approximately $2.1 trillion, a decrease of $86.7 billion, or four percent, from December 31, 2012. This decrease was driven by lower trading account assets due to a reduction in U.S. government and agency securities, lower debt securities driven by net sales of U.S. Treasuries, paydowns and decreases in the fair value of available-for-sale (AFS) debt securities resulting from the impact of higher interest rates, a decrease in consumer loan balances driven by continued run-off in certain portfolios as well as paydowns and charge-offs outpacing originations, and lower cash and cash equivalent balances. These decreases were partially offset by higher commercial loan balances.

Average total assets decreased $10.0 billion for the three months ended June 30, 2013 compared to the same period in 2012 primarily driven by lower debt securities due to net sales of U.S. Treasuries, paydowns and decreases in fair value of AFS debt securities, a decrease in consumer loan balances driven by continued run-off in certain portfolios as well as paydowns and charge-offs outpacing originations, lower cash and cash equivalent balances, and lower derivative dealer assets largely due to MSR sales resulting in a decrease in derivative contracts used to hedge certain market risks on MSRs. These declines were partially offset by higher commercial loan balances and higher trading account assets primarily due to increased securities inventory and client-based activity.

Average total assets increased $7.6 billion for the six months ended June 30, 2013 compared to the same period in 2012 primarily driven by higher commercial loan balances and higher trading account assets resulting from increased securities inventory and client-based activity. These increases were partially offset by lower consumer loan balances driven by continued run-off in certain portfolios as well as paydowns and charge-offs outpacing originations, lower cash and cash equivalent balances, and a decrease in derivative dealer assets.

Liabilities and Shareholders' Equity

At June 30, 2013, total liabilities were approximately $1.9 trillion, a decrease of $80.7 billion, or four percent, from December 31, 2012. This decrease was driven by lower securities sold under agreement to repurchase due to lower matched-book activity and trading inventory, lower deposits and reductions in long-term debt. These decreases were partially offset by higher short-term borrowings due to an increase in advances from the Federal Home Loan Bank (FHLB).

Average total liabilities decreased $9.5 billion for the three months ended June 30, 2013 compared to the same period in 2012 primarily driven by reductions in long-term debt, partially offset by growth in deposits and higher trading account liabilities.

Average total liabilities increased $5.6 billion for the six months ended June 30, 2013 compared to the same period in 2012 primarily driven by growth in deposits, higher securities loaned or sold under agreement to repurchase due to funding of trading inventory and higher trading account liabilities, partially offset by reductions in long-term debt.

At June 30, 2013, shareholders' equity was $231.0 billion, a decrease of $5.9 billion from December 31, 2012 driven by a decrease in the fair value of AFS debt securities resulting from the impact of higher interest rates, which is recorded in accumulated other comprehensive income (OCI), redemptions of preferred stock and common stock repurchases, partially offset by earnings and issuances of preferred stock.

Average shareholders' equity decreased $495 million for the three months ended June 30, 2013 compared to the same period in 2012 driven by redemptions of preferred stock, a decrease in the fair value of AFS debt securities and common stock repurchases. These decreases were partially offset by earnings, common stock issued under employee benefit plans and issuances of preferred stock.

Average shareholders' equity increased $2.0 billion for the six months ended June 30, 2013 compared to the same period in 2012 driven by earnings, common stock issued under employee benefit plans and issuances of preferred stock. These increases were partially offset by redemptions of preferred stock, a decrease in the fair value of AFS debt securities and common stock repurchases.

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Table 6
Selected Quarterly Financial Data

	2013 Quarters		2012 Quarters		
(In millions, except per share information)	Second	First	Fourth	Third	Second
Income statement					
Net interest income	$10,549	$10,664	$10,324	$9,938	$9,548
Noninterest income	12,178	12,533	8,336	10,490	12,420
Total revenue, net of interest expense	22,727	23,197	18,660	20,428	21,968
Provision for credit losses	1,211	1,713	2,204	1,774	1,773
Noninterest expense	16,018	19,500	18,360	17,544	17,048
Income (loss) before income taxes	5,498	1,984	(1,904)	1,110	3,147
Income tax expense (benefit)	1,486	501	(2,636)	770	684
Net income	4,012	1,483	732	340	2,463
Net income (loss) applicable to common shareholders	3,571	1,110	367	(33)	2,098
Average common shares issued and outstanding	10,776	10,799	10,777	10,776	10,776
Average diluted common shares issued and outstanding (1)	11,525	11,155	10,885	10,776	11,556
Performance ratios					
Return on average assets	0.74 %	0.27 %	0.13 %	0.06 %	0.45 %
Four quarter trailing return on average assets (2)	0.30	0.23	0.19	0.25	0.51
Return on average common shareholders' equity	6.55	2.06	0.67	n/m	3.89
Return on average tangible common shareholders' equity (3)	9.88	3.12	1.01	n/m	5.95
Return on average tangible shareholders' equity (3)	9.98	3.69	1.77	0.84	6.16
Total ending equity to total ending assets	10.88	10.91	10.72	11.02	10.92
Total average equity to total average assets	10.76	10.71	10.79	10.86	10.73
Dividend payout	3.01	9.75	29.33	n/m	5.60
Per common share data					
Earnings	$0.33	$0.10	$0.03	$0.00	$0.19
Diluted earnings (1)	0.32	0.10	0.03	0.00	0.19
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.18	20.19	20.24	20.40	20.16
Tangible book value (3)	13.32	13.36	13.36	13.48	13.22
Market price per share of common stock					
Closing	$12.86	$12.18	$11.61	$8.83	$8.18
High closing	13.83	12.78	11.61	9.55	9.68
Low closing	11.44	11.03	8.93	7.04	6.83
Market capitalization	$138,156	$131,817	$125,136	$95,163	$88,155

