BANK OF AMERICA CORP /DE/
Form 10-Q
October 30, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2017
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact name of registrant as specified in its charter:
Bank of America Corporation
State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one).

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

Emerging growth company
Yes No ü
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.
Yes No
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).
Yes No ü
On October 27, 2017, there were 10,430,613,675 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation and Subsidiaries
September 30, 2017
Form 10-Q
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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed under Item 1A. Risk Factors of our 2016 Annual Report on Form 10-K and in any of the Corporation’s subsequent Securities and Exchange Commission filings: potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions, including inquiries into our retail sales practices, and the possibility that amounts may be in excess of the Corporation’s recorded liability and estimated range of possible loss for litigation exposures; the possibility that the Corporation could face increased servicing, securities, fraud, indemnity, contribution or other claims from one or more counterparties, including trustees, purchasers of loans, underwriters, issuers, other parties involved in securitizations, monolines or private-label and other investors; the possibility that future representations and warranties losses may occur in excess of the Corporation’s recorded liability and estimated range of possible loss for its representations and warranties exposures; the Corporation’s ability to resolve representations and warranties repurchase and related claims, including claims brought by investors or trustees seeking to avoid the statute of limitations for repurchase claims; uncertainties about the financial stability and growth rates of non-U.S. jurisdictions, the risk that those jurisdictions may face difficulties servicing their sovereign debt, and related stresses on financial markets, currencies and trade, and the Corporation’s exposures to such risks, including direct, indirect and operational; the impact of U.S. and global interest rates, currency exchange rates

and economic conditions; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; the possibility that future credit losses may be higher than currently expected due to changes in economic assumptions, customer behavior, adverse developments with respect to U.S. or global economic conditions, and other uncertainties; the impact on the Corporation’s business, financial condition and results of operations from a protracted period of lower oil prices or ongoing volatility with respect to oil prices; the Corporation's ability to achieve its expense targets or net interest income expectations or other projections or expectations; adverse changes to the Corporation’s credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation’s assets and liabilities; uncertainty regarding the content, timing and impact of regulatory capital and liquidity requirements, including the approval of our internal models methodology for calculating counterparty credit risk for derivatives; the potential impact of total loss-absorbing capacity requirements; potential adverse changes to our global systemically important bank surcharge; the potential impact of Federal Reserve actions on the Corporation’s capital plans; the possible impact of the Corporation's failure to remediate shortcomings identified by banking regulators in the Corporation's Resolution Plan or failure to take actions identified therein; the impact of implementation and compliance with U.S. and international laws, regulations and regulatory interpretations, including, but not limited to, recovery and resolution planning requirements, Federal Deposit

Insurance Corporation assessments, the Volcker Rule, fiduciary standards and derivatives regulations; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations from the planned exit of the United Kingdom from the European Union; and other similar matters.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (BHC) and a financial holding company. When used in this report, "the Corporation" may refer to Bank of America Corporation individually, Bank of America Corporation and its subsidiaries, or certain of Bank of America Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbank subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbank financial services and products through four business segments: Consumer Banking, Global Wealth & Investment Management (GWIM), Global Banking and Global Markets, with the remaining operations recorded in All Other. We operate our banking activities primarily under the Bank of America, National Association (Bank of America, N.A. or BANA) charter. At September 30, 2017, the Corporation had approximately $2.3 trillion in assets and a headcount of approximately 210,000 employees. Headcount remained relatively unchanged since December 31, 2016.

As of September 30, 2017, we operated in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and more than 35 countries. Our retail banking footprint covers approximately 83 percent of the U.S. population, and we serve approximately 47 million consumer and small business relationships with approximately 4,500 retail financial centers, approximately 16,000 ATMs, and leading digital banking platforms (www.bankofamerica.com) with approximately 34 million active users, including approximately 24 million mobile active users. We offer industry-leading support to approximately three million small business owners. Our wealth management businesses, with client balances of approximately $2.7 trillion, provide tailored solutions to meet client needs through a full set of investment management, brokerage, banking, trust and retirement products. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

Third Quarter 2017 Economic and Business Environment

U.S. macroeconomic trends in the third quarter were characterized by a softening in economic growth and low inflation. GDP advanced at a slower pace than the previous quarter. At the same time, inflation remained subdued overall despite some energy-related pressure stemming from the hurricanes that impacted the southern U.S.

Despite sustained growth in the third quarter, the hurricanes added uncertainty to economic forecasts and distorted economic data releases. As a result of the hurricanes, there was an estimated 0.1 to 0.5 percent reduction from annualized GDP growth. Consumer spending slowed in August but recovered, especially vehicle sales, the following month. Business investment in equipment remained buoyant. While nonfarm payroll growth decelerated, the unemployment rate remained low. Despite tight labor market conditions, wage gains were modest.

The Federal Reserve, as expected, kept its target federal funds rate corridor at 1 to 1.25 percent, while announcing that balance sheet normalization would begin in October. U.S. equities rose in the quarter, in part due to improvement in corporate earnings and despite the realization that domestic fiscal policy changes will likely take longer than previously expected. Despite a late rally, the U.S. dollar index fell primarily on the strength of the euro. Amid a weaker dollar, gold and oil prices both rose. The U.S. yield curve flattened modestly while interest rates increased.

Abroad, eurozone recovery remained robust in the third quarter, maintaining momentum following its best quarter in two years. The more robust economic momentum has failed to translate into stronger inflationary pressures, which remained depressed over the quarter. As a result, the European Central Bank remained cautious about the outlook for monetary policy and it has been carefully evaluating how to extend the ongoing quantitative easing program into next year.

Many survey indicators suggest that the subdued momentum from the first half of the year in the United Kingdom (U.K.) economy has extended into the third quarter. At the same time, inflation continued in an upward trend and reached the highest level since 2012, well above the Bank of England target, driven by the pass-through from the sterling depreciation that followed the Brexit referendum.

In Japan, business surveys suggest that moderate economic momentum remained intact in the third quarter. In China, the service sector remained a key driver of economic growth. The yuan had a volatile third quarter, reaching a one-year high in September with Chinese foreign exchange reserves rising steadily over the quarter.

Recent Events

Capital Management

During the third quarter of 2017, we repurchased approximately $3.0 billion of common stock pursuant to the Board's 2017 repurchase authorization of $12.9 billion announced on June 28, 2017. For additional information, see Capital Management on page 28. On July 26, 2017, the Board declared a quarterly common stock dividend of $0.12 per share, payable on September 29, 2017 to shareholders of record as of September 1, 2017.

Series T Preferred Stock

In connection with an investment in the Corporation’s Series T 6% Non-cumulative preferred stock (Series T) in 2011, the Series T holders also received warrants to purchase 700 million shares of the Corporation’s common stock at an exercise price of $7.142857 per share. On August 24, 2017, the Series T holders exercised the warrants and acquired the 700 million shares of our common stock using the Series T preferred stock as consideration for the exercise price, which increased the number of common shares outstanding, but had no effect on diluted earnings per share as this conversion had been included in the Corporation’s diluted earnings per share calculation under the applicable accounting guidance. The carrying amount of the Series T was $2.9 billion and, upon conversion, was recorded as additional paid-in capital, increasing the Common equity tier 1 capital ratio by 20 basis points.

Selected Financial Data

Table 1 provides selected consolidated financial data for the three and nine months ended September 30, 2017 and 2016, and at September 30, 2017 and December 31, 2016.

