BANK OF AMERICA CORP /DE/
Form 10-Q
August 02, 2012

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, 2012
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, 2012, there were 10,776,950,316 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 expressi future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: that net interest income will improve modestly in the third quarter of 2012 if interest rates remain flat to second quarter 2012 levels; the achievement of cost savings in certain noninterest expense categories as the Corporation continues to streamline workflows, simplify processes and align expenses with its overall strategic plan and operating principles as part of Project New BAC; with regard to Phase 1, the Corporation expects to realize more than $1 billion of cost savings in 2012 and $5 billion of annualized cost savings by the fourth quarter of 2013 with the full impact realized in 2014; the Corporation expects that Phase 2 will result in an additional $3 billion of annualized cost savings by mid-2015; the expectation that the Corporation would record a charge to income tax expense of approximately $400 million if the income tax rate were reduced to 22 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance; the expected reduction of debit card revenue of approximately $420 million in the third quarter of 2012 when compared to the same period in 2011, as a result of the interchange fee rules; that higher costs will continue related to resources necessary to implement new servicing standards mandated for the industry, to implement other operational changes and costs due to delayed foreclosures; the resolution of representations and warranties repurchase and other claims; the final resolution of the BNY Mellon Settlement; the estimates of liability and range of possible loss for various representations and warranties claims; the expectation that unresolved repurchase claims will continue to increase, including those from Fannie Mae and private-label securitization trustees; that the expiration and mutual nonrenewal of certain contractual delivery commitments and variances with Fannie Mae will not have a material impact on our CRES business, as the Corporation expects to rely on other sources of liquidity to actively extend mortgage credit to customers including continuing to deliver such products into Freddie Mac MBS pools; the ability to resolve mortgage insurance rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the Fannie Mae announcement; the disposition and resolution of servicing matters; beliefs and expectations concerning the servicing global settlement agreement, including expectations about the amounts of credits to be generated by various programs, the effects on annual interest income and fair value of loans in the programs and whether loans modified under programs will be accounted for as troubled debt restructurings, and the likelihood that the Corporation will fail to meet commitments and be required to make additional cash payments, whether material or not; the impacts of foreclosure delays; that implementation of uniform servicing standards will incrementally increase costs associated with the servicing process, but it will not result in material delays or dislocation in the performance of mortgage servicing obligations; the expectation that the Corporation will comply with the final Basel 3 rules when issued and effective; the intention to build capital through retaining earnings, actively managing the Corporation's portfolios and implementing other capital-related initiatives, including focusing on reducing both higher risk-weighted assets and assets proposed to be deducted from capital under Basel 3; the Corporation's liquidity risk management strategies; that funding trading activities in broker/dealer subsidiaries is more cost efficient and less sensitive to changes in credit ratings than unsecured financing; the cost and availability of unsecured funding; 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 continue to decline, as appropriate, through 2013; that, of the loans in the pay option portfolio at June 30, 2012 that have not already experienced a payment reset, three percent will reset during the remainder of 2012 and approximately 21 percent thereafter, and that approximately seven percent will prepay and

approximately 69 percent will default prior to being reset, most of which were severely delinquent as of June 30, 2012; effects of the ongoing debt crisis in Europe; we expect reductions in the allowance for loan and lease losses, excluding the valuation allowance for PCI loans, to continue in the near term, though at a slower pace than in 2011; and the intention to reclassify net losses on both open and terminated derivative instruments recorded in accumulated OCI into earnings in the same period as the hedged cash flows affect earnings; and other matters relating to the Corporation and the securities that it may offer from time to time. 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 Bank of America's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's resolution of differences with Fannie Mae regarding representations and warranties repurchase claims, including with respect to mortgage insurance rescissions, and foreclosure delays; the Corporation's ability to resolve representations and warranties 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 monolines or private-label and other investors; if future representations and warranties losses occur in excess of the Corporation's recorded liability for GSE

exposures and in excess of the recorded liability and estimated range of possible loss for non-GSE exposures; uncertainties about the financial stability of several countries in the EU, the increasing 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 uncertainty regarding the timing and final substance of any capital or liquidity standards, including the final Basel 3 requirements and their implementation for U.S. banks through rulemaking by the Federal Reserve, including anticipated requirements to hold higher levels of regulatory capital, liquidity and meet higher regulatory capital ratios as a result of final Basel 3 or other capital or liquidity standards; the negative impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the Corporation's satisfaction of its borrower assistance programs under the global settlement agreement with federal agencies and state Attorneys General; 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; 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; 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.

The Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 as supplemented by a Current Report on Form 8-K filed on May 4, 2012 to reflect reclassified business segment information is referred to herein as the 2011 Annual Report on Form 10-K.

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 the Corporation individually, the Corporation and its subsidiaries, or certain of the 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. Effective January 1, 2012, the Corporation changed its basis of presentation from six to the above five segments. For more information on this realignment, see Business Segment Operations on page 30. At June 30, 2012, the Corporation had approximately $2.2 trillion in assets and approximately 275,500 full-time equivalent employees.

As of June 30, 2012, 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 in the U.S., we serve 56 million consumer and small business relationships with approximately 5,600 banking centers, 16,200 ATMs, nationwide call

centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four 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, 2012 and 2011, and at June 30, 2012 and December 31, 2011.

Table 1
Selected Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information)	2012	2011	2012	2011
Income statement				
Revenue, net of interest expense (FTE basis) [1]	$22,202	$13,483	$44,687	$40,578
Net income (loss)	2,463	(8,826)	3,116	(6,777)
Net income (loss), excluding goodwill impairment charge [2]	2,463	(6,223)	3,116	(4,174)
Diluted earnings (loss) per common share	0.19	(0.90)	0.22	(0.73)
Diluted earnings (loss) per common share, excluding goodwill impairment charge [2]	0.19	(0.65)	0.22	(0.48)
Dividends paid per common share	0.01	0.01	0.02	0.02
Performance ratios				
Return on average assets	0.45 %	n/m	0.29 %	n/m
Return on average tangible shareholders' equity [1]	6.16	n/m	3.94	n/m
Efficiency ratio (FTE basis) [1]	76.79	n/m	80.98	n/m
Asset quality				
Allowance for loan and lease losses at period end			$30,288	$37,312
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [3]			3.43 %	4.00 %
Nonperforming loans, leases and foreclosed properties at period end [3]			$25,377	$30,058
Net charge-offs	$3,626	$5,665	7,682	11,693
Annualized net charge-offs as a percentage of average loans and leases outstanding [3]	1.64 %	2.44 %	1.72 %	2.53 %
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans [3]	1.69	2.54	1.78	2.63
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	2.08	1.64	1.96	1.58
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans	1.46	1.28	1.38	1.23

	June 30 2012	December 31 2011
Balance sheet		
Total loans and leases	$892,315	$926,200
Total assets	2,160,854	2,129,046
Total deposits	1,035,225	1,033,041
Total common shareholders' equity	217,213	211,704
Total shareholders' equity	235,975	230,101
Capital ratios		
Tier 1 common capital	11.24 %	9.86 %
Tier 1 capital	13.80	12.40

Total capital	17.51	16.75
Tier 1 leverage	7.84	7.53

(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 additional information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

(2) Net income (loss) and diluted earnings (loss) per common share have been calculated excluding the impact of the goodwill impairment charge of $2.6 billion in the second quarter of 2011 and accordingly, these are non-GAAP measures. For additional information on these measures and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