(1) Due to a net loss applicable to common shareholders for the third quarter of 2012, the impact of antidilutive equity instruments was excluded from diluted earnings per share and average diluted common shares.

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 18.

(4) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 83.

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

(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 101 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 50.

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

(8) Net charge-offs exclude $313 million, $839 million, $1.1 billion and $1.7 billion of write-offs in the purchased credit-impaired loan portfolio for the second and first quarters of 2013 and the fourth and third quarters of 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 95.

(9) There were no write-offs in the purchased credit-impaired loan portfolio for the second quarter of 2012.

(10) Presents capital ratios in accordance with the Basel 1 – 2013 Rules at June 30, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

n/m = not meaningful

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Table 6
Selected Quarterly Financial Data (continued)

	2013 Quarters		2012 Quarters		
(Dollars in millions)	Second	First	Fourth	Third	Second
Average balance sheet					
Total loans and leases	$914,234	$906,259	$893,166	$888,859	$899,498
Total assets	2,184,610	2,212,430	2,210,365	2,173,312	2,194,563
Total deposits	1,079,956	1,075,280	1,078,076	1,049,697	1,032,888
Long-term debt	270,198	273,999	277,894	291,684	333,173
Common shareholders' equity	218,790	218,225	219,744	217,273	216,782
Total shareholders' equity	235,063	236,995	238,512	236,039	235,558
Asset quality (4)					
Allowance for credit losses (5)	$21,709	$22,927	$24,692	$26,751	$30,862
Nonperforming loans, leases and foreclosed properties (6)	21,280	22,842	23,555	24,925	25,377
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6)	2.33 %	2.49 %	2.69 %	2.96 %	3.43 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6)	103	102	107	111	127
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (6)	84	82	82	81	90
Amounts included in allowance that are excluded from nonperforming loans and leases (7)	$9,919	$10,690	$12,021	$13,978	$16,327
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases (7)	55 %	53 %	54 %	52 %	59 %
Net charge-offs (8)	$2,111	$2,517	$3,104	$4,122	$3,626
Annualized net charge-offs as a percentage of average loans and leases outstanding (6, 8)	0.94 %	1.14 %	1.40 %	1.86 %	1.64 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (6)	0.97	1.18	1.44	1.93	1.69
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (6, 9)	1.07	1.52	1.90	2.63	1.64
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	2.26	2.44	2.52	2.68	2.70
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	2.33	2.53	2.62	2.81	2.87
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (8)	2.51	2.20	1.96	1.60	2.08
	2.04	1.76	1.51	1.17	1.46

Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio										
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs [9]	2.18		1.65		1.44		1.13		2.08	
Capital ratios (period end) [10]										
Risk-based capital:										
Tier 1 common capital	10.83	%	10.49	%	11.06	%	11.41	%	11.24	%
Tier 1 capital	12.16		12.22		12.89		13.64		13.80	
Total capital	15.27		15.50		16.31		17.16		17.51	
Tier 1 leverage	7.49		7.49		7.37		7.84		7.84	
Tangible equity [3]	7.67		7.78		7.62		7.85		7.73	
Tangible common equity [3]	6.98		6.88		6.74		6.95		6.83	

For footnotes see page 14.