Table 1 Selected Financial Data

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share information)	2017	2016	2017	2016
Income statement				
Revenue, net of interest expense	$21,839	$21,635	$66,916	$63,711
Net income	5,587	4,955	15,712	13,210
Diluted earnings per common share	0.48	0.41	1.35	1.10
Dividends paid per common share	0.12	0.075	0.27	0.175
Performance ratios				
Return on average assets	0.98 %	0.90 %	0.93 %	0.81 %
Return on average common shareholders' equity	8.14	7.27	7.81	6.61
Return on average tangible common shareholders' equity[(1)]	11.32	10.28	10.95	9.40
Efficiency ratio	60.16	62.31	62.34	65.59

	September 30 2017	December 31 2016
Balance sheet		
Total loans and leases	$927,117	$906,683
Total assets	2,283,896	2,187,702
Total deposits	1,284,417	1,260,934
Total common shareholders' equity	250,136	241,620
Total shareholders' equity	272,459	266,840

(1) Return on average tangible common shareholders' equity is a non-GAAP financial measure. For additional information and a corresponding reconciliation to accounting principles generally accepted in the United States of America (GAAP) financial measures, see Non-GAAP Reconciliations on page 67.

Financial Highlights

Net income was $5.6 billion and $15.7 billion, or $0.48 and $1.35 per diluted share for the three and nine months ended September 30, 2017 compared to $5.0 billion and $13.2 billion, or $0.41 and $1.10 per diluted share for the same periods in 2016. The results for the three- and nine-month periods compared to the same periods in 2016 were primarily driven by higher revenue, lower provision for credit losses and noninterest expense.

Total assets increased $96.2 billion from December 31, 2016 to $2.3 trillion at September 30, 2017 due to higher trading account assets primarily driven by additional inventory in fixed-income, currencies and commodities (FICC) to meet expected client demand, and increased client financing activities in equities, growth in cash and cash equivalents primarily due to an increase in deposits, as well as higher loans and leases and securities

borrowed or purchased under agreements to resell. These increases were partially offset by the impact of the sale of the non-U.S. consumer credit card business to a third party in the second quarter of 2017. Total liabilities increased $90.6 billion from December 31, 2016 to $2.0 trillion at September 30, 2017 primarily driven by higher deposits due to strong organic growth, an increase in trading account liabilities, higher securities loaned or sold under agreements to repurchase due to increased matched-book activity, as well as increases in long-term debt and accrued expenses and other liabilities. Shareholders' equity increased $5.6 billion from December 31, 2016 primarily due to net income, partially offset by returns of capital to shareholders of $12.0 billion through common stock repurchases and common and preferred stock dividends.

Table 2 Summary Income Statement

(Dollars in millions)	Three Months Ended September 30 2017	2016	Nine Months Ended September 30 2017	2016
Net interest income	$11,161	$10,201	$33,205	$30,804
Noninterest income	10,678	11,434	33,711	32,907
Total revenue, net of interest expense	21,839	21,635	66,916	63,711
Provision for credit losses	834	850	2,395	2,823
Noninterest expense	13,139	13,481	41,713	41,790
Income before income taxes	7,866	7,304	22,808	19,098
Income tax expense	2,279	2,349	7,096	5,888
Net income	5,587	4,955	15,712	13,210
Preferred stock dividends	465	503	1,328	1,321
Net income applicable to common shareholders	$5,122	$4,452	$14,384	$11,889
Per common share information				
Earnings	$0.50	$0.43	$1.42	$1.15
Diluted earnings	0.48	0.41	1.35	1.10

Net Interest Income

Net interest income increased $960 million to $11.2 billion, and $2.4 billion to $33.2 billion for the three and nine months ended September 30, 2017 compared to the same periods in 2016. The net interest yield increased 13 basis points (bps) to 2.31 percent, and 11 bps to 2.32 percent. These increases were primarily driven by the benefits from higher interest rates and loan and deposit growth, partially offset by the decline resulting from the sale of the non-U.S. consumer credit card business in the second quarter of 2017. For more information regarding interest rate risk management, see Interest Rate Risk Management for the Banking Book on page 63.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	Three Months Ended September 30 2017	2016	Nine Months Ended September 30 2017	2016
Card income	$1,429	$1,455	$4,347	$4,349
Service charges	1,968	1,952	5,863	5,660
Investment and brokerage services	3,303	3,160	9,882	9,543
Investment banking income	1,477	1,458	4,593	4,019
Trading account profits	1,837	2,141	6,124	5,821
Mortgage banking income	(20)	589	332	1,334
Gains on sales of debt securities	125	51	278	490
Other income	559	628	2,292	1,691
Total noninterest income	$10,678	$11,434	$33,711	$32,907

Noninterest income decreased $756 million to $10.7 billion, and increased $804 million to $33.7 billion for the three and nine months ended September 30, 2017 compared to the same periods in 2016. The following highlights the more significant changes.

Service charges remained relatively unchanged for the three-month period and increased $203 million for the nine-month period with the increase primarily driven by the impact of pricing strategies and higher treasury services-related revenue.

Investment and brokerage services income increased $143 million and $339 million primarily driven by the impact of assets under management (AUM) flows and higher market valuations, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing.

Investment banking income remained relatively unchanged for the three-month period and increased $574 million for the nine-month period primarily due to higher debt and equity issuance fees and higher advisory fees.

Trading account profits decreased $304 million for the three-month period primarily due to weaker performance in fixed-income products, and increased $303 million for the nine-month period primarily due to increased client financing activity in equities.

Mortgage banking income decreased $609 million and $1.0 billion primarily driven by lower net servicing income due to lower mortgage servicing rights (MSR) results, net of the related hedge performance, and lower production income primarily due to lower volume.

Gains on sales of debt securities increased $74 million for the three-month period and decreased $212 million for the nine-month period primarily driven by sales volume.
Other income decreased $69 million for the three-month period due to lower fair value adjustments from economic hedging activities in the fair value option portfolio, partially offset by higher gains on asset sales, and increased $601 million for the nine-month period primarily due to the $793 million pre-tax gain recognized in connection with the sale of the non-U.S. consumer credit card business in the second quarter of 2017.

Provision for Credit Losses

The provision for credit losses decreased $16 million to $834 million, and $428 million to $2.4 billion for the three and nine months ended September 30, 2017 compared to the same periods in 2016 primarily due to credit quality improvements in the consumer real estate portfolio and reductions in energy exposures in the commercial portfolio, partially offset by portfolio seasoning and loan growth in the U.S. credit card portfolio. For more information on the provision for credit losses, see Provision for Credit Losses on page 57.

Noninterest Expense

Table 4 Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2017	2016	2017	2016
Personnel	$7,483	$7,704	$24,353	$24,278
Occupancy	999	1,005	3,000	3,069
Equipment	416	443	1,281	1,357
Marketing	461	410	1,235	1,243
Professional fees	476	536	1,417	1,433
Amortization of intangibles	151	181	473	554
Data processing	777	685	2,344	2,240
Telecommunications	170	189	538	551
Other general operating	2,206	2,328	7,072	7,065
Total noninterest expense	$13,139	$13,481	$41,713	$41,790

Noninterest expense declined $342 million to $13.1 billion for the three months ended September 30, 2017 compared to the same period in 2016. The decrease was primarily due to lower personnel and other general operating expense, including the reduction related to the sale of the non-U.S. credit card business.

Noninterest expense for the nine-month period remained relatively unchanged as a $295 million impairment charge related to certain data centers in the process of being sold and higher Federal Deposit Insurance Corporation (FDIC) expense were largely offset by lower litigation expense.

Income Tax Expense

Table 5 Income Tax Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2017	2016	2017	2016
Income before income taxes	$7,866	$7,304	$22,808	$19,098
Income tax expense	2,279	2,349	7,096	5,888
Effective tax rate	29.0 %	32.2 %	31.1 %	30.8 %

The effective tax rates for both the three and nine months ended September 30, 2017 were driven by the impact of our recurring tax preference benefits. The nine-month 2017 effective tax rate also included tax expense of $690 million recognized in connection with the sale of the non-U.S. consumer credit card business in the second quarter of 2017.

The effective tax rates for the three and nine months ended September 30, 2016 were driven by our recurring tax preference benefits, and the third quarter of 2016 included a $350 million charge for the impact of the U.K. tax law changes enacted in September 2016.