(3) 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 Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and corresponding Table 43, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 52.

n/m = not meaningful

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Second Quarter 2012 Economic and Business Environment

In the U.S., following moderate economic growth and an improving financial environment to begin the year, momentum dissipated in the second quarter. Household spending slowed during the quarter, as vehicle sales declined and retail sales weakened. Business spending continued its slowing trend, influenced by the expiration of tax credits as well as economic uncertainties. Businesses also significantly reduced hiring during the second quarter and the unemployment rate remained elevated, ending the quarter at 8.2 percent. State and local governments reduced spending and federal defense expenditures declined. Housing activity and construction grew for the fifth consecutive quarter, continuing its moderate improvement from very low levels, although home prices remain depressed. Given the housing sector's influence on consumer behavior and the financial sector, it remains critical to the health of the economic expansion. Lower energy prices also were a positive trend for consumers and businesses. Equity markets partially reversed gains from the previous quarter. Financial market anxiety rose, particularly amid signs of renewed economic slowing. Nevertheless, U.S. exports continued to grow despite the European financial crisis and recession.

The Board of Governors of the Federal Reserve System (Federal Reserve) maintained its policy of additional quantitative easing while acknowledging the improved economic and labor market momentum that occurred late in 2011 and in the first quarter of 2012. At its June meeting, based on indications that this momentum had dissipated, and the increasing strains in global financial markets largely stemming from the sovereign debt and banking situation in Europe, the Federal Reserve extended its program to lengthen the average maturity of its portfolio by buying longer term U.S. Treasury securities and selling short-term holdings through year end. Concerns regarding federal tax and spending policies increased during the quarter as financial markets anticipated the year-end expiration of tax cuts and other expansionary fiscal measures such as extended unemployment insurance and the temporary payroll tax cut. In addition, absent Congressional action, federal spending reductions in last year's debt ceiling bill are scheduled to be triggered at year end.

World economic momentum also slowed in the second quarter as a result of declining economic growth in select developed and emerging nations. In addition, heightened tensions in Europe in connection with the European financial crisis and deteriorating economic conditions in certain European countries adversely affected financial markets during the second quarter leading to increased investor risk aversion and lower trading volumes. Overall, at quarter end, world economic conditions remained uncertain. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 114.

Recent Events

Capital and Liquidity Related Matters

During the three months ended June 30, 2012, we entered into a series of transactions involving repurchases of our senior and subordinated debt and trust preferred securities resulting in total net gains of $505 million. Through a tender offer, exercise of call options and certain open market transactions, we repurchased senior and subordinated debt with a carrying value of $4.5 billion for $4.2 billion in cash, and recorded net gains of $334 million. Also, we repurchased trust preferred securities issued by various unconsolidated trusts with a carrying value of $996 million for $825 million in cash, and recorded gains of $171 million. In addition, we exercised a call on $3.9 billion of trust preferred securities which settled, with an extinguishment of the related debt, on July 25, 2012. The gain on this transaction was not significant. We will consider additional tender offers, exercises and other transactions in the future depending on prevailing market conditions, liquidity and other factors.

Credit Ratings

On June 21, 2012, Moody's Investors Service, Inc. (Moody's) completed its previously-announced review for possible downgrade of financial institutions with global capital markets operations, downgrading the ratings of 15 banks and securities firms, including our ratings. The Corporation's long-term debt rating and Bank of America, N.A.'s (BANA's) long-term and short-term debt ratings were downgraded one notch as part of this action. Currently, the Corporation's and BANA's long-term/short-term senior debt ratings and outlooks expressed by Moody's are Baa2/P-2 (negative) and A3/P-2 (stable). The Moody's downgrade did not have a material impact on our financial condition, results of operations or liquidity during the second quarter of 2012.

The major rating agencies (Moody's, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch)) have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 80, Note 3 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

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Performance Overview

Summary Income Statement results for the three and six months ended June 30, 2012 and 2011 are presented in Table 2. Certain items that affected pre-tax income for the three and six months ended June 30, 2012 were the following: provision for credit losses of $1.8 billion and $4.2 billion which included reserve reductions of $1.9 billion and $3.5 billion, net gains of $505 million and $1.7 billion on repurchases of debt and trust preferred securities, and $400 million and $1.2 billion of gains on sales of debt securities. These items were offset by negative fair value adjustments of $62 million and $3.4 billion on structured liabilities related to tightening of our own credit spreads, DVA losses on derivatives of $158 million and $1.6 billion, net of hedges, litigation expense of $963 million and $1.8 billion, and annual retirement-eligible incentive compensation costs of $892 million recorded in the first quarter of 2012. In addition, the representations and warranties provision decreased $13.6 billion to $395 million as the provision of $14.0 billion in the prior-year period, included $8.6 billion related to the agreement entered into with the Bank of New York Mellon (BNY Mellon Settlement) and $5.4 billion related to other non-government-sponsored enterprise (GSE) exposures, and to a lesser extent, GSE exposures.

Table 2
Summary Income Statement

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Net interest income (FTE basis) [(1)]	$9,782	$11,493	$20,835	$23,890
Noninterest income	12,420	1,990	23,852	16,688
Total revenue, net of interest expense (FTE basis) [(1)]	22,202	13,483	44,687	40,578
Provision for credit losses	1,773	3,255	4,191	7,069
Goodwill Impairment	—	2,603	—	2,603
All other noninterest expense	17,048	20,253	36,189	40,536
Income (loss) before income taxes	3,381	(12,628)	4,307	(9,630)
Income tax expense (benefit) (FTE basis) [(1)]	918	(3,802)	1,191	(2,853)
Net income (loss)	2,463	(8,826)	3,116	(6,777)
Preferred stock dividends	365	301	690	611
Net income (loss) applicable to common shareholders	$2,098	$(9,127)	$2,426	$(7,388)
Per common share information				
Earnings (loss)	$0.19	$(0.90)	$0.23	$(0.73)
Diluted earnings (loss)	0.19	(0.90)	0.22	(0.73)

(1) FTE basis is a non-GAAP financial measure. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $1.7 billion to $9.8 billion, and $3.1 billion to $20.8 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were primarily driven by lower consumer loan balances and yields and decreased investment securities yields. Lower trading-related net interest income also negatively impacted the results. These were partially offset by reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis was 2.21 percent and 2.36 percent for the three and six months ended June 30, 2012 compared to 2.50 percent and 2.58 percent for the same periods in 2011.

Noninterest income increased $10.4 billion to $12.4 billion, and $7.2 billion to $23.9 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The most significant contributor to the increases was significantly lower representations and warranties provision. In addition, the increase in noninterest income

included net gains on repurchases of certain debt and trust preferred securities in 2012. For the three-month period, these were partially offset by a decrease in equity investment income, and a decline in other income as the year-ago quarter included a gain on the sale of the Balboa Insurance Company's lender-placed insurance business (Balboa). For the six-month period, the increase in noninterest income was partially offset by negative fair value adjustments on structured liabilities, net DVA losses and the decrease in equity investment income. For additional information on the repurchases and exchanges, see Liquidity Risk on page 75.