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Table 7
Selected Year-to-Date Financial Data

	Six Months Ended June 30	
(In millions, except per share information)	2013	2012
Income statement		
Net interest income	$21,213	$20,394
Noninterest income	24,711	23,852
Total revenue, net of interest expense	45,924	44,246
Provision for credit losses	2,924	4,191
Noninterest expense	35,518	36,189
Income before income taxes	7,482	3,866
Income tax expense	1,987	750
Net income	5,495	3,116
Net income applicable to common shareholders	4,681	2,426
Average common shares issued and outstanding	10,787	10,715
Average diluted common shares issued and outstanding	11,550	11,510
Performance ratios		
Return on average assets	0.50 %	0.29 %
Return on average common shareholders' equity	4.32	2.26
Return on average tangible common shareholders' equity (1)	6.53	3.47
Return on average tangible shareholders' equity (1)	6.84	3.94
Total ending equity to total ending assets	10.88	10.92
Total average equity to total average assets	10.74	10.68
Dividend payout	4.61	9.56
Per common share data		
Earnings	$0.43	$0.23
Diluted earnings	0.42	0.22
Dividends paid	0.02	0.02
Book value	20.18	20.16
Tangible book value (1)	13.32	13.22
Market price per share of common stock		
Closing	$12.86	$8.18
High closing	13.83	9.93
Low closing	11.03	5.80
Market capitalization	$138,156	$88,155

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 18.

(2) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 83.

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

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 101 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 50.

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

(6)

Net charge-offs exclude $1.2 billion of write-offs in the purchased credit-impaired loan portfolio for the six months ended June 30, 2013. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 95.

(7) There were no write-offs in the purchased credit-impaired loan portfolio for the six months ended June 30, 2012.

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

	Six Months Ended June 30	
(Dollars in millions)	2013	2012
Average balance sheet		
Total loans and leases	$910,269	$906,610
Total assets	2,198,443	2,190,868
Total deposits	1,077,631	1,031,500
Long-term debt	272,088	348,346
Common shareholders' equity	218,509	215,466
Total shareholders' equity	236,024	234,062
Asset quality [(2)]		
Allowance for credit losses [(3)]	$21,709	$30,862
Nonperforming loans, leases and foreclosed properties [(4)]	21,280	25,377
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [(4)]	2.33 %	3.43 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [(4)]	103	127
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio [(4)]	84	90
Amounts included in allowance that are excluded from nonperforming loans and leases [(5)]	$9,919	$16,327
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases [(5)]	55 %	59 %
Net charge-offs [(6)]	$4,628	$7,682
Annualized net charge-offs as a percentage of average loans and leases outstanding [(4, 6)]	1.04 %	1.72 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio [(4)]	1.07	1.78
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding [(4, 7)]	1.29	1.72
Nonperforming loans and leases as a percentage of total loans and leases outstanding [(4)]	2.26	2.70
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [(4)]	2.33	2.87
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [(6)]	2.28	1.96
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	1.85	1.38
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs [(7)]	1.82	1.96

For footnotes see page 16.

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Supplemental Financial Data

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

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

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

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

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

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

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

We evaluate our business segment results based on measures that utilize return on average allocated capital, and prior to January 1, 2013, the return on average economic capital, both of which represent non-GAAP financial measures. These ratios are calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital or average economic capital, as applicable. In addition, for purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity for the business segments is comprised of allocated capital (or economic capital prior to 2013) plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For additional information, see Business Segment Operations on page 30 and Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

Tables 8, 9 and 10 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2013 Quarters		2012 Quarters		
(Dollars in millions)	Second	First	Fourth	Third	Second
Fully taxable-equivalent basis data					
Net interest income	$10,771	$10,875	$10,555	$10,167	$9,782
Total revenue, net of interest expense	22,949	23,408	18,891	20,657	22,202
Net interest yield [1]	2.44 %	2.43 %	2.35 %	2.32 %	2.21 %
Efficiency ratio	69.80	83.31	97.19	84.93	76.79

(1) Calculation includes fees earned on overnight deposits placed with the Federal Reserve and, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, of $40 million and $33 million for the second and first quarters of 2013, and $42 million, $48 million and $52 million for the fourth, third and second quarters of 2012, respectively.

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Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2013 Quarters		2012 Quarters		
(Dollars in millions)	Second	First	Fourth	Third	Second
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,549	$10,664	$10,324	$9,938	$9,548
Fully taxable-equivalent adjustment	222	211	231	229	234
Net interest income on a fully taxable-equivalent basis	$10,771	$10,875	$10,555	$10,167	$9,782
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$22,727	$23,197	$18,660	$20,428	$21,968
Fully taxable-equivalent adjustment	222	211	231	229	234
Total revenue, net of interest expense on a fully taxable-equivalent basis	$22,949	$23,408	$18,891	$20,657	$22,202
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$1,486	$501	$(2,636)	$770	$684
Fully taxable-equivalent adjustment	222	211	231	229	234
Income tax expense (benefit) on a fully taxable-equivalent basis	$1,708	$712	$(2,405)	$999	$918
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$218,790	$218,225	$219,744	$217,273	$216,782
Goodwill	(69,930)	(69,945)	(69,976)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(6,270)	(6,549)	(6,874)	(7,194)	(7,533)
Related deferred tax liabilities	2,360	2,425	2,490	2,556	2,626
Tangible common shareholders' equity	$144,950	$144,156	$145,384	$142,659	$141,899
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$235,063	$236,995	$238,512	$236,039	$235,558
Goodwill	(69,930)	(69,945)	(69,976)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(6,270)	(6,549)	(6,874)	(7,194)	(7,533)
Related deferred tax liabilities	2,360	2,425	2,490	2,556	2,626
Tangible shareholders' equity	$161,223	$162,926	$164,152	$161,425	$160,675
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	$216,791	$218,513	$218,188	$219,838	$217,213
Goodwill	(69,930)	(69,930)	(69,976)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(6,104)	(6,379)	(6,684)	(7,030)	(7,335)
Related deferred tax liabilities	2,297	2,363	2,428	2,494	2,559
Tangible common shareholders' equity	$143,054	$144,567	$143,956	$145,326	$142,461

Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	$231,032	$237,293	$236,956	$238,606	$235,975
Goodwill	(69,930)	(69,930)	(69,976)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(6,104)	(6,379)	(6,684)	(7,030)	(7,335)
Related deferred tax liabilities	2,297	2,363	2,428	2,494	2,559
Tangible shareholders' equity	$157,295	$163,347	$162,724	$164,094	$161,223
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,123,320	$2,174,819	$2,209,974	$2,166,162	$2,160,854
Goodwill	(69,930)	(69,930)	(69,976)	(69,976)	(69,976)
Intangible assets (excluding MSRs)	(6,104)	(6,379)	(6,684)	(7,030)	(7,335)
Related deferred tax liabilities	2,297	2,363	2,428	2,494	2,559
Tangible assets	$2,049,583	$2,100,873	$2,135,742	$2,091,650	$2,086,102

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

(Dollars in millions, except per share information)	Six Months Ended June 30 2013	2012
Fully taxable-equivalent basis data		
Net interest income	$21,646	$20,835
Total revenue, net of interest expense	46,357	44,687
Net interest yield [1]	2.44 %	2.36 %
Efficiency ratio	76.62	80.98
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis		
Net interest income	$21,213	$20,394
Fully taxable-equivalent adjustment	433	441
Net interest income on a fully taxable-equivalent basis	$21,646	$20,835
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis		
Total revenue, net of interest expense	$45,924	$44,246
Fully taxable-equivalent adjustment	433	441
Total revenue, net of interest expense on a fully taxable-equivalent basis	$46,357	$44,687
Reconciliation of income tax expense to income tax expense on a fully taxable-equivalent basis		
Income tax expense	$1,987	$750
Fully taxable-equivalent adjustment	433	441
Income tax expense on a fully taxable-equivalent basis	$2,420	$1,191
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity		
Common shareholders' equity	$218,509	$215,466
Goodwill	(69,937)	(69,971)
Intangible assets (excluding MSRs)	(6,409)	(7,701)
Related deferred tax liabilities	2,393	2,663
Tangible common shareholders' equity	$144,556	$140,457
Reconciliation of average shareholders' equity to average tangible shareholders' equity		
Shareholders' equity	$236,024	$234,062
Goodwill	(69,937)	(69,971)
Intangible assets (excluding MSRs)	(6,409)	(7,701)
Related deferred tax liabilities	2,393	2,663
Tangible shareholders' equity	$162,071	$159,053

[1] Calculation includes fees earned on overnight deposits placed with the Federal Reserve and, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, of $73 million and $99 million for the six months ended June 30, 2013 and 2012.

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Table 10
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures [1]

(Dollars in millions)	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Consumer & Business Banking				
Reported net income	$1,392	$1,208	$2,831	$2,740
Adjustment related to intangibles [2]	2	4	4	7
Adjusted net income	$1,394	$1,212	$2,835	$2,747
Average allocated equity [3]	$62,058	$55,987	$62,070	$55,880
Adjustment related to goodwill and a percentage of intangibles	(32,058)	(32,180)	(32,070)	(32,198)
Average allocated capital/economic capital	$30,000	$23,807	$30,000	$23,682
Global Banking				
Reported net income	$1,291	$1,318	$2,575	$2,802
Adjustment related to intangibles [2]	—	1	1	2
Adjusted net income	$1,291	$1,319	$2,576	$2,804
Average allocated equity [3]	$45,416	$41,903	$45,412	$41,677
Adjustment related to goodwill and a percentage of intangibles	(22,416)	(22,431)	(22,412)	(22,434)
Average allocated capital/economic capital	$23,000	$19,472	$23,000	$19,243
Global Markets				
Reported net income	$959	$497	$2,128	$1,326
Adjustment related to intangibles [2]	2	3	4	5
Adjusted net income	$961	$500	$2,132	$1,331
Average allocated equity [3]	$35,372	$18,655	$35,372	$19,207
Adjustment related to goodwill and a percentage of intangibles	(5,372)	(5,339)	(5,372)	(5,358)
Average allocated capital/economic capital	$30,000	$13,316	$30,000	$13,849
Global Wealth & Investment Management				
Reported net income	$758	$548	$1,478	$1,098
Adjustment related to intangibles [2]	5	6	9	12
Adjusted net income	$763	$554	$1,487	$1,110
Average allocated equity [3]	$20,300	$17,391	$20,311	$17,107
Adjustment related to goodwill and a percentage of intangibles	(10,300)	(10,380)	(10,311)	(10,391)
Average allocated capital/economic capital	$10,000	$7,011	$10,000	$6,716

(1) There are no adjustments to reported net income (loss) or average allocated equity for CRES.