Table 6 Selected Quarterly Financial Data

	2017 Quarters			2016 Quarters	
(Dollars in millions, except per share information)	Third	Second	First	Fourth	Third
Income statement					
Net interest income	$11,161	$10,986	$11,058	$10,292	$10,201
Noninterest income	10,678	11,843	11,190	9,698	11,434
Total revenue, net of interest expense	21,839	22,829	22,248	19,990	21,635
Provision for credit losses	834	726	835	774	850
Noninterest expense	13,139	13,726	14,848	13,161	13,481
Income before income taxes	7,866	8,377	6,565	6,055	7,304
Income tax expense	2,279	3,108	1,709	1,359	2,349
Net income	5,587	5,269	4,856	4,696	4,955
Net income applicable to common shareholders	5,122	4,908	4,354	4,335	4,452
Average common shares issued and outstanding	10,198	10,014	10,100	10,170	10,250
Average diluted common shares issued and outstanding	10,725	10,822	10,915	10,959	11,000
Performance ratios					
Return on average assets	0.98 %	0.93 %	0.88 %	0.85 %	0.90 %
Four quarter trailing return on average assets [(1)]	0.91	0.89	0.88	0.82	0.76
Return on average common shareholders’ equity	8.14	8.00	7.27	7.04	7.27
Return on average tangible common shareholders’ equity[(2)]	11.32	11.23	10.28	9.92	10.28
Return on average shareholders' equity	8.10	7.79	7.35	6.91	7.33
Return on average tangible shareholders’ equity [(2)]	10.89	10.54	10.00	9.38	9.98
Total ending equity to total ending assets	11.93	12.02	11.93	12.20	12.30
Total average equity to total average assets	12.05	11.95	12.01	12.24	12.28
Dividend payout	24.78	15.25	17.37	17.68	17.32
Per common share data					
Earnings	$0.50	$0.49	$0.43	$0.43	$0.43
Diluted earnings	0.48	0.46	0.41	0.40	0.41
Dividends paid	0.12	0.075	0.075	0.075	0.075
Book value	23.92	24.88	24.36	24.04	24.19
Tangible book value [(2)]	17.23	17.78	17.23	16.95	17.14
Market price per share of common stock					
Closing	$25.34	$24.26	$23.59	$22.10	$15.65
High closing	25.45	24.32	25.50	23.16	16.19
Low closing	22.89	22.23	22.05	15.63	12.74
Market capitalization	$264,992	$239,643	$235,291	$222,163	$158,438

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

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

Non-GAAP Reconciliations on page 67.

(3) For more information on the impact of the purchased credit-impaired (PCI) loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 39.

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

(5) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 48 and corresponding Table 33, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 52 and corresponding Table 40.

(6) Asset quality metrics include $242 million and $243 million of non-U.S. credit card allowance for loan and lease losses and $9.5 billion and $9.2 billion of non-U.S. credit card loans in the first quarter of 2017 and in the fourth quarter of 2016, which were previously included in assets of business held for sale. During the second quarter of 2017, the Corporation sold its non-U.S. consumer credit card business.

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

(8) Net charge-offs exclude $73 million, $55 million, $33 million, $70 million, and $83 million of write-offs in the PCI loan portfolio in the third, second and first quarters of 2017, and in the fourth and third quarters of 2016, respectively. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 45.

(9) Includes net charge-offs of $31 million, $44 million and $41 million on non-U.S. credit card loans in the second and first quarters of 2017, and in the fourth quarter of 2016, which were previously included in assets of business held for sale on the Consolidated Balance Sheet at March 31, 2017 and December 31, 2016.

(10) Risk-based capital ratios are reported under Basel 3 Advanced - Transition. For additional information, see Capital Management on page 28.

Table 6 Selected Quarterly Financial Data (continued)

	2017 Quarters			2016 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Average balance sheet					
Total loans and leases	$918,129	$914,717	$914,144	$908,396	$900,594
Total assets	2,270,872	2,269,153	2,231,420	2,208,039	2,189,490
Total deposits	1,271,711	1,256,838	1,256,632	1,250,948	1,227,186
Long-term debt	227,309	224,019	221,468	220,587	227,269
Common shareholders' equity	249,624	246,003	242,883	245,139	243,679
Total shareholders' equity	273,648	271,223	268,103	270,360	268,899
Asset quality (3)					
Allowance for credit losses (4)	$11,455	$11,632	$11,869	$11,999	$12,459
Nonperforming loans, leases and foreclosed properties (5)	6,869	7,127	7,637	8,084	8,737
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (5, 6)	1.16 %	1.20 %	1.25 %	1.26 %	1.30 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (5, 6)	163	160	156	149	140
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (5, 6)	158	154	150	144	135
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (7)	$3,880	$3,782	$4,047	$3,951	$4,068
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (5, 7)	104 %	104 %	100 %	98 %	91 %
Net charge-offs (8, 9)	$900	$908	$934	$880	$888
Annualized net charge-offs as a percentage of average loans and leases outstanding (5, 8)	0.39 %	0.40 %	0.42 %	0.39 %	0.40 %
Annualized net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (5)	0.40	0.41	0.42	0.39	0.40
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (5)	0.42	0.43	0.43	0.42	0.43
Nonperforming loans and leases as a percentage of total loans and leases outstanding (5, 6)	0.71	0.75	0.80	0.85	0.93
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (5, 6)	0.75	0.78	0.84	0.89	0.97
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (6, 8)	3.00	2.99	3.00	3.28	3.31
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio (6)	2.91	2.88	2.88	3.16	3.18
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI	2.77	2.82	2.90	3.04	3.03

write-offs (6)										
Capital ratios at period end (10)										
Risk-based capital:										
Common equity tier 1 capital	11.9	%	11.6	%	11.0	%	11.0	%	11.0	%
Tier 1 capital	13.3		13.2		12.5		12.4		12.4	
Total capital	15.1		15.1		14.4		14.3		14.2	
Tier 1 leverage	9.0		8.9		8.8		8.9		9.1	
Tangible equity (2)	9.1		9.2		9.1		9.2		9.4	
Tangible common equity (2)	8.1		8.0		7.9		8.1		8.2	

For footnotes see page 7.

Table 7 Selected Year-to-Date Financial Data

	Nine Months Ended September 30	
(In millions, except per share information)	2017	2016
Income statement		
Net interest income	$33,205	$30,804
Noninterest income	33,711	32,907
Total revenue, net of interest expense	66,916	63,711
Provision for credit losses	2,395	2,823
Noninterest expense	41,713	41,790
Income before income taxes	22,808	19,098
Income tax expense	7,096	5,888
Net income	15,712	13,210
Net income applicable to common shareholders	14,384	11,889
Average common shares issued and outstanding	10,103	10,313
Average diluted common shares issued and outstanding	10,820	11,047
Performance ratios		
Return on average assets	0.93 %	0.81 %
Return on average common shareholders' equity	7.81	6.61
Return on average tangible common shareholders' equity[1]	10.95	9.40
Return on average shareholder's equity	7.75	6.66
Return on average tangible shareholders' equity [1]	10.48	9.13
Total ending equity to total ending assets	11.93	12.30
Total average equity to total average assets	12.01	12.13
Dividend payout	19.28	15.19
Per common share data		
Earnings	$1.42	$1.15
Diluted earnings	1.35	1.10
Dividends paid	0.27	0.175
Book value	23.92	24.19
Tangible book value [1]	17.23	17.14
Market price per share of common stock		
Closing	$25.34	$15.65
High closing	25.50	16.43
Low closing	22.05	11.16
Market capitalization	$264,992	$158,438

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. For more information on these ratios and for corresponding reconciliations to GAAP financial measures, see Non-GAAP Reconciliations on page 67.

(2) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 39.

(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 48 and corresponding Table 33, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 52 and corresponding Table 40.