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The provision for credit losses decreased $1.5 billion to $1.8 billion, and $2.9 billion to $4.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The improvement was primarily driven by lower credit costs in the home equity and residential mortgage loan portfolios due to improved portfolio trends, including lower reserve additions in our purchased credit-impaired (PCI) portfolios partially offset by stabilizing portfolio trends in the credit card and core commercial portfolios. The provision for credit losses was $1.9 billion and $3.5 billion lower than net charge-offs for the three and six months ended June 30, 2012, resulting in a reduction in the allowance for credit losses. This compared to reductions of $2.4 billion and $4.6 billion in the allowance for credit losses for the three and six months ended June 30, 2011.

Noninterest expense decreased $5.8 billion to $17.0 billion, and $7.0 billion to $36.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The declines were driven by decreases in other general operating expense which included lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and lower litigation expense. The decline in litigation expense was primarily mortgage-related. The decrease in noninterest expense was also the result of a $2.6 billion non-cash, non-tax deductible goodwill impairment charge recorded during the second quarter of 2011.

Income tax expense on a FTE basis was $918 million on pre-tax income of $3.4 billion, and $1.2 billion on pre-tax income of $4.3 billion for three and six months ended June 30, 2012 compared to a benefit of $3.8 billion on a pre-tax loss of $12.6 billion and a benefit of $2.9 billion on a pre-tax loss of $9.6 billion for same periods in 2011. For more information, see Financial Highlights – Income Tax Expense on page 12.

Segment Results

Table 3
Business Segment Results

	Three Months Ended June 30				Six Months Ended June 30			
	Total Revenue [1]		Net Income (Loss)		Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011
Consumer & Business Banking (CBB)	$7,326	$8,681	$1,156	$2,502	$14,748	$17,147	$2,611	$4,544
Consumer Real Estate Services (CRES)	2,521	(11,315)	(768)	(14,506)	5,195	(9,252)	(1,913)	(16,906)
Global Banking	4,285	4,659	1,406	1,921	8,735	9,360	2,996	3,504
Global Markets	3,365	4,413	462	911	7,558	9,685	1,260	2,306
Global Wealth & Investment Management (GWIM)	4,317	4,495	543	513	8,677	8,991	1,090	1,055
All Other	388	2,550	(336)	(167)	(226)	4,647	(2,928)	(1,280)
Total FTE basis	22,202	13,483	2,463	(8,826)	44,687	40,578	3,116	(6,777)
FTE adjustment	(234)	(247)	—	—	(441)	(465)	—	—
Total Consolidated	$21,968	$13,236	$2,463	$(8,826)	$44,246	$40,113	$3,116	$(6,777)

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 17.

The following discussion provides an overview of the results of our business segments and All Other for the three and six months ended June 30, 2012 compared to the same periods in 2011. For additional information on these results, see Business Segment Operations on page 30.

CBB net income decreased during the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily due to a decline in net interest income driven by lower average loans and yields as well as compressed deposit spreads due to the continued low interest rate environment and lower noninterest income due to the impact of the Durbin Amendment and the net impact of portfolio sales. The provision for credit losses increased as portfolio trends began to stabilize. Noninterest expense remained relatively unchanged in the three-month period and declined in the six-month period due to lower Federal Deposit Insurance Corporation (FDIC) and operating expenses, partially offset by an increase in litigation expense.

CRES net loss decreased during the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily driven by significantly lower representations and warranties provision and higher servicing income, a decline in noninterest expense due to a goodwill impairment charge in the second quarter of 2011, a decline in litigation expense and lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures. In addition, the provision for credit losses decreased driven by improved portfolio trends and lower reserve additions related to the Countrywide Financial Corporation (Countrywide) PCI home equity portfolio. These improvements were partially offset by higher default-related servicing costs, as well as lower insurance income driven by the sale of Balboa in June 2011.

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Global Banking net income decreased during the three and six months ended June 30, 2012 compared to the same periods in 2011. Revenues declined from lower investment banking fees, the impact of lower rates and benefits from accretion on certain acquired portfolios in the prior-year periods, partially offset by the impact of higher average loan and deposit balances and gains from certain legacy portfolios. The provision for credit losses benefit declined as asset quality stabilized, with declines in reservable criticized exposure and nonperforming assets. Noninterest expense decreased during the three and six months ended June 30, 2012 primarily due to lower personnel expense.

Global Markets net income decreased for the three and six months ended June 30, 2012 compared to the same periods in 2011. The three-month decrease was driven primarily by lower sales and trading revenue as a result of lower trading volumes and client flows, as well as a decline in new issuance activity. In addition, investment banking fees decreased driven by lower underwriting fees. The six-month decrease was due to lower sales and trading revenue as a result of the factors described above as well as higher net DVA losses due to significant tightening of our credit spreads. The decreases in revenues for the three- and six-month periods were partially offset by declines in noninterest expense due to lower personnel and related expenses. The decline in noninterest expense for the six-month period was also due to lower brokerage, clearing and exchange expenses.

GWIM net income increased for the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily due to lower noninterest expense driven by lower FDIC expense and other volume-driven expenses, lower litigation, as well as other expense reductions, partially offset by higher expense related to the continued investment in the business. Revenue decreased driven by the impact of the continued low rate environment on net interest income as well as lower transactional activity, partially offset by higher asset management fees. In addition, the provision for credit losses declined due to improving portfolio trends within the residential mortgage portfolio.

All Other net loss increased during the three and six months ended June 30, 2012 compared to the same periods in 2011. The three-month increase was due to lower net interest income, lower gains on the sales of debt securities and a decrease in equity investment income, partially offset by a reduction in the provision for credit losses and net gains resulting from the repurchase of certain debt and trust preferred securities. The six-month increase was due to negative fair value adjustments on structured liabilities, partially offset by net gains resulting from the repurchase of certain debt and trust preferred securities in 2012. In addition, for the three- and six-month periods, equity investment income decreased as prior-year periods included certain dividends and gains on equity investments, and a lower provision for credit losses largely due to the Countrywide PCI discontinued real estate and residential mortgage portfolios. Noninterest expense increased due to higher litigation expense.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $1.7 billion to $9.8 billion, and $3.1 billion to $20.8 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were primarily driven by lower consumer loan balances and yields, and decreased investment securities yields including the acceleration of purchase premium amortization expense. Lower trading-related net interest income also negatively impacted the results. These were partially offset by ongoing reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis decreased 29 basis points (bps) to 2.21 percent, and 22 bps to 2.36 percent for the three and six months ended June 30, 2012 compared to the same periods in 2011 as the yield continues to be under pressure due to the aforementioned items and the low rate environment. We expect net interest income to improve modestly in the third quarter of 2012 if rates remain flat to second quarter 2012 levels.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Card income	$1,578	$1,967	$3,035	$3,795
Service charges	1,934	2,012	3,846	4,044
Investment and brokerage services	2,847	3,009	5,723	6,110
Investment banking income	1,146	1,684	2,363	3,262
Equity investment income	368	1,212	1,133	2,687
Trading account profits	1,764	2,091	3,839	4,813
Mortgage banking income (loss)	1,659	(13,196)	3,271	(12,566)
Insurance income	127	400	67	1,013
Gains on sales of debt securities	400	899	1,152	1,445
Other income (loss)	603	1,957	(531)	2,218
Net impairment losses recognized in earnings on AFS debt securities	(6)	(45)	(46)	(133)
Total noninterest income	$12,420	$1,990	$23,852	$16,688

Noninterest income increased $10.4 billion to $12.4 billion, and $7.2 billion to $23.9 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The following highlights the significant changes.