(2) Represents cost of funds, earnings credits and certain expenses related to intangibles.

(3) Average allocated equity is comprised of average allocated capital (or economic capital prior to 2013) plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For more information on allocated capital and economic capital, see Business Segment Operations on page 30 and Note 9 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

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Table 10
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures (continued) [1]

(Dollars in millions)	Three Months Ended June 30 2013	2012	Six Months Ended June 30 2013	2012
Consumer & Business Banking				
Deposits				
Reported net income	$484	$225	$882	$637
Adjustment related to intangibles [2]	—	1	—	1
Adjusted net income	$484	$226	$882	$638
Average allocated equity [3]	$35,403	$32,862	$35,404	$32,540
Adjustment related to goodwill and a percentage of intangibles	(20,003)	(20,025)	(20,004)	(20,027)
Average allocated capital/economic capital	$15,400	$12,837	$15,400	$12,513
Consumer Lending				
Reported net income	$908	$983	$1,949	$2,103
Adjustment related to intangibles [2]	2	3	4	6
Adjusted net income	$910	$986	$1,953	$2,109
Average allocated equity [3]	$26,655	$23,125	$26,666	$23,340
Adjustment related to goodwill and a percentage of intangibles	(12,055)	(12,155)	(12,066)	(12,171)
Average allocated capital/economic capital	$14,600	$10,970	$14,600	$11,169

For footnotes see page 21.

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Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on a FTE basis and excluding the impact of trading-related activities. As discussed in Global Markets on page 49, we evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 11 provides additional clarity in assessing our results.

Table 11
Net Interest Income Excluding Trading-related Net Interest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2013	2012	2013	2012
Net interest income (FTE basis)				
As reported [1]	$10,771	$9,782	$21,646	$20,835
Impact of trading-related net interest income	(919)	(653)	(1,929)	(1,449)
Net interest income excluding trading-related net interest income [2]	$9,852	$9,129	$19,717	$19,386
Average earning assets				
As reported	$1,769,336	$1,772,568	$1,784,975	$1,770,336
Impact of trading-related earning assets	(487,345)	(444,584)	(492,510)	(434,499)
Average earning assets excluding trading-related earning assets [2]	$1,281,991	$1,327,984	$1,292,465	$1,335,837
Net interest yield contribution (FTE basis) [3]				
As reported [1]	2.44 %	2.21 %	2.44 %	2.36 %
Impact of trading-related activities	0.64	0.55	0.62	0.55
Net interest yield on earning assets excluding trading-related activities [2]	3.08 %	2.76 %	3.06 %	2.91 %

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, of $40 million and $73 million for the three and six months ended June 30, 2013 and $52 million and $99 million for the three and six months ended June 30, 2012.

(2) Represents a non-GAAP financial measure.

(3) Calculated on an annualized basis.

For the three and six months ended June 30, 2013, net interest income excluding trading-related net interest income increased $723 million to $9.9 billion, and $331 million to $19.7 billion compared to the same periods in 2012. The increases were primarily due to reductions in long-term debt balances, positive market-related premium amortization and hedge ineffectiveness on debt securities, higher commercial loan balances and lower rates paid on deposits, partially offset by lower consumer loan balances as well as lower asset yields driven by the low rate environment. For more information on the impacts of rising interest rates, see Interest Rate Risk Management for Nontrading Activities on page 130.

Average earning assets excluding trading-related earning assets for the three and six months ended June 30, 2013 decreased $46.0 billion to $1,282.0 billion, and $43.4 billion to $1,292.5 billion compared to the same periods in 2012. The decreases were primarily due to declines in consumer loans and time deposits placed, partially offset by increases in commercial loans. In addition, for the three months ended June 30, 2013, the decrease was also driven by lower investment securities balances.