(5) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in Consumer Banking, PCI loans and the non-U.S. credit card portfolio in All Other. During the second quarter of 2017, the Corporation sold its non-U.S. consumer credit card business.

(6) Net charge-offs exclude $161 million and $270 million of write-offs in the PCI loan portfolio for the nine months ended September 30, 2017 and 2016. For more information on PCI write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 45.

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

(Dollars in millions)	Nine Months Ended September 30 2017	2016
Average balance sheet		
Total loans and leases	$915,678	$897,760
Total assets	2,257,293	2,183,905
Total deposits	1,261,782	1,213,029
Long-term debt	224,287	231,313
Common shareholders' equity	246,195	240,440
Total shareholders' equity	271,012	264,907
Asset quality (2)		
Allowance for credit losses (3)	$11,455	$12,459
Nonperforming loans, leases and foreclosed properties (4)	6,869	8,737
Allowance for loan and lease losses as a percentage of total loans and	1.16 %	1.30 %

leases outstanding (4)				
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (4)	163		140	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (4)	158		135	
Amounts included in allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (5)	$3,880		$4,068	
Allowance for loan and	104	%	91	%

lease losses as a percentage of total nonperforming loans and leases, excluding the allowance for loan and lease losses for loans and leases that are excluded from nonperforming loans and leases (4, 5)		
Net charge-offs (6)	$2,742	$2,941
Annualized net charge-offs as a percentage of average loans and leases outstanding (4, 6)	0.40 %	0.44 %
Annualized net charge-offs as a percentage of average loans and	0.41	0.45

leases outstanding, excluding the PCI loan portfolio (4)		
Annualized net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (4)	0.43	0.48
Nonperforming loans and leases as a percentage of total loans and leases outstanding (4)	0.71	0.93
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (4)	0.75	0.97
Ratio of the allowance for loan and	2.92	2.98

lease losses at period end to annualized net charge-offs (6)		
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	2.83	2.86
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs and PCI write-offs	2.76	2.73

For footnotes see page 9.

Supplemental Financial Data

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

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

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

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

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

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

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

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

The aforementioned supplemental data and performance measures are presented in Tables 6 and 7. Table 8 presents certain non-GAAP financial measures and performance measurements on an FTE basis.

Table 8 Supplemental Financial Data

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2017	2016	2017	2016
Fully taxable-equivalent basis data				

Net interest income	$11,401	$10,429	$33,879	$31,470
Total revenue, net of interest expense	22,079	21,863	67,590	64,377
Net interest yield	2.36 %	2.23 %	2.36 %	2.26 %
Efficiency ratio	59.51	61.66	61.71	64.91

Table 9 Quarterly Average Balances and Interest Rates – FTE Basis

	Third Quarter 2017			Third Quarter 2016		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$127,835	$323	1.00%	$133,866	$148	0.44%
Time deposits placed and other short-term investments	12,503	68	2.17	9,336	34	1.45
Federal funds sold and securities borrowed or purchased under agreements to resell	223,585	659	1.17	214,254	267	0.50
Trading account assets	124,068	1,125	3.60	128,879	1,111	3.43
Debt securities (1)	436,886	2,670	2.44	423,182	2,169	2.07
Loans and leases (2):						
Residential mortgage	199,240	1,724	3.46	188,234	1,612	3.42
Home equity	61,225	664	4.31	70,603	681	3.84

U.S. credit card	91,602	2,253	9.76	88,210	2,061	9.30
Non-U.S. credit card (1)	—	—	—	9,256	231	9.94
Direct/Indirect consumer (3)	93,510	678	2.88	92,870	585	2.51
Other consumer (4)	2,762	28	4.07	2,358	18	2.94
Total consumer	448,339	5,347	4.74	451,531	5,188	4.58
U.S. commercial	293,203	2,542	3.44	276,833	2,040	2.93
Commercial real estate (5)	59,044	552	3.71	57,606	452	3.12
Commercial lease financing	21,818	160	2.92	21,194	153	2.88
Non-U.S. commercial	95,725	676	2.80	93,430	599	2.55
Total commercial	469,790	3,930	3.32	449,063	3,244	2.87
Total loans and leases	918,129	9,277	4.02	900,594	8,432	3.73
Other earning assets	76,496	775	4.02	59,951	677	4.50
Total earning assets (6)	1,919,502	14,897	3.09	1,870,062	12,838	2.74
Cash and due from banks (1)	28,990			27,361		
Other assets, less allowance for loan and lease losses (1)	322,380			292,067		
Total assets	$2,270,872			$2,189,490		
Interest-bearing liabilities						

U.S. interest-bearing deposits:						
Savings	$54,328	$1	0.01%	$49,885	$2	0.01%
NOW and money market deposit accounts	631,270	333	0.21	592,907	73	0.05
Consumer CDs and IRAs	44,239	31	0.27	48,695	33	0.27
Negotiable CDs, public funds and other deposits	38,119	101	1.05	32,023	43	0.54
Total U.S. interest-bearing deposits	767,956	466	0.24	723,510	151	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,259	5	0.97	4,294	9	0.87
Governments and official institutions	1,012	3	1.04	1,391	3	0.61
Time, savings and other	63,716	150	0.93	59,340	103	0.70
Total non-U.S. interest-bearing deposits	66,987	158	0.93	65,025	115	0.71
Total interest-bearing deposits	834,943	624	0.30	788,535	266	0.13
Federal funds purchased, securities	230,230	944	1.63	207,634	569	1.09

loaned or sold under agreements to repurchase, short-term borrowings and other interest-bearing liabilities						
Trading account liabilities	48,390	319	2.62	37,229	244	2.61
Long-term debt	227,309	1,609	2.82	227,269	1,330	2.33
Total interest-bearing liabilities (6)	1,340,872	3,496	1.04	1,260,667	2,409	0.76
Noninterest-bearing sources:						
Noninterest-bearing deposits	436,768			438,651		
Other liabilities	219,584			221,273		
Shareholders' equity	273,648			268,899		
Total liabilities and shareholders' equity	$2,270,872			$2,189,490		
Net interest spread			2.05%			1.98%
Impact of noninterest-bearing sources			0.31			0.25
Net interest income/yield on earning assets		$11,401	2.36%		$10,429	2.23%

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

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

(3) Includes non-U.S. consumer loans of $2.9 billion and $3.2 billion in the third quarter of 2017 and 2016.

(4) Includes consumer finance loans of $406 million and $501 million; consumer leases of $2.2 billion and $1.7 billion, and consumer overdrafts of $193 million and $187 million in the third quarter of 2017 and 2016, respectively.

(5) Includes U.S. commercial real estate loans of $55.2 billion and $54.3 billion, and non-U.S. commercial real estate loans of $3.8 billion and $3.3 billion in the third quarter of 2017 and 2016, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $7 million and $64 million in the third quarter of 2017 and 2016. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $346 million and $560 million in the third quarter of 2017 and 2016. For additional information, see Interest Rate Risk Management for the Banking Book on page 63.