- Card income decreased $389 million and $760 million for the three and six months ended June 30, 2012 primarily driven by the implementation of interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011.

- Investment banking income decreased $538 million and $899 million for the three and six months ended June 30, 2012 primarily driven by lower advisory and underwriting fees due to a decrease in our market share and an overall decline in global fee pools.

- Equity investment income decreased $844 million and $1.6 billion for the three and six months ended June 30, 2012 as the year-ago quarter included an $836 million China Construction Bank Corporation (CCB) dividend and a $377 million gain on the sale of an equity investment, and the six months ended June 30, 2011 also included a $1.1 billion

gain related to an initial public offering (IPO) of an equity investment. The six months ended June 30, 2012 also included a $611 million gain on the sale of an equity investment.

- Trading account profits decreased $327 million and $1.0 billion for the three and six months ended June 30, 2012 primarily driven by net DVA losses on derivatives of $158 million and $1.6 billion in the current-year periods compared to net DVA gains of $121 million and net DVA losses of $236 million for the same periods in 2011. Trading was also negatively impacted by increased investor risk aversion as reflected in a slowdown in trading volumes during the six months ended June 30, 2012.

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- Mortgage banking income increased $14.9 billion and $15.8 billion for the three and six months ended June 30, 2012 primarily driven by a $13.6 billion decrease in the representations and warranties provision for the three months ended June 30, 2012. In the prior-year period, we recorded $14.0 billion in provision and other expenses related to the agreement to resolve nearly all of the legacy Countrywide-issued first-lien non-GSE residential mortgage-backed securities (RMBS) repurchase exposures, other non-GSE, and to a lesser extent, GSE exposures.

- Insurance income decreased $273 million and $946 million for the three and six months ended June 30, 2012 primarily driven by the sale of Balboa in June 2011, and for the six months ended June 30, 2012, a provision related to payment protection insurance claims in the U.K.

- Other income decreased $1.4 billion and $2.7 billion for the three and six months ended June 30, 2012. Other income decreased for the three months ended June 30, 2012 as the year-ago quarter included a net gain of $752 million on the sale of Balboa. For the six months ended June 30, 2012, the decrease was primarily driven by negative fair value adjustments on our structured liabilities of $3.4 billion compared to negative fair value adjustments of $372 million for the same period in 2011, partially offset by net gains of $505 million and $1.7 billion related to the repurchase of certain debt and trust preferred securities during the three and six months ended June 30, 2012.

Provision for Credit Losses

The provision for credit losses decreased $1.5 billion to $1.8 billion, and $2.9 billion to $4.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. For the three and six months ended June 30, 2012, the provision for credit losses was $1.9 billion and $3.5 billion lower than net charge-offs, resulting in a reduction in the allowance for credit losses. Also, reserve additions to the PCI portfolio for the three and six months ended June 30, 2012 were $6 million and $493 million.

The provision for credit losses related to our consumer portfolio decreased $2.0 billion to $1.7 billion, and $3.3 billion to $4.4 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011 driven by lower credit costs in the home equity and residential mortgage loan portfolios due to improved portfolio trends, including lower reserve additions in our PCI portfolios partially offset by stabilizing portfolio trends in the U.S. credit card and unsecured consumer lending portfolios. The provision for credit losses related to our commercial portfolio, net of the provision benefit for unfunded lending commitments, increased $563 million to $40 million, and $450 million to a benefit of $186 million for the three and six months ended June 30, 2012 compared to the same periods in 2011 as credit quality stabilized.

Net charge-offs totaled $3.6 billion, or 1.64 percent, and $7.7 billion, or 1.72 percent of average loans and leases for the three and six months ended June 30, 2012 compared to $5.7 billion, or 2.44 percent, and $11.7 billion, or 2.53 percent for the same periods in 2011. The decrease in net charge-offs was primarily driven by fewer delinquent loans and lower bankruptcy filings across the U.S. credit card and unsecured consumer lending portfolios, as well as lower net charge-offs in the consumer real estate and core commercial portfolios. For more information on the provision for credit losses, see Provision for Credit Losses on page 118.

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Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Personnel	$8,729	$9,171	$18,917	$19,339
Occupancy	1,117	1,245	2,259	2,434
Equipment	546	593	1,157	1,199
Marketing	449	560	914	1,124
Professional fees	922	766	1,705	1,412
Amortization of intangibles	321	382	640	767
Data processing	692	643	1,548	1,338
Telecommunications	417	391	817	762
Other general operating	3,855	6,343	8,232	11,800
Goodwill impairment	—	2,603	—	2,603
Merger and restructuring charges	—	159	—	361
Total noninterest expense	$17,048	$22,856	$36,189	$43,139

Noninterest expense decreased $5.8 billion to $17.0 billion, and $7.0 billion to $36.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011, primarily driven by a $3.6 billion decrease in other general operating expenses in the six months ended June 30, 2012 resulting from a decrease of $1.5 billion in litigation expense, and lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures. The decline in litigation expense was primarily mortgage-related. The six months ended June 30, 2011 included a $2.6 billion goodwill impairment charge in our mortgage business. Partially offsetting the decreases were increased professional fees and data processing expenses due to continuing default management activities in Legacy Assets & Servicing.

In connection with Project New BAC, we expect to continue to achieve cost savings in certain noninterest expense categories as we continue to further streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles. During the six months ended June 30, 2012, we continued implementation of Phase 1 initiatives, completed Phase 2 evaluations and began implementation of certain Phase 2 initiatives. With regard to Phase 1, we expect to realize more than $1 billion of cost savings in 2012 and $5 billion of annualized cost savings by the fourth quarter of 2013 with the full impact realized in 2014. We expect that Phase 2 will result in an additional $3 billion of annualized cost savings by mid-2015.

Income Tax Expense

Income tax expense was $684 million for the three months ended June 30, 2012 compared to a $4.0 billion income tax benefit for the same period in 2011 and resulted in an effective tax rate of 21.7 percent compared to 31.4 percent. Income tax expense was $750 million for the six months ended June 30, 2012 compared to a income tax benefit of $3.3 billion for the same period in 2011 and resulted in an effective tax rate of 19.4 percent compared to 32.9 percent.

The effective tax rates for the three and six months ended June 30, 2012 were primarily driven by our recurring tax preference items and by $128 million of discrete tax benefits recognized in the first quarter. The effective tax rates for the three and six months ended June 30, 2011 were primarily driven by the impact of a nondeductible $2.6 billion goodwill impairment charge and recurring tax preference items.

On July 17, 2012, the U.K. 2012 Finance Bill was enacted, which reduced the U.K. corporate income tax rate by two percent to 23 percent. The first one percent reduction was effective on April 1, 2012 and the second reduction will be effective April 1, 2013. These reductions favorably affect income tax expense on future U.K. earnings, but also require us to remeasure our U.K. net deferred tax assets using the lower tax rates. In the third quarter of 2012, we will record a charge to income tax expense of approximately $800 million for the remeasurement. If the corporate income tax rate is reduced to 22 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, we would record a charge to income tax expense of approximately $400 million in the period of enactment.