For the three and six months ended June 30, 2013, net interest yield on earning assets excluding trading-related activities increased 32 bps to 3.08 percent, and 15 bps to 3.06 percent compared to the same periods in 2012 due to the same factors described above.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Second Quarter 2013			First Quarter 2013		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$15,088	$46	1.21 %	$16,129	$46	1.17 %
Federal funds sold and securities borrowed or purchased under agreements to resell	233,394	319	0.55	237,463	315	0.54
Trading account assets	181,620	1,224	2.70	194,364	1,380	2.87
Debt securities [2]	343,260	2,557	2.98	356,399	2,556	2.87
Loans and leases [3]:						
Residential mortgage [4]	257,275	2,246	3.49	258,630	2,340	3.62
Home equity	101,708	951	3.74	105,939	997	3.80
U.S. credit card	89,722	2,192	9.80	91,712	2,249	9.95
Non-U.S. credit card	10,613	315	11.93	11,027	329	12.10
Direct/Indirect consumer [5]	82,485	598	2.90	82,364	620	3.06
Other consumer [6]	1,756	17	4.17	1,666	19	4.36
Total consumer	543,559	6,319	4.66	551,338	6,554	4.79
U.S. commercial	217,464	1,741	3.21	210,706	1,666	3.20
Commercial real estate [7]	40,612	340	3.36	39,179	326	3.38
Commercial lease financing	23,579	205	3.48	23,534	236	4.01
Non-U.S. commercial	89,020	543	2.45	81,502	467	2.32
Total commercial	370,675	2,829	3.06	354,921	2,695	3.07
Total loans and leases	914,234	9,148	4.01	906,259	9,249	4.12
Other earning assets	81,740	713	3.50	90,172	733	3.29
Total earning assets [8]	1,769,336	14,007	3.17	1,800,786	14,279	3.20
Cash and cash equivalents [1]	104,486	40		92,846	33	
Other assets, less allowance for loan and lease losses	310,788			318,798		
Total assets	$2,184,610			$2,212,430		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, have been included in the cash and cash equivalents line. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on debt securities carried at fair value are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

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

(4) Includes non-U.S. residential mortgage loans of $86 million and $90 million in the second and first quarters of 2013, and $93 million, $92 million and $89 million in the fourth, third and second quarters of 2012, respectively.

(5) Includes non-U.S. consumer loans of $7.5 billion and $7.7 billion in the second and first quarters of 2013, and $8.1 billion, $7.8 billion and $7.8 billion in the fourth, third and second quarters of 2012, respectively.

(6) Includes consumer finance loans of $1.3 billion and $1.4 billion in the second and first quarters of 2013, and $1.4 billion, $1.5 billion and $1.6 billion in the fourth, third and second quarters of 2012, respectively; consumer leases

of $291 million and $138 million in the second and first quarters of 2013, $3 million in the fourth quarter of 2012, and none in third and second quarters of 2012; other non-U.S. consumer loans of $5 million in both the second and first quarters of 2013, and $4 million, $997 million and $895 million in the fourth, third and second quarters of 2012, respectively; and consumer overdrafts of $136 million and $142 million in the second and first quarters of 2013, and $156 million, $158 million and $108 million in the fourth, third and second quarters of 2012, respectively.

(7) Includes U.S. commercial real estate loans of $39.1 billion and $37.7 billion in the second and first quarters of 2013, and $36.7 billion, $35.4 billion and $36.0 billion in the fourth, third and second quarters of 2012, respectively; and non-U.S. commercial real estate loans of $1.5 billion in both the second and first quarters of 2013, and $1.5 billion, $1.5 billion and $1.6 billion in the fourth, third and second quarters of 2012, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $63 million and $141 million in the second and first quarters of 2013, and $146 million, $136 million and $366 million in the fourth, third and second quarters of 2012, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $660 million and $618 million in the second and first quarters of 2013, and $598 million, $454 million and $591 million in the fourth, third and second quarters of 2012, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 130.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Fourth Quarter 2012			Third Quarter 2012			Second Quarter 2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$16,967	$50	1.14 %	$15,849	$58	1.47 %	$27,476	$64	0.94 %
Federal funds sold and securities borrowed or purchased under agreements to resell	241,950	329	0.54	234,955	353	0.60	234,148	360	0.62
Trading account assets	186,252	1,362	2.91	166,192	1,243	2.98	165,906	1,302	3.15
Debt securities [2]	360,213	2,201	2.44	355,302	2,068	2.33	357,081	1,910	2.14
Loans and leases [3]:									
Residential mortgage [4]	256,564	2,292	3.57	261,337	2,409	3.69	266,365	2,555	3.84
Home equity	110,270	1,068	3.86	116,308	1,100	3.77	119,785	1,091	3.66
U.S. credit card	92,849	2,336	10.01	93,292	2,353	10.04	95,018	2,356	9.97
Non-U.S. credit card	13,081	383	11.66	13,329	385	11.48	13,641	396	11.68
Direct/Indirect consumer [5]	82,583	662	3.19	82,635	704	3.39	84,198	733	3.50
Other consumer [6]	1,602	19	4.57	2,654	40	6.03	2,565	41	6.41
Total consumer	556,949	6,760	4.84	569,555	6,991	4.89	581,572	7,172	4.95
U.S. commercial	209,496	1,729	3.28	201,072	1,752	3.47	199,644	1,742	3.51
Commercial real estate [7]	38,192	341	3.55	36,929	329	3.54	37,627	323	3.46
Commercial lease financing	22,839	184	3.23	21,545	202	3.75	21,446	216	4.02
Non-U.S. commercial	65,690	433	2.62	59,758	401	2.67	59,209	369	2.50
Total commercial	336,217	2,687	3.18	319,304	2,684	3.35	317,926	2,650	3.35
Total loans and leases	893,166	9,447	4.21	888,859	9,675	4.34	899,498	9,822	4.38
Other earning assets	90,388	771	3.40	89,118	760	3.40	88,459	716	3.24
Total earning assets [8]	1,788,936	14,160	3.16	1,750,275	14,157	3.22	1,772,568	14,174	3.21
Cash and cash equivalents [1]	111,671	42		122,716	48		116,025	52	
Other assets, less allowance for loan and lease losses	309,758			300,321			305,970		
Total assets	$2,210,365			$2,173,312			$2,194,563		