Table 10 Year-to-Date Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Nine Months Ended September 30 2017 Average Balance	Interest Income/ Expense	Yield/ Rate	2016 Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$127,000	$786	0.83%	$135,910	$460	0.45 %
Time deposits placed and other short-term investments	11,820	173	1.96	8,784	101	1.54
Federal funds sold and securities borrowed or purchased under agreements to resell	222,255	1,658	1.00	215,476	803	0.50
Trading account assets	128,547	3,435	3.57	130,785	3,432	3.50
Debt securities (1)	432,775	7,875	2.42	414,115	6,990	2.27
Loans and leases (2):						
Residential mortgage	196,288	5,082	3.45	187,325	4,867	3.46
Home equity	63,339	1,967	4.15	73,015	2,095	3.83
	90,238	6,492	9.62	87,362	6,065	9.27

U.S. credit card						
Non-U.S. credit card (1)	5,253	358	9.12	9,687	734	10.12
Direct/Indirect consumer (3)	93,316	1,929	2.76	91,291	1,698	2.48
Other consumer (4)	2,648	81	4.07	2,240	50	2.99
Total consumer	451,082	15,909	4.71	450,920	15,509	4.59
U.S. commercial	290,632	7,167	3.30	274,669	5,982	2.91
Commercial real estate (5)	58,340	1,545	3.54	57,550	1,320	3.06
Commercial lease financing	21,862	547	3.33	21,049	482	3.05
Non-U.S. commercial	93,762	1,886	2.69	93,572	1,748	2.50
Total commercial	464,596	11,145	3.21	446,840	9,532	2.85
Total loans and leases	915,678	27,054	3.95	897,760	25,041	3.72
Other earning assets	74,554	2,206	3.95	58,189	2,031	4.66
Total earning assets (6)	1,912,629	43,187	3.02	1,861,019	38,858	2.79
Cash and due from banks (1)	27,955			28,041		
Other assets, less allowance for loan and lease losses (1)	316,709			294,845		
Total assets	$2,257,293			$2,183,905		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$53,679	$4	0.01 %	$49,281	$4	0.01 %

NOW and money market deposit accounts	622,920	512	0.11	584,896	216	0.05
Consumer CDs and IRAs	45,535	92	0.27	48,920	101	0.28
Negotiable CDs, public funds and other deposits	35,968	221	0.82	32,212	107	0.45
Total U.S. interest-bearing deposits	758,102	829	0.15	715,309	428	0.08
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	2,643	16	0.82	4,218	28	0.90
Governments and official institutions	1,002	7	0.92	1,468	7	0.60
Time, savings and other	60,747	400	0.88	58,866	273	0.62
Total non-U.S. interest-bearing deposits	64,392	423	0.88	64,552	308	0.64
Total interest-bearing deposits	822,494	1,252	0.20	779,861	736	0.13
Federal funds purchased, securities loaned or sold under agreements to repurchase, short-term	237,857	2,508	1.41	215,131	1,808	1.12

borrowings and other interest-bearing liabilities							
Trading account liabilities	44,128	890	2.70	37,760	778	2.76	
Long-term debt	224,287	4,658	2.77	231,313	4,066	2.35	
Total interest-bearing liabilities (6)	1,328,766	9,308	0.94	1,264,065	7,388	0.78	
Noninterest-bearing sources:							
Noninterest-bearing deposits	439,288			433,168			
Other liabilities	218,227			221,765			
Shareholders' equity	271,012			264,907			
Total liabilities and shareholders' equity	$2,257,293			$2,183,905			
Net interest spread			2.08%			2.01	%
Impact of noninterest-bearing sources			0.28			0.25	
Net interest income/yield on earning assets		$33,879	2.36%		$31,470	2.26	%

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

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

(3) Includes non-U.S. consumer loans of $2.9 billion and $3.5 billion for the nine months ended September 30, 2017 and 2016.

(4) Includes consumer finance loans of $430 million and $526 million; consumer leases of $2.0 billion and $1.5 billion, and consumer overdrafts of $177 million and $171 million for the nine months ended September 30, 2017 and 2016, respectively.

(5) Includes U.S. commercial real estate loans of $55.0 billion and $54.1 billion, and non-U.S. commercial real estate loans of $3.4 billion and $3.4 billion for the nine months ended September 30, 2017 and 2016, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $48 million and $155 million for the nine months ended September 30, 2017 and 2016.

Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.1 billion and $1.7 billion for the nine months ended September 30, 2017 and 2016. For additional information, see Interest Rate Risk Management for the Banking Book on page 63.

Business Segment Operations

Segment Description and Basis of Presentation

We report our results of operations through the following four business segments: Consumer Banking, GWIM, Global Banking and Global Markets, with the remaining operations recorded in All Other. We periodically review capital allocated to our businesses and allocate capital annually during the strategic and capital planning processes. We utilize a methodology that considers the effect of regulatory capital requirements in addition to internal risk-

based capital models. Our internal risk-based capital models use a risk-adjusted methodology incorporating each segment's credit, market, interest rate, business and operational risk components. For more information on the nature of these risks, see Managing Risk on page 28. For more information on the basis of presentation for business segments and reconciliations to consolidated total revenue, net income and period-end total assets, see Note 17 – Business Segment Information to the Consolidated Financial Statements.

Consumer Banking

	Three Months Ended September 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2017	2016	2017	2016	2017	2016	% Change
Net interest income (FTE basis)	$3,439	$2,629	$2,772	$2,660	$6,211	$5,289	17 %
Noninterest income:							
Card income	3	2	1,241	1,216	1,244	1,218	2
Service charges	1,082	1,072	1	—	1,083	1,072	1
Mortgage banking income [1]	—	—	142	297	142	297	(52)
All other income (loss)	96	98	(2)	(6)	94	92	2
Total noninterest income	1,181	1,172	1,382	1,507	2,563	2,679	(4)
Total revenue, net of interest expense (FTE basis)	4,620	3,801	4,154	4,167	8,774	7,968	10
Provision for credit losses	47	43	920	655	967	698	39
Noninterest expense	2,615	2,397	1,844	1,974	4,459	4,371	2
Income before income taxes (FTE basis)	1,958	1,361	1,390	1,538	3,348	2,899	15
Income tax expense (FTE	738	510	523	576	1,261	1,086	16

basis)							
Net income	$1,220	$851	$867	$962	$2,087	$1,813	15
Net interest yield (FTE basis)	2.08 %	1.73 %	4.16 %	4.31 %	3.56 %	3.30 %	
Return on average allocated capital	40	28	14	17	22	21	
Efficiency ratio (FTE basis)	56.61	63.03	44.40	47.40	50.83	54.86	

Balance Sheet

	Three Months Ended September 30						
Average	2017	2016	2017	2016	2017	2016	% Change
Total loans and leases	$5,079	$4,837	$263,731	$243,846	$268,810	$248,683	8 %
Total earning assets [(2)]	657,036	604,223	264,665	245,540	692,122	636,832	9
Total assets [(2)]	684,642	630,394	276,014	257,167	731,077	674,630	8
Total deposits	652,286	598,117	6,688	7,588	658,974	605,705	9
Allocated capital	12,000	12,000	25,000	22,000	37,000	34,000	9

(1) Total consolidated mortgage banking income (loss) of $(20) million and $332 million for the three and nine months ended September 30, 2017 were recorded primarily in Consumer Lending and All Other, compared to $589 million and $1.3 billion for the same periods in 2016.

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

	Nine Months Ended September 30						
	Deposits		Consumer Lending		Total Consumer Banking		
(Dollars in millions)	2017	2016	2017	2016	2017	2016	% Change
Net interest income (FTE basis)	$9,804	$ 7,940	$8,149	$7,885	$17,953	$15,825	13 %
Noninterest income:							
Card income	6	7	3,710	3,638	3,716	3,645	2
Service charges	3,193	3,079	1	1	3,194	3,080	4
Mortgage banking income [1]	—	—	401	754	401	754	(47)
All other income	294	312	9	4	303	316	(4)
Total noninterest income	3,493	3,398	4,121	4,397	7,614	7,795	(2)
Total revenue, net of interest expense (FTE basis)	13,297	11,338	12,270	12,282	25,567	23,620	8
Provision for credit losses	148	132	2,491	1,823	2,639	1,955	35
Noninterest expense	7,702	7,227	5,578	6,097	13,280	13,324	<(1)
Income before income taxes (FTE basis)	5,447	3,979	4,201	4,362	9,648	8,341	16
Income tax expense (FTE basis)	2,054	1,473	1,584	1,615	3,638	3,088	18
Net income	$3,393	$ 2,506	$2,617	$2,747	$6,010	$5,253	14
Net interest yield (FTE basis)	2.02 %	1.79 %	4.21 %	4.39 %	3.52 %	3.39 %	
Return on average allocated capital	38	28	14	17	22	21	
Efficiency ratio (FTE basis)	57.93	63.74	45.46	49.64	51.94	56.41	