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

			Average Balance			
	June 30	December 31	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011	2012	2011
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$226,116	$211,183	$234,148	$259,069	$233,604	$243,311
Trading account assets	204,725	169,319	180,694	186,760	178,236	203,806
Debt securities	335,217	311,416	342,244	335,269	335,001	335,556
Loans and leases	892,315	926,200	899,498	938,513	906,610	938,738
Allowance for loan and lease losses	(30,288)	(33,783)	(31,463)	(38,755)	(32,336)	(39,752)
All other assets	532,769	544,711	569,442	658,254	569,753	657,167
Total assets	$2,160,854	$2,129,046	$2,194,563	$2,339,110	$2,190,868	$2,338,826
Liabilities						
Deposits	$1,035,225	$1,033,041	$1,032,888	$1,035,944	$1,031,500	$1,029,578
Federal funds purchased and securities loaned or sold under agreements to repurchase	285,914	214,864	279,496	276,673	267,950	291,461
Trading account liabilities	77,458	60,508	84,728	96,108	78,300	90,044
Commercial paper and other short-term borrowings	39,019	35,698	39,413	62,019	38,031	63,581
Long-term debt	301,848	372,265	333,173	435,144	348,346	437,812
All other liabilities	185,415	182,569	189,307	198,155	192,679	193,420
Total liabilities	1,924,879	1,898,945	1,959,005	2,104,043	1,956,806	2,105,896
Shareholders’ equity	235,975	230,101	235,558	235,067	234,062	232,930
Total liabilities and shareholders’ equity	$2,160,854	$2,129,046	$2,194,563	$2,339,110	$2,190,868	$2,338,826

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, that 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 metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets.

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Assets

At June 30, 2012, total assets were approximately $2.2 trillion, an increase of $31.8 billion, or one percent, from December 31, 2011. This increase was driven by trading account assets due to increases in U.S. Treasuries and EMEA sovereign debt and hedges in leveraged credit trading; debt securities primarily driven by net purchases of agency mortgage-backed securities (MBS); federal funds sold and securities borrowed or purchased under agreements to resell to cover increases in client short positions and customer financing activity through the match book, and collateral requirements. These increases were partially offset by asset sales and continued run-off in targeted portfolios.

Average total assets decreased $144.5 billion and $148.0 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were driven by asset sales and continued run-off in targeted portfolios, sales of strategic investments, and lower securities borrowed or purchased under agreements to resell driven by decreased customer activity.

Liabilities and Shareholders' Equity

At June 30, 2012, total liabilities were approximately $1.9 trillion, an increase of $25.9 billion, or one percent, from December 31, 2011 primarily driven by an increase in securities sold under agreements to repurchase due to funding trading inventory resulting from customer demand and funding of trading assets and securities. Partially offsetting this increase were planned reductions in long-term debt.

Average total liabilities decreased $145.0 billion and $149.1 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were primarily driven by planned reductions in long-term debt; lower short-term borrowings due to the Corporation's reduced use of commercial paper and master notes; and lower trading liabilities due to reduced short positions in U.S. Treasuries used for hedging and EMEA sovereign debt. In addition, the six-month comparison to the same period in 2011 saw reductions in our use of securities loaned or sold under agreements to repurchase due to inventory reductions and lower cash requirements.

At June 30, 2012, shareholders' equity was $236.0 billion, an increase of $5.9 billion, or three percent, from December 31, 2011 due to earnings, common stock issued under employee plans and exchanges of preferred and trust preferred securities, curtailment of the Corporation's Qualified Pension Plans and an increase in unrealized gains on available-for-sale (AFS) debt securities in other comprehensive income (OCI).

Average shareholders' equity increased $491 million and $1.1 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011 driven by earnings and common stock issued under employee plans and exchanges of preferred and trust preferred securities. The six-month increase was also impacted by the sale of preferred stock and related warrants to Berkshire Hathaway, Inc. in the third quarter of 2011 and curtailment of the Corporation's Qualified Pension Plans. These increases were partially offset by lower unrealized gains on AFS debt securities in accumulated OCI in 2011.

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Table 7
Selected Quarterly Financial Data

	2012 Quarters		2011 Quarters		
(In millions, except per share information)	Second	First	Fourth	Third	Second
Income statement					
Net interest income	$9,548	$10,846	$10,701	$10,490	$11,246
Noninterest income	12,420	11,432	14,187	17,963	1,990
Total revenue, net of interest expense	21,968	22,278	24,888	28,453	13,236
Provision for credit losses	1,773	2,418	2,934	3,407	3,255
Goodwill impairment	—	—	581	—	2,603
Merger and restructuring charges	—	—	101	176	159
All other noninterest expense [1]	17,048	19,141	18,840	17,437	20,094
Income (loss) before income taxes	3,147	719	2,432	7,433	(12,875)
Income tax expense (benefit)	684	66	441	1,201	(4,049)
Net income (loss)	2,463	653	1,991	6,232	(8,826)
Net income (loss) applicable to common shareholders	2,098	328	1,584	5,889	(9,127)
Average common shares issued and outstanding	10,776	10,651	10,281	10,116	10,095
Average diluted common shares issued and outstanding [2]	11,556	10,762	11,125	10,464	10,095
Performance ratios					
Return on average assets	0.45 %	0.12 %	0.36 %	1.07 %	n/m
Four quarter trailing return on average assets [3]	0.51	n/m	0.06	n/m	n/m
Return on average common shareholders' equity	3.89	0.62	3.00	11.40	n/m
Return on average tangible common shareholders' equity [4]	5.95	0.95	4.72	18.30	n/m
Return on average tangible shareholders' equity [4]	6.16	1.67	5.20	17.03	n/m
Total ending equity to total ending assets	10.92	10.66	10.81	10.37	9.83 %
Total average equity to total average assets	10.73	10.63	10.34	9.66	10.05
Dividend payout	5.60	34.97	6.60	1.73	n/m
Per common share data					
Earnings (loss)	$0.19	$0.03	$0.15	$0.58	$(0.90)
Diluted earnings (loss) [2]	0.19	0.03	0.15	0.56	(0.90)
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.16	19.83	20.09	20.80	20.29
Tangible book value [4]	13.22	12.87	12.95	13.22	12.65
Market price per share of common stock					
Closing	$8.18	$9.57	$5.56	$6.12	$10.96
High closing	9.68	9.93	7.35	11.09	13.72
Low closing	6.83	5.80	4.99	6.06	10.50
Market capitalization	$88,155	$103,123	$58,580	$62,023	$111,060
Average balance sheet					
Total loans and leases	$899,498	$913,722	$932,898	$942,032	$938,513
Total assets	2,194,563	2,187,174	2,207,567	2,301,454	2,339,110
Total deposits	1,032,888	1,030,112	1,032,531	1,051,320	1,035,944
Long-term debt	333,173	363,518	389,557	420,273	435,144
Common shareholders' equity	216,782	214,150	209,324	204,928	218,505
Total shareholders' equity	235,558	232,566	228,235	222,410	235,067
Asset quality [5]					
Allowance for credit losses [6]	$30,862	$32,862	$34,497	$35,872	$38,209

Nonperforming loans, leases and foreclosed properties (7)	25,377		27,790		27,708		29,059		30,058	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (7)	3.43	%	3.61	%	3.68	%	3.81	%	4.00	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (7)	127		126		135		133		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio (7)	90		91		101		101		105	
Amounts included in allowance that are excluded from nonperforming loans (8)	$16,327		$17,006		$17,490		$18,317		$19,935	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans (8)	59	%	60	%	65	%	63	%	63	%
Net charge-offs	$3,626		$4,056		$4,054		$5,086		$5,665	
Annualized net charge-offs as a percentage of average loans and leases outstanding (7)	1.64	%	1.80	%	1.74	%	2.17	%	2.44	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding (7)	2.70		2.85		2.74		2.87		2.96	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (7)	2.87		3.10		3.01		3.15		3.22	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	2.08		1.97		2.10		1.74		1.64	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	1.46		1.43		1.57		1.33		1.28	
Capital ratios (period end)										
Risk-based capital:										
Tier 1 common	11.24	%	10.78	%	9.86	%	8.65	%	8.23	%
Tier 1	13.80		13.37		12.40		11.48		11.00	
Total	17.51		17.49		16.75		15.86		15.65	
Tier 1 leverage	7.84		7.79		7.53		7.11		6.86	
Tangible equity (4)	7.73		7.48		7.54		7.16		6.63	
Tangible common equity (4)	6.83		6.58		6.64		6.25		5.87	

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

(2) Due to a net loss applicable to common shareholders for the second quarter of 2011, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

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

(4) 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 additional information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 17 and Table 9 on pages 18 through 19.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 83.