For footnotes see page 24.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Second Quarter 2013 Average Balance	Interest Income/ Expense	Yield/ Rate		First Quarter 2013 Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$44,897	$6	0.05	%	$42,934	$6	0.05	%
NOW and money market deposit accounts	500,628	107	0.09		501,177	117	0.09	
Consumer CDs and IRAs	85,001	130	0.62		88,376	138	0.63	
Negotiable CDs, public funds and other deposits	22,721	27	0.46		20,880	26	0.52	
Total U.S. interest-bearing deposits	653,247	270	0.17		653,367	287	0.18	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	10,832	17	0.64		12,153	19	0.64	
Governments and official institutions	924	—	0.26		901	1	0.23	
Time, savings and other	55,661	79	0.56		54,599	75	0.56	
Total non-U.S. interest-bearing deposits	67,417	96	0.57		67,653	95	0.57	
Total interest-bearing deposits	720,664	366	0.20		721,020	382	0.22	
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	318,028	809	1.02		337,644	749	0.90	
Trading account liabilities	94,349	427	1.82		92,047	472	2.08	
Long-term debt	270,198	1,674	2.48		273,999	1,834	2.70	
Total interest-bearing liabilities (8)	1,403,239	3,276	0.94		1,424,710	3,437	0.98	
Noninterest-bearing sources:								
Noninterest-bearing deposits	359,292				354,260			
Other liabilities	187,016				196,465			
Shareholders' equity	235,063				236,995			
Total liabilities and shareholders' equity	$2,184,610				$2,212,430			
Net interest spread			2.23	%			2.22	%
Impact of noninterest-bearing sources			0.20				0.21	
Net interest income/yield on earning assets (1)		$10,731	2.43	%		$10,842	2.43	%

For footnotes see page 24.

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Table 12
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Fourth Quarter 2012			Third Quarter 2012			Second Quarter 2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$41,294	$6	0.06 %	$41,581	$11	0.10 %	$42,394	$14	0.13 %
NOW and money market deposit accounts	479,130	146	0.12	465,679	173	0.15	460,788	188	0.16
Consumer CDs and IRAs	91,256	156	0.68	94,140	172	0.73	96,858	171	0.71
Negotiable CDs, public funds and other deposits	19,904	27	0.54	19,587	30	0.61	21,661	35	0.65
Total U.S. interest-bearing deposits	631,584	335	0.21	620,987	386	0.25	621,701	408	0.26
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	11,964	22	0.71	13,883	19	0.56	14,598	25	0.69
Governments and official institutions	876	1	0.29	1,019	1	0.31	895	1	0.37
Time, savings and other	53,655	80	0.60	52,175	78	0.59	52,584	85	0.65
Total non-U.S. interest-bearing deposits	66,495	103	0.62	67,077	98	0.58	68,077	111	0.65
Total interest-bearing deposits	698,079	438	0.25	688,064	484	0.28	689,778	519	0.30
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	336,341	855	1.01	325,023	893	1.09	318,909	943	1.19
Trading account liabilities	80,084	420	2.09	77,528	418	2.14	84,728	448	2.13
Long-term debt	277,894	1,934	2.77	291,684	2,243	3.07	333,173	2,534	3.05
Total interest-bearing liabilities (8)	1,392,398	3,647	1.04	1,382,299	4,038	1.16	1,426,588	4,444	1.25
Noninterest-bearing sources:									
Noninterest-bearing deposits	379,997			361,633			343,110		
Other liabilities	199,458			193,341			189,307		
Shareholders' equity	238,512			236,039			235,558		
Total liabilities and shareholders' equity	$2,210,365			$2,173,312			$2,194,563		
Net interest spread			2.12 %			2.06 %			1.96 %

Impact of noninterest-bearing sources		0.22		0.25		0.24
Net interest income/yield on earning assets [1]	$10,513	2.34 %	$10,119	2.31 %	$9,730	2.20 %

For footnotes see page 24.