Balance Sheet

	Nine Months Ended September 30							
Average	2017	2016	2017	2016	2017	2016	% Change	
Total loans and leases	$5,025	$ 4,787	$257,779	$238,404	$262,804	$243,191	8	%
Total earning assets (2)	647,887	591,913	258,659	239,870	682,436	623,834	9	
Total assets (2)	675,159	618,466	270,196	251,609	721,245	662,126	9	
Total deposits	642,783	586,334	6,421	7,167	649,204	593,501	9	
Allocated capital	12,000	12,000	25,000	22,000	37,000	34,000	9	

Period end	September 30 2017	December 31 2016	September 30 2017	December 31 2016	September 30 2017	December 31 2016	% Change	
Total loans and leases	$5,060	$ 4,938	$267,300	$254,053	$272,360	$258,991	5	%
Total earning assets (2)	667,733	631,172	268,354	255,511	703,277	662,698	6	
Total assets (2)	695,403	658,316	279,920	268,002	742,513	702,333	6	
Total deposits	662,781	625,727	6,866	7,059	669,647	632,786	6	

See page 14 for footnotes.

Consumer Banking, which is comprised of Deposits and Consumer Lending, offers a diversified range of credit, banking and investment products and services to consumers and small businesses. Our customers and clients have access to a coast to coast network including financial centers in 33 states and the District of Columbia. Our network includes approximately 4,500 financial centers, 16,000 ATMs, nationwide call centers, and leading digital banking platforms with approximately 34 million active users, including approximately 24 million mobile active users.

Consumer Banking Results

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Net income for Consumer Banking increased $274 million to $2.1 billion primarily driven by higher net interest income, partially offset by higher provision for credit losses and noninterest expense. Net interest income increased $922 million to $6.2 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, and loan growth. Noninterest income decreased $116 million to $2.6 billion primarily driven by lower mortgage banking income, partially offset by higher card income and service charges.

The provision for credit losses increased $269 million to $967

million due to portfolio seasoning and loan growth in the U.S. credit
card portfolio. The three months ended September 30, 2017 included a net reserve increase of $167 million compared to a release of $12 million for the three months ended September 30, 2016. Noninterest expense increased $88 million to $4.5 billion primarily driven by investments in digital capabilities and business growth, including increased primary sales professionals combined with investments in new financial centers and renovations, as well as higher litigation expense.

The return on average allocated capital was 22 percent, up from 21 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocations, see Business Segment Operations on page 14.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net income for Consumer Banking increased $757 million to $6.0 billion primarily driven by higher net interest income, partially offset by higher provision for credit losses. Net interest income increased $2.1 billion to $18.0 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, as well as pricing discipline and loan growth. Noninterest income decreased $181 million to $7.6 billion driven by lower mortgage banking income, partially offset by higher service charges and card income.

The provision for credit losses increased $684 million to $2.6 billion due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $44 million to $13.3 billion driven by improved operating efficiencies, largely offset by higher FDIC, personnel and litigation expenses.

The return on average allocated capital was 22 percent, up from 21 percent, as higher net income was partially offset by an increased capital allocation. For more information on capital allocations, see Business Segment Operations on page 14.

Deposits

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

Deposits includes the net impact of migrating customers and their related deposit and brokerage asset balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM – Net Migration Summary on page 20.

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Net income for Deposits increased $369 million to $1.2 billion driven by higher revenue, partially offset by higher noninterest expense. Net interest income increased $810 million to $3.4 billion primarily due to the beneficial impact of an increase in investable assets as a result of higher deposits, and pricing discipline.

Noninterest expense increased $218 million to $2.6 billion primarily driven by investments in digital capabilities and business growth, including increased primary sales professionals, combined with investments in new financial centers and renovations, and higher litigation and FDIC expenses.

Average deposits increased $54.2 billion to $652.3 billion driven by strong organic growth. Growth in checking, money market savings and traditional savings of $57.4 billion was partially offset by a decline in time deposits of $3.4 billion.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net income for Deposits increased $887 million to $3.4 billion. Net interest income increased $1.9 billion to $9.8 billion and noninterest income increased $95 million to $3.5 billion, both of which were primarily driven by the same factors as described in the three-month discussion. The prior-year period included gains on certain divestitures.

The provision for credit losses increased $16 million to $148 million. Noninterest expense increased $475 million to $7.7 billion primarily driven by the same factors as described in the three-month discussion.

Average deposits increased $56.4 billion to $642.8 billion primarily driven by the same factor as described in the three-month discussion.

Key Statistics – Deposits

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Total deposit spreads (excludes noninterest costs) (1)	1.88%	1.64%	1.82%	1.65%
Period end				
Client brokerage assets (in millions)			$167,274	$137,985
Digital banking active users (units in thousands) (2)			34,472	32,814

Mobile banking active users (units in thousands)	23,572	21,305
Financial centers	4,511	4,629
ATMs	15,973	15,959

(1) Includes deposits held in Consumer Lending.

(2) Digital users represents mobile and/or online users across consumer businesses; historical information has been reclassified primarily due to the sale of the Corporation's non-U.S. consumer credit card business during the second quarter of 2017.

Client brokerage assets increased $29.3 billion driven by strong client flows and market performance. Mobile banking active users increased 2.3 million reflecting continuing changes in our customers' banking preferences. The number of financial centers
declined 118 driven by changes in customer preferences to self-service options as we continue to optimize our consumer banking network and improve our cost-to-serve.

Consumer Lending

Consumer Lending offers products to consumers and small businesses across the U.S. The products offered include credit and debit cards, residential mortgages and home equity loans, and direct and indirect loans such as automotive, recreational

vehicle and consumer personal loans. In addition to earning net interest spread revenue on its lending activities, Consumer Lending generates interchange revenue from credit and debit card transactions, late fees, cash advance fees, annual credit card fees, mortgage banking fee income and other miscellaneous fees. Consumer Lending products are available to our customers through our retail network, direct telephone, and online and mobile channels. Consumer Lending results also include the impact of servicing residential mortgages and home equity loans in the core portfolio, including loans held on the balance sheet of Consumer Lending and loans serviced for others.

We classify consumer real estate loans as core or non-core based on loan and customer characteristics such as origination date, product type, loan-to-value (LTV), Fair Isaac Corporation (FICO) score and delinquency status. For more information on the core and non-core portfolios, see Consumer Portfolio Credit Risk Management on page 39.
At September 30, 2017, total owned loans in the core portfolio held in Consumer Lending were $111.6 billion, an increase of $13.8 billion from September 30, 2016, primarily driven by higher residential mortgage balances, partially offset by a decline in home equity balances.
Consumer Lending includes the net impact of migrating customers and their related loan balances between Consumer Lending and GWIM. For more information on the migration of customer balances to or from GWIM, see GWIM – Net Migration Summary on page 20.
Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016
Net income for Consumer Lending decreased $95 million to $867 million driven by higher provision for credit losses and lower noninterest income, partially offset by lower noninterest expense and higher net interest income. Net interest income increased $112 million to $2.8 billion primarily driven by the impact of an increase in loan balances. Noninterest income decreased $125 million to $1.4 billion driven by lower mortgage banking income, partially offset by higher card income.