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

(7) 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 Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and corresponding Table 43, and Nonperforming Commercial Loans, Leases and

Foreclosed Properties Activity on page 108 and corresponding Table 52.

(8) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, PCI loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

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Table 8
Selected Year-to-Date Financial Data

	Six Months Ended June 30	
(In millions, except per share information)	2012	2011
Income statement		
Net interest income	$20,394	$23,425
Noninterest income	23,852	16,688
Total revenue, net of interest expense	44,246	40,113
Provision for credit losses	4,191	7,069
Goodwill impairment	—	2,603
Merger and restructuring charges	—	361
All other noninterest expense [1]	36,189	40,175
Income (loss) before income taxes	3,866	(10,095)
Income tax expense (benefit)	750	(3,318)
Net income (loss)	3,116	(6,777)
Net income (loss) applicable to common shareholders	2,426	(7,388)
Average common shares issued and outstanding	10,715	10,085
Average diluted common shares issued and outstanding [2]	11,510	10,085
Performance ratios		
Return on average assets	0.29 %	n/m
Return on average common shareholders' equity	2.26	n/m
Return on average tangible common shareholders' equity[3]	3.47	n/m
Return on average tangible shareholders' equity[3]	3.94	n/m
Total ending equity to total ending assets	10.92	9.83 %
Total average equity to total average assets	10.68	9.96
Dividend payout	9.56	n/m
Per common share data		
Earnings (loss)	$0.23	$(0.73)
Diluted earnings (loss) [2]	0.22	(0.73)
Dividends paid	0.02	0.02
Book value	20.16	20.29
Tangible book value [3]	13.22	12.65
Market price per share of common stock		
Closing	$8.18	$10.96
High closing	9.93	15.25
Low closing	5.80	10.50
Market capitalization	$88,155	$111,060
Average balance sheet		
Total loans and leases	$906,610	$938,738
Total assets	2,190,868	2,338,826
Total deposits	1,031,500	1,029,578
Long-term debt	348,346	437,812
Common shareholders' equity	215,466	216,367
Total shareholders' equity	234,062	232,930
Asset quality [4]		
Allowance for credit losses [5]	$30,862	$38,209
Nonperforming loans, leases and foreclosed properties [6]	25,377	30,058
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [6]	3.43 %	4.00 %

Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [6]	127	135
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio [6]	90	105
Amounts included in allowance that are excluded from nonperforming loans [7]	$16,327	$19,935
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [7]	59 %	63 %
Net charge-offs	$7,682	$11,693
Annualized net charge-offs as a percentage of average loans and leases outstanding [6]	1.72 %	2.53 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding [6]	2.70	2.96
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [6]	2.87	3.22
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.96	1.58
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	1.38	1.23

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

(2) Due to a net loss applicable to common shareholders for the second quarter of 2011, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 17 and Table 9 on pages 18 through 19.

(4) For more information on the impact of the PCI 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 Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and corresponding Table 43, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 52.

(7) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, PCI loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

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Supplemental Financial Data

We view net interest income and related ratios and analyses on a FTE basis, which 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.

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

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

- Return on average tangible common shareholders’ equity measures our earnings contribution as a percentage of adjusted common shareholders’ equity. The tangible common equity ratio represents adjusted 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 total 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 7 and 8.

In addition, we evaluate our business segment results based on measures that utilize return on economic capital, a non-GAAP financial measure, including the following:

- Return on average economic capital for the segments is calculated as net income, adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average economic capital.

- Economic capital represents allocated equity less goodwill and a percentage of intangible assets (excluding MSRs).

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In Table 9 we have excluded the impact of goodwill impairment charges of $581 million and $2.6 billion recorded in the fourth and second quarters of 2011 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures. Tables 9, 10 and 11 provide reconciliations of these non-GAAP financial measures with financial measures defined by GAAP. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2012 Quarters		2011 Quarters		
(Dollars in millions, except per share information)	Second	First	Fourth	Third	Second
Fully taxable-equivalent basis data					
Net interest income	$9,782	$11,053	$10,959	$10,739	$11,493
Total revenue, net of interest expense	22,202	22,485	25,146	28,702	13,483
Net interest yield	2.21 %	2.51 %	2.45 %	2.32 %	2.50 %
Efficiency ratio	76.79	85.13	77.64	61.37	n/m
Performance ratios, excluding goodwill impairment charges [1]					
Per common share information					
Earnings (loss)			$0.21		$(0.65)
Diluted earnings (loss)			0.20		(0.65)
Efficiency ratio (FTE basis)			75.33 %		n/m
Return on average assets			0.46		n/m
Four quarter trailing return on average assets [2]			0.20		n/m
Return on average common shareholders' equity			4.10		n/m
Return on average tangible common shareholders' equity			6.46		n/m
Return on average tangible shareholders' equity			6.72		n/m

(1) Performance ratios are calculated excluding the impact of the goodwill impairment charges of $581 million and $2.6 billion recorded during the fourth and second quarters of 2011.

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

n/m = not meaningful

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Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2012 Quarters		2011 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	$9,548	$10,846	$10,701	$10,490	$11,246
Fully taxable-equivalent adjustment	234	207	258	249	247
Net interest income on a fully taxable-equivalent basis	$9,782	$11,053	$10,959	$10,739	$11,493
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	$21,968	$22,278	$24,888	$28,453	$13,236
Fully taxable-equivalent adjustment	234	207	258	249	247
Total revenue, net of interest expense on a fully taxable-equivalent basis	$22,202	$22,485	$25,146	$28,702	$13,483
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$17,048	$19,141	$19,522	$17,613	$22,856
Goodwill impairment charges	—	—	(581)	—	(2,603)
Total noninterest expense, excluding goodwill impairment charges	$17,048	$19,141	$18,941	$17,613	$20,253
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$684	$66	$441	$1,201	$(4,049)
Fully taxable-equivalent adjustment	234	207	258	249	247
Income tax expense (benefit) on a fully taxable-equivalent basis	$918	$273	$699	$1,450	$(3,802)
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	$2,463	$653	$1,991	$6,232	$(8,826)
Goodwill impairment charges	—	—	581	—	2,603
Net income (loss), excluding goodwill impairment charges	$2,463	$653	$2,572	$6,232	$(6,223)
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$2,098	$328	$1,584	$5,889	$(9,127)
Goodwill impairment charges	—	—	581	—	2,603
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$2,098	$328	$2,165	$5,889	$(6,524)
Reconciliation of average common shareholders' equity to average tangible common shareholders'					