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Table 13
Year-to-Date Average Balances and Interest Rates – FTE Basis

	Six Months Ended June 30					
	2013			2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments (1)	$15,606	$92	1.19 %	$29,440	$129	0.88 %
Federal funds sold and securities borrowed or purchased under agreements to resell	235,417	634	0.54	233,604	820	0.71
Trading account assets	187,957	2,604	2.79	165,010	2,701	3.29
Debt securities (2)	349,794	5,113	2.92	349,350	4,662	2.67
Loans and leases (3):						
Residential mortgage (4)	257,949	4,586	3.56	269,436	5,145	3.82
Home equity	103,812	1,948	3.77	121,433	2,257	3.73
U.S. credit card	90,712	4,441	9.87	96,676	4,815	10.02
Non-U.S. credit card	10,819	644	12.01	13,896	804	11.64
Direct/Indirect consumer (5)	82,425	1,218	2.98	86,259	1,534	3.58
Other consumer (6)	1,710	36	4.26	2,592	81	6.33
Total consumer	547,427	12,873	4.73	590,292	14,636	4.98
U.S. commercial	214,103	3,407	3.21	197,377	3,498	3.56
Commercial real estate (7)	39,899	666	3.37	38,408	662	3.47
Commercial lease financing	23,556	441	3.75	21,563	488	4.52
Non-U.S. commercial	85,284	1,010	2.39	58,970	760	2.59
Total commercial	362,842	5,524	3.07	316,318	5,408	3.44
Total loans and leases	910,269	18,397	4.07	906,610	20,044	4.44
Other earning assets	85,932	1,446	3.39	86,322	1,439	3.35
Total earning assets (8)	1,784,975	28,286	3.18	1,770,336	29,795	3.38
Cash and cash equivalents (1)	98,698	73		114,268	99	
Other assets, less allowance for loan and lease losses	314,770			306,264		
Total assets	$2,198,443			$2,190,868		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Consolidated Balance Sheet presentation of these deposits. In addition, beginning in the third quarter of 2012, fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks, which are included in the time deposits placed and other short-term investments line in prior periods, have been included in the cash and cash equivalents line. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on debt securities carried at fair value are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

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

(4) Includes non-U.S. residential mortgage loans of $88 million for both the six months ended June 30, 2013 and 2012.

(5) Includes non-U.S. consumer loans of $7.6 billion and $7.7 billion for the six months ended June 30, 2013 and 2012.

(6) Includes consumer finance loans of $1.4 billion and $1.6 billion, consumer leases of $215 million and none, other non-U.S. consumer loans of $5 million and $899 million, and consumer overdrafts of $139 million and $99 million

for the six months ended June 30, 2013 and 2012.

(7) Includes U.S. commercial real estate loans of $38.4 billion and $36.7 billion, and non-U.S. commercial real estate loans of $1.5 billion and $1.7 billion for the six months ended June 30, 2013 and 2012.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $204 million and $472 million for the six months ended June 30, 2013 and 2012. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.3 billion and $1.2 billion for the six months ended June 30, 2013 and 2012. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 130.

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Table 13
Year-to-Date Average Balances and Interest Rates – FTE Basis (continued)

	Six Months Ended June 30							
	2013				2012			
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$43,921	$12	0.05	%	$41,468	$28	0.13	%
NOW and money market deposit accounts	500,901	224	0.09		459,718	374	0.16	
Consumer CDs and IRAs	86,679	268	0.62		98,451	365	0.75	
Negotiable CDs, public funds and other deposits	21,806	53	0.49		22,125	71	0.64	
Total U.S. interest-bearing deposits	653,307	557	0.17		621,762	838	0.27	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	11,489	36	0.64		16,384	53	0.65	
Governments and official institutions	912	1	0.24		1,091	2	0.40	
Time, savings and other	55,133	154	0.56		53,912	175	0.65	
Total non-U.S. interest-bearing deposits	67,534	191	0.57		71,387	230	0.65	
Total interest-bearing deposits	720,841	748	0.21		693,149	1,068	0.31	
Federal funds purchased, securities loaned or sold under agreements to repurchase and short-term borrowings	327,782	1,558	0.96		305,981	1,824	1.20	
Trading account liabilities	93,204	899	1.95		78,300	925	2.38	
Long-term debt	272,088	3,508	2.59		348,346	5,242	3.02	
Total interest-bearing liabilities (8)	1,413,915	6,713	0.96		1,425,776	9,059	1.28	
Noninterest-bearing sources:								
Noninterest-bearing deposits	356,790				338,351			
Other liabilities	191,714							