The provision for credit losses increased $265 million to $920 million due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $130 million to $1.8 billion primarily driven by improved operating efficiencies.
Average loans increased $19.9 billion to $263.7 billion primarily driven by increases in residential mortgages, as well as U.S. credit card and consumer vehicle loans, partially offset by lower home equity loan balances.
Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016
Net income for Consumer Lending decreased $130 million to $2.6 billion driven by the same factors as described in the three-month discussion. Net interest income increased $264 million to $8.1 billion. Noninterest income decreased $276 million to $4.1 billion. Fluctuations were driven by the same factors as described in the three-month discussion. The provision for credit losses increased $668 million to $2.5 billion due to portfolio seasoning and loan growth in the U.S. credit card portfolio. Noninterest expense decreased $519 million to $5.6 billion primarily driven by the same factor as described in the three-month discussion.
Average loans increased $19.4 billion to $257.8 billion driven by increases in residential mortgages as well as consumer vehicle and U.S credit card loans, partially offset by lower home equity loan balances.

Key Statistics – Consumer Lending

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2017	2016	2017	2016
Total U.S. credit card [(1)]				
Gross interest yield	9.76 %	9.30 %	9.62 %	9.27 %
Risk-adjusted margin	8.63	9.11	8.64	8.99
New accounts (in thousands)	1,315	1,324	3,801	3,845
Purchase volumes	$62,244	$57,591	$179,230	$165,412
Debit card purchase volumes	$74,769	$71,049	$220,729	$212,316

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

During the three and nine months ended September 30, 2017, the total U.S. credit card risk-adjusted margin decreased 48 bps and 35 bps compared to the same periods in 2016, primarily driven by increased net charge-offs and higher credit card rewards costs.
Total U.S. credit card purchase volumes increased $4.7 billion to $62.2 billion, and $13.8 billion to $179.2 billion, and debit card purchase volumes increased $3.7 billion to $74.8 billion, and $8.4 billion to $220.7 billion, reflecting higher levels of consumer spending.
Mortgage Banking Income

Mortgage banking income in Consumer Banking includes production income and net servicing income. Production income is comprised primarily of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to representations and warranties made in the sales transactions along with other obligations incurred in the sales of mortgage loans. Production income for the three and nine months ended September 30, 2017 decreased $148 million to $64 million, and $347 million to $185 million compared to the same periods in 2016 due to a decision to retain

a higher percentage of residential mortgage production in Consumer Banking, as well as the impact of a higher interest rate environment driving lower refinances.

Net servicing income within Consumer Banking includes income earned in connection with servicing activities and MSR valuation adjustments for the core portfolio, net of results from risk management activities used to hedge certain market risks of the MSRs. Net servicing income for the three and nine months ended September 30, 2017 decreased $7 million to $78 million, and $6 million to $216 million compared to the same periods in 2016.

Mortgage Servicing Rights

At September 30, 2017, the core MSR portfolio, held within Consumer Lending, was $1.7 billion compared to $1.8 billion at September 30, 2016. The decrease was primarily driven by the amortization of expected cash flows, which exceeded additions to the MSR portfolio, partially offset by changes in fair value from rising interest rates. For more information on MSRs, see Note 14 – Fair Value Measurements to the Consolidated Financial Statements.

Key Statistics

(Dollars in millions)	Three Months Ended September 30 2017	2016	Nine Months Ended September 30 2017	2016
Loan production [1]:				
Total [2]:				
First mortgage	$13,183	$16,865	$37,876	$45,802
Home equity	4,133	3,541	12,871	11,649
Consumer Banking:				
First mortgage	$9,044	$11,588	$25,679	$32,207
Home equity	3,722	3,139	11,604	10,535

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

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

First mortgage loan originations in Consumer Banking and for the total Corporation decreased $2.5 billion and $3.7 billion in the three months ended September 30, 2017 compared to the same period in 2016 primarily driven by a higher interest rate environment driving lower first-lien mortgage refinances. First mortgage loan originations in Consumer Banking and for the total Corporation decreased $6.5 billion and $7.9 billion in the nine months ended September 30, 2017 primarily driven by the same factor as described in the three-month discussion.

Home equity production in Consumer Banking and for the total Corporation increased $583 million and $592 million for the three months ended September 30, 2017 compared to the same period in 2016 due to a higher demand based on improving housing trends, and improved engagement with customers. Home equity production in Consumer Banking and for the total Corporation increased $1.1 billion and $1.2 billion for the nine months ended September 30, 2017 primarily driven by the same factors as described in the three-month discussion.

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended September 30 2017	2016	% Change	Nine Months Ended September 30 2017	2016	% Change
Net interest income (FTE basis)	$1,496	$1,394	7 %	$4,653	$4,310	8 %
Noninterest income:						
Investment and brokerage services	2,728	2,585	6	8,073	7,718	5
All other income	396	400	(1)	1,181	1,245	(5)
Total noninterest income	3,124	2,985	5	9,254	8,963	3
Total revenue, net of interest expense (FTE	4,620	4,379	6	13,907	13,273	5

basis)						
Provision for credit losses	16	7	129	50	46	9
Noninterest expense	3,370	3,255	4	10,091	9,816	3
Income before income taxes (FTE basis)	1,234	1,117	10	3,766	3,411	10
Income tax expense (FTE basis)	465	419	11	1,420	1,270	12
Net income	$769	$698	10	$2,346	$2,141	10
Net interest yield (FTE basis)	2.29 %	2.03 %		2.32 %	2.09 %	
Return on average allocated capital	22	21		22	22	
Efficiency ratio (FTE basis)	72.95	74.32		72.56	73.96	

Balance Sheet

	Three Months Ended September 30			Nine Months Ended September 30		
Average	2017	2016	% Change	2017	2016	% Change
Total loans and leases	$154,333	$143,207	8 %	$151,205	$141,169	7 %
Total earning assets	259,564	273,567	(5)	267,732	275,674	(3)
Total assets	275,570	288,820	(5)	283,324	291,382	(3)
Total deposits	239,647	253,812	(6)	247,389	256,356	(3)
Allocated capital	14,000	13,000	8	14,000	13,000	8

Period end	September 30 2017	December 31 2016	% Change
Total loans and leases	$155,871	$148,179	5 %
Total earning assets	259,548	283,151	(8)
Total assets	276,187	298,931	(8)
Total deposits	237,771	262,530	(9)

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

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

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

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Net income for GWIM increased $71 million to $769 million due to higher revenue, partially offset by an increase in revenue-related expense. The operating margin was 27 percent compared to 26 percent a year ago.

Net interest income increased $102 million to $1.5 billion driven by higher short-term interest rates. Noninterest income, which primarily includes investment and brokerage services income, increased $139 million to $3.1 billion. This increase was driven by the impact of AUM flows and higher market valuations, partially offset by the impact of changing market dynamics on transactional revenue and AUM pricing. Noninterest expense increased $115 million to $3.4 billion primarily driven by higher revenue-related expense.

The return on average allocated capital was 22 percent, up from 21 percent, as higher net income was partially offset by an increased capital allocation.

MLGWM revenue of $3.8 billion increased five percent due to higher net interest income and asset management fees driven by higher market valuations and AUM flows, partially offset by lower transactional revenue. U.S. Trust revenue of $822 million increased eight percent reflecting higher net interest income and asset management fees driven by higher market valuations and AUM flows.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net income for GWIM increased $205 million to $2.3 billion due to higher revenue, partially offset by an increase in noninterest expense. The operating margin was 27 percent compared to 26 percent a year ago.

Net interest income increased $343 million to $4.7 billion. Noninterest income, which primarily includes investment and brokerage services income, increased $291 million to $9.3 billion. Noninterest expense increased $275 million to $10.1 billion. These increases were driven by the same factors as described in the three-month discussion.

The return on average allocated capital was 22 percent for both periods.

Revenue from MLGWM of $11.5 billion increased five percent, and U.S. Trust revenue of $2.5 billion increased seven percent. These increases were due to the same factors as described in the three-month discussion.