equity					
Common shareholders' equity	$216,782	$214,150	$209,324	$204,928	$218,505
Goodwill	(69,976)	(69,967)	(70,647)	(71,070)	(73,748)
Intangible assets (excluding MSRs)	(7,533)	(7,869)	(8,566)	(9,005)	(9,394)
Related deferred tax liabilities	2,626	2,700	2,775	2,852	2,932
Tangible common shareholders' equity	$141,899	$139,014	$132,886	$127,705	$138,295
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$235,558	$232,566	$228,235	$222,410	$235,067
Goodwill	(69,976)	(69,967)	(70,647)	(71,070)	(73,748)
Intangible assets (excluding MSRs)	(7,533)	(7,869)	(8,566)	(9,005)	(9,394)
Related deferred tax liabilities	2,626	2,700	2,775	2,852	2,932
Tangible shareholders' equity	$160,675	$157,430	$151,797	$145,187	$154,857
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	$217,213	$213,711	$211,704	$210,772	$205,614
Goodwill	(69,976)	(69,976)	(69,967)	(70,832)	(71,074)
Intangible assets (excluding MSRs)	(7,335)	(7,696)	(8,021)	(8,764)	(9,176)
Related deferred tax liabilities	2,559	2,628	2,702	2,777	2,853
Tangible common shareholders' equity	$142,461	$138,667	$136,418	$133,953	$128,217
Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	$235,975	$232,499	$230,101	$230,252	$222,176
Goodwill	(69,976)	(69,976)	(69,967)	(70,832)	(71,074)
Intangible assets (excluding MSRs)	(7,335)	(7,696)	(8,021)	(8,764)	(9,176)
Related deferred tax liabilities	2,559	2,628	2,702	2,777	2,853
Tangible shareholders' equity	$161,223	$157,455	$154,815	$153,433	$144,779
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,160,854	$2,181,449	$2,129,046	$2,219,628	$2,261,319
Goodwill	(69,976)	(69,976)	(69,967)	(70,832)	(71,074)
Intangible assets (excluding MSRs)	(7,335)	(7,696)	(8,021)	(8,764)	(9,176)
Related deferred tax liabilities	2,559	2,628	2,702	2,777	2,853
Tangible assets	$2,086,102	$2,106,405	$2,053,760	$2,142,809	$2,183,922

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Table 10
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, except per share information)	Six Months Ended June 30 2012	2011
Fully taxable-equivalent basis data		
Net interest income	$20,835	$23,890
Total revenue, net of interest expense	44,687	40,578
Net interest yield	2.36 %	2.58 %
Efficiency ratio	80.98	n/m
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis		
Net interest income	$20,394	$23,425
Fully taxable-equivalent adjustment	441	465
Net interest income on a fully taxable-equivalent basis	$20,835	$23,890
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	$44,246	$40,113
Fully taxable-equivalent adjustment	441	465
Total revenue, net of interest expense on a fully taxable-equivalent basis	$44,687	$40,578
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges		
Total noninterest expense	$36,189	$43,139
Goodwill impairment charges	—	(2,603)
Total noninterest expense, excluding goodwill impairment charges	$36,189	$40,536
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis		
Income tax expense (benefit)	$750	$(3,318)
Fully taxable-equivalent adjustment	441	465
Income tax expense (benefit) on a fully taxable-equivalent basis	$1,191	$(2,853)
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges		
Net income (loss)	$3,116	$(6,777)
Goodwill impairment charges	—	2,603
Net income (loss), excluding goodwill impairment charges	$3,116	$(4,174)
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges		
Net income (loss) applicable to common shareholders	$2,426	$(7,388)
Goodwill impairment charges	—	2,603
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$2,426	$(4,785)
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity		
Common shareholders' equity	$215,466	$216,367
Goodwill	(69,971)	(73,834)
Intangible assets (excluding MSRs)	(7,701)	(9,580)
Related deferred tax liabilities	2,663	2,983
Tangible common shareholders' equity	$140,457	$135,936
Reconciliation of average shareholders' equity to average tangible shareholders' equity		

Shareholders’ equity	$234,062	$232,930
Goodwill	(69,971)	(73,834)
Intangible assets (excluding MSRs)	(7,701)	(9,580)
Related deferred tax liabilities	2,663	2,983
Tangible shareholders’ equity	$159,053	$152,499

n/m = not meaningful

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Table 11
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Consumer & Business Banking				
Reported net income	$1,156	$2,502	$2,611	$4,544
Adjustment related to intangibles [1]	4	2	7	9
Adjusted net income	$1,160	$2,504	$2,618	$4,553
Average allocated equity	$53,452	$52,559	$53,199	$53,126
Adjustment related to goodwill and a percentage of intangibles	(30,485)	(30,656)	(30,503)	(30,676)
Average economic capital	$22,967	$21,903	$22,696	$22,450
Consumer Real Estate Services				
Reported net loss	$(768)	$(14,506)	$(1,913)	$(16,906)
Adjustment related to intangibles [1]	—	—	—	—
Goodwill impairment charge	—	2,603	—	2,603
Adjusted net loss	$(768)	$(11,903)	$(1,913)	$(14,303)
Average allocated equity	$14,116	$17,139	$14,454	$17,933
Adjustment related to goodwill and a percentage of intangibles (excluding MSRs)	—	(2,702)	—	(2,722)
Average economic capital	$14,116	$14,437	$14,454	$15,211
Global Banking				
Reported net income	$1,406	$1,921	$2,996	$3,504
Adjustment related to intangibles [1]	1	1	2	3
Adjusted net income	$1,407	$1,922	$2,998	$3,507
Average allocated equity	$45,958	$47,060	$45,838	$47,891
Adjustment related to goodwill and a percentage of intangibles	(24,856)	(24,428)	(24,858)	(24,430)
Average economic capital	$21,102	$22,632	$20,980	$23,461
Global Markets				
Reported net income	$462	$911	$1,260	$2,306
Adjustment related to intangibles [1]	3	3	5	6
Adjusted net income	$465	$914	$1,265	$2,312
Average allocated equity	$17,132	$22,990	$17,725	$24,667
Adjustment related to goodwill and a percentage of intangibles	(4,608)	(4,646)	(4,629)	(4,598)
Average economic capital	$12,524	$18,344	$13,096	$20,069
Global Wealth and Investment Management				
Reported net income	$543	$513	$1,090	$1,055
Adjustment related to intangibles [1]	6	7	12	16
Adjusted net income	$549	$520	$1,102	$1,071

Average allocated equity	$17,974	$17,560	$17,601	$17,745
Adjustment related to goodwill and a percentage of intangibles	(10,621)	(10,706)	(10,631)	(10,717)
Average economic capital	$7,353	$6,854	$6,970	$7,028

(1) Represents cost of funds, earnings credit and certain expenses related to intangibles.