Key Indicators and Metrics

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except as noted)	2017	2016	2017	2016
Revenue by Business				
Merrill Lynch Global Wealth Management	$3,796	$3,617	$11,452	$10,886
U.S. Trust	822	761	2,450	2,300
Other [(1)]	2	1	5	87
Total revenue, net of interest expense (FTE basis)	$4,620	$4,379	$13,907	$13,273
Client Balances by Business, at period end				
Merrill Lynch Global Wealth Management			$2,245,499	$2,089,683
U.S. Trust			430,684	400,538
Total client balances			$2,676,183	$2,490,221
Client Balances by Type, at period end				
Assets under management			$1,036,048	$871,026
Brokerage assets			1,112,178	1,095,635
Assets in custody			131,680	122,804
Deposits			237,771	252,962
Loans and leases [(2)]			158,506	147,794
Total client balances			$2,676,183	$2,490,221
Assets Under Management Rollforward				
Assets under management, beginning of period	$990,709	$832,394	$886,148	$900,863
Net client flows [(3)]	20,749	10,182	77,479	11,648
Market valuation/other [(1)]	24,590	28,450	72,421	(41,485)
Total assets under management, end of period	$1,036,048	$871,026	$1,036,048	$871,026
Associates, at period end [(4, 5)]				
Number of financial advisors			17,221	16,834
Total wealth advisors, including financial advisors			19,108	18,714
Total primary sales professionals, including financial advisors and wealth advisors			20,115	19,594
Merrill Lynch Global Wealth Management Metric [(5)]				
Financial advisor productivity [(6)] (in thousands)	$994	$979	$1,009	$978
U.S. Trust Metric, at period end [(5)]				
Primary sales professionals			1,696	1,684

(1) Includes the results of BofA Global Capital Management, the cash management division of Bank of America, and certain administrative items. Also reflects the sale to a third party of approximately $80 billion of BofA Global Capital Management's AUM in the second quarter of 2016.

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

(3) For the nine months ended September 30, 2016, net client flows included $8.0 billion of net outflows related to BofA Global Capital Management's AUM that were sold during the second quarter of 2016.

(4) Includes financial advisors in the Consumer Banking segment of 2,267 and 2,171 at September 30, 2017 and 2016.

(5) Associate computation is based on headcount.

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

Client Balances

Client balances managed under advisory and/or discretion of GWIM are AUM and are typically held in diversified portfolios. Fees earned on AUM are calculated as a percentage of clients' AUM balances. The asset management fees charged to clients per year depend on various factors, but are commonly driven by the breadth of the client's relationship and generally range from 50 to 150 bps on their total AUM. The net client AUM flows represent the net change in clients' AUM balances over a specified period of time, excluding market appreciation/depreciation and other adjustments.

Client balances increased $186.0 billion, or seven percent, to nearly $2.7 trillion at September 30, 2017 compared to September 30, 2016. The increase in client balances was primarily due to AUM which increased $165.0 billion, or 19 percent, due to positive net flows and higher market valuations.

Net Migration Summary

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

Net Migration Summary [1]

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2017	2016	2017	2016
Total deposits, net – to (from) GWIM	$34	$17	$(250)	$(1,040)
Total loans, net – (from) GWIM	(15)	(15)	(145)	—
Total brokerage, net – (from) GWIM	(199)	(264)	(175)	(830)

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

Global Banking

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2017	2016	% Change	2017	2016	% Change
Net interest income (FTE basis)	$2,743	$2,470	11 %	$8,229	$7,440	11 %
Noninterest income:						
Service charges	777	780	<(1)	2,351	2,284	3
Investment banking fees	807	796	1	2,661	2,230	19
All other income	659	700	(6)	1,739	1,942	(10)
Total noninterest income	2,243	2,276	(1)	6,751	6,456	5
Total revenue, net of interest expense (FTE basis)	4,986	4,746	5	14,980	13,896	8
Provision for credit losses	48	118	(59)	80	870	(91)
Noninterest expense	2,118	2,152	(2)	6,435	6,450	<(1)
Income before income taxes (FTE basis)	2,820	2,476	14	8,465	6,576	29
Income tax expense (FTE basis)	1,062	925	15	3,192	2,435	31
Net income	$1,758	$1,551	13	$5,273	$4,141	27
Net interest yield (FTE basis)	2.99 %	2.83 %		3.02 %	2.88 %	
Return on average allocated capital	17	17		18	15	
Efficiency ratio (FTE basis)	42.52	45.34		42.97	46.42	

Balance Sheet

	Three Months Ended September 30			Nine Months Ended September 30		
Average	2017	2016	% Change	2017	2016	% Change
Total loans and leases	$346,093	$334,363	4 %	$344,683	$332,474	4 %
Total earning assets	363,560	347,462	5	364,385	345,406	5
Total assets	414,755	395,479	5	414,867	394,425	5
Total deposits	315,692	307,288	3	307,163	301,175	2
Allocated capital	40,000	37,000	8	40,000	37,000	8

Period end	September 30 2017	December 31 2016	% Change
Total loans and leases	$349,838	$339,271	3 %
Total earning assets	371,159	356,241	4
Total assets	423,185	408,330	4
Total deposits	319,545	307,630	4

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

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Net income for Global Banking increased $207 million to $1.8 billion driven by higher revenue and lower provision for credit losses.

Revenue increased $240 million to $5.0 billion driven by higher net interest income. Net interest income increased $273 million to $2.7 billion primarily driven by the impact of higher short-term rates, as well as loan and deposit growth, partially offset by modest loan spread compression. Noninterest income decreased $33 million to $2.2 billion largely due to the impact of loans and loan-related hedging activity in the fair value option portfolio, partially offset by higher leasing-related revenue.

The provision for credit losses decreased $70 million to $48 million driven by reductions in energy exposures.

Noninterest expense decreased $34 million to $2.1 billion driven by lower revenue-related incentives, partially offset by investments in technology and relationship bankers.

The return on average allocated capital remained relatively unchanged at 17 percent as higher net income offset the impact of $3.0 billion in additional allocated capital. For more information on capital allocated to the business segments, see Business Segment Operations on page 14.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net income for Global Banking increased $1.1 billion to $5.3 billion driven by higher revenue and lower provision for credit losses.

Revenue increased $1.1 billion to $15.0 billion driven by higher net interest income and noninterest income. Net interest income increased $789 million to $8.2 billion driven by loan-related growth, an increased deposit base driven by higher short-term rates and the impact of the allocation of ALM activities, partially offset by margin compression. Noninterest income increased $295 million to $6.8 billion largely due to higher investment banking fees.

The provision for credit losses decreased $790 million to $80 million primarily driven by reductions in energy exposures. Noninterest expense decreased $15 million to $6.4 billion primarily driven by lower personnel and operating expense, partially offset by higher FDIC expense and investments in technology.

The return on average allocated capital was 18 percent, up from 15 percent, as higher net income was partially offset by an

increased capital allocation. For more information on capital allocated to the business segments, see Business Segment Operations on page 14.

Global Corporate, Global Commercial and Business Banking

Global Corporate, Global Commercial and Business Banking each include Business Lending and Global Transaction Services activities. Business Lending includes various lending-related products and services, and related hedging activities, including commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. Global Transaction Services includes deposits, treasury management, credit card, foreign exchange and short-term investment products.

The table below and following discussion present a summary of the results, which exclude certain investment banking activities in Global Banking.

Global Corporate, Global Commercial and Business Banking

	Three Months Ended September 30							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Business Lending	$1,127	$1,113	$1,090	$1,069	$101	$91	$2,318	$2,273
Global Transaction Services	840	738	758	671	217	182	1,815	1,591
Total revenue, net of interest expense	$1,967	$1,851	$1,848	$1,740	$318	$273	$4,133	$3,864
Balance Sheet								
Average								
Total loans and leases	$159,417	$153,249	$168,945	$163,446	$17,659	$17,658	$346,021	$334,353
Total deposits	149,564	144,694	129,440	127,161	36,687	35,433	315,691	307,288

	Nine Months Ended September 30							
	Global Corporate Banking		Global Commercial Banking		Business Banking		Total	

	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Business Lending	$3,322	$3,269	$3,186	$3,129				