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Table 11
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures (continued)

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Consumer & Business Banking				
Deposits				
Reported net income	$190	$433	$500	$795
Adjustment related to intangibles [1]	1	—	1	1
Adjusted net income	$191	$433	$501	$796
Average allocated equity	$23,982	$23,612	$23,588	$23,627
Adjustment related to goodwill and a percentage of intangibles	(17,926)	(17,951)	(17,929)	(17,955)
Average economic capital	$6,056	$5,661	$5,659	$5,672
Card Services				
Reported net income	$929	$1,944	$1,967	$3,516
Adjustment related to intangibles [1]	3	2	6	8
Adjusted net income	$932	$1,946	$1,973	$3,524
Average allocated equity	$20,525	$21,016	$20,598	$21,580
Adjustment related to goodwill and a percentage of intangibles	(10,460)	(10,607)	(10,476)	(10,624)
Average economic capital	$10,065	$10,409	$10,122	$10,956
Business Banking				
Reported net income	$37	$125	$144	$233
Adjustment related to intangibles [1]	—	—	—	—
Adjusted net income	$37	$125	$144	$233
Average allocated equity	$8,945	$7,931	$9,013	$7,919
Adjustment related to goodwill and a percentage of intangibles	(2,099)	(2,098)	(2,098)	(2,097)
Average economic capital	$6,846	$5,833	$6,915	$5,822

[1] For footnote 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 which excludes the impact of trading-related activities (this adjusted measure of net interest income has been referred to as core net interest income in previous periodic reports of the Corporation). As discussed in the Global Markets business segment section on page 47, 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 12 provides additional clarity in assessing our results.

Table 12
Net Interest Income Excluding Trading-related Net Interest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Net interest income (FTE basis)				
As reported [1]	$9,782	$11,493	$20,835	$23,890
Impact of trading-related net interest income [2]	(653)	(874)	(1,449)	(1,894)
Net interest income excluding trading-related net interest income	$9,129	$10,619	$19,386	$21,996
Average earning assets				
As reported	$1,772,568	$1,844,525	$1,770,336	$1,857,124
Impact of trading-related earning assets [2]	(444,537)	(457,845)	(434,447)	(461,526)
Average earning assets excluding trading-related earning assets	$1,328,031	$1,386,680	$1,335,889	$1,395,598
Net interest yield contribution (FTE basis) [3]				
As reported [1]	2.21 %	2.50 %	2.36 %	2.58 %
Impact of trading-related activities [2]	0.55	0.57	0.55	0.58
Net interest yield on earning assets excluding trading-related activities	2.76 %	3.07 %	2.91 %	3.16 %

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve of $52 million and $99 million for the three and six months ended June 30, 2012 and $49 million and $112 million for the three and six months ended June 30, 2011.
(2) Represents the impact of trading-related amounts included in Global Markets.
(3) Calculated on an annualized basis.

For the three and six months ended June 30, 2012, net interest income excluding trading-related net interest income decreased $1.5 billion to $9.1 billion, and $2.6 billion to $19.4 billion compared to the same periods in the prior year. The declines were primarily driven by lower consumer loan balances and yields and decreased investment securities yields, including the acceleration of purchase premium amortization expense. These were partially offset by reductions in long-term debt balances and lower rates paid on deposits.

Average earning assets excluding trading-related earning assets for the three and six months ended June 30, 2012 decreased $58.6 billion to $1,328.0 billion, and $59.7 billion to $1,335.9 billion compared to the same periods in the prior year. The decreases were due to declines in consumer loans, loans held-for-sale (LHFS) and securities purchased under agreement to resell, partially offset by increases in commercial loans, investment securities and trading assets.

For the three and six months ended June 30, 2012, net interest yield on earning assets excluding trading-related activities decreased 31 bps to 2.76 percent, and 25 bps to 2.91 percent compared to the same periods in the prior year

primarily due to the factors noted above. These impacts include a significant flattening of the yield curve driven by lower long-term rates throughout the three and six months ended June 30, 2012 compared to the same periods in the prior year.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Second Quarter 2012			First Quarter 2012		
	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]	$27,476	$64	0.94 %	$31,404	$65	0.83 %
Federal funds sold and securities borrowed or purchased under agreements to resell	234,148	360	0.62	233,061	460	0.79
Trading account assets	180,694	1,302	2.89	175,778	1,399	3.19
Debt securities [2]	342,244	1,907	2.23	327,758	2,732	3.33
Loans and leases [3]:						
Residential mortgage [4]	255,349	2,462	3.86	260,573	2,489	3.82
Home equity	119,657	1,090	3.66	122,933	1,164	3.80
Discontinued real estate	11,144	94	3.36	12,082	103	3.42
U.S. credit card	95,018	2,356	9.97	98,334	2,459	10.06
Non-U.S. credit card	13,641	396	11.68	14,151	408	11.60
Direct/Indirect consumer [5]	84,198	733	3.50	88,321	801	3.65
Other consumer [6]	2,565	41	6.41	2,617	40	6.24
Total consumer	581,572	7,172	4.95	599,011	7,464	5.00
U.S. commercial	199,644	1,742	3.51	195,111	1,756	3.62
Commercial real estate [7]	37,627	323	3.46	39,190	339	3.48
Commercial lease financing	21,446	216	4.02	21,679	272	5.01
Non-U.S. commercial	59,209	369	2.50	58,731	391	2.68
Total commercial	317,926	2,650	3.35	314,711	2,758	3.52
Total loans and leases	899,498	9,822	4.38	913,722	10,222	4.49
Other earning assets	88,508	719	3.26	86,382	743	3.46
Total earning assets [8]	1,772,568	14,174	3.21	1,768,105	15,621	3.55
Cash and cash equivalents [1]	116,025	52		112,512	47	
Other assets, less allowance for loan and lease losses	305,970			306,557		
Total assets	$2,194,563			$2,187,174		

(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 Corporation's Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on AFS debt securities 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 $89 million and $86 million in the second and first quarters of 2012, and $88 million, $91 million and $94 million in the fourth, third and second quarters of 2011, respectively.

(5) Includes non-U.S. consumer loans of $7.8 billion and $7.5 billion in the second and first quarters of 2012, and $8.4 billion, $8.6 billion and $8.7 billion in the fourth, third and second quarters of 2011, respectively.

(6) Includes consumer finance loans of $1.6 billion in both the second and first quarters of 2012, and $1.7 billion, $1.8 billion and $1.8 billion in the fourth, third and second quarters of 2011, respectively; other non-U.S. consumer loans of $895 million and $903 million in the second and first quarters of 2012, and $959 million, $932 million and $840 million in the fourth, third and second quarters of 2011, respectively; and consumer overdrafts of $108

million and $90 million in the second and first quarters of 2012, and $107 million, $107 million and $79 million in the fourth, third and second quarters of 2011, respectively.

(7) Includes U.S. commercial real estate loans of $36.0 billion and $37.4 billion in the second and first quarters of 2012, and $38.7 billion, $40.7 billion and $43.4 billion in the fourth, third and second quarters of 2011, respectively; and non-U.S. commercial real estate loans of $1.6 billion and $1.8 billion in the second and first quarters of 2012, and $1.9 billion, $2.2 billion and $2.3 billion in the fourth, third and second quarters of 2011, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $366 million and $106 million in the second and first quarters of 2012, and $427 million, $1.0 billion and $739 million in the fourth, third and second quarters of 2011, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $591 million and $658 million in the second and first quarters of 2012, and $763 million, $631 million and $625 million in the fourth, third and second quarters of 2011, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 126.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Fourth Quarter 2011				Third Quarter 2011			Second Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets										
Time deposits placed and other short-term investments [1]	$27,688	$85	1.19	%	$26,743	$87	1.